

**Secure Trust Bank PLC**  
**12 March 2026**  
**For immediate release**

## **SECURE TRUST BANK PLC**

### **2025 Annual Results and Investor Update Event: updated strategic plans and medium-term targets**

Secure Trust Bank PLC ('STB', 'Secure Trust Bank', or the 'Group'), a leading specialist bank, will host its 2025 Annual Results and Investor Update event for analysts and institutional investors today, 12 March 2026.

A live webcast of the presentation and slides will be available at the following link at 13.00: [https://brmedia.news/STB\\_FY25\\_Investor\\_Update](https://brmedia.news/STB_FY25_Investor_Update). The Annual Results presentation will begin at 13.00, with the Investor Update presentation to begin at 14.15.

The event will cover the Group's 2025 annual results and refreshed strategic plans, including product driven growth opportunities, and its capital allocation strategy. The event includes presentations from the CEO, CFO and management of the Retail Finance, Business Finance and Savings divisions.

#### **2025 Financial highlights<sup>1</sup>:**

- **Achieved return on average equity ('ROAE') of 14.3%(2024: 14.6%)**
- **Delivered continuing profit before tax of £59.3 million (2024: £59.4 million)**
- **Common Equity Tier 1 ('CET 1') ratio improved by 60 bps to 12.9%(2024: 12.3%)**
- **Sale of Consumer Vehicle Finance business further increases CET 1 ratio to 14.7%<sup>2</sup> on a pro forma basis**
- **Growth in lending balances of 8.1%to £3.3 billion (2024: £3.1 billion)**
- **Cost income ratio improved by 220 bps to 45.2%(2024: 47.4%)**
- **Tangible book value per share increased by 5.8%to £19.73 per share (2024: £18.64 per share)**
- **Increased total dividend to 35.5 pence per share (2024: 33.8 pence per share), in line with progressive dividend policy**
- **Committing £10 million of capital to initiate a share buyback programme to be delivered over 12 months, subject to regulatory approval**

#### **Strategic update**

- **Refreshed strategic priorities centred on product expansion, effective digital solutions and capital discipline will deliver targeted growth for higher returns**
- **New medium-term targets of c.10%annual growth and ROAE above 16%**
- **Simplified business on clear trajectory to grow in large scale markets at lower cost of risk**
- **Investment in cost efficiency alongside operating leverage will drive strong cost income ratio**

#### **2025 Annual Results**

The Group achieved strong levels of new business lending, leading to an 8.1% increase in net lending balances to £3.3 billion (2024: £3.1 billion). Retail Finance grew 8.0%, as the business continued to leverage the strength of its retail distribution network. Business Finance grew by 8.1%, driven by Real Estate Finance which grew by 9.4% and continued momentum in Commercial Finance, delivering 3.2% growth in net lending balances. Strong pricing discipline across the Group in a falling rate environment contributed to stable net interest margin ('NIM') of 4.7% (2024: 4.7%).

Customer deposits increased 8.2% year on year to £3.5 billion (2024: £3.2 billion), supporting growth in the lending book, and remaining stable relative to the half year. The rundown of the Vehicle Finance portfolio reduced the need for additional funding in the second half of the year. The Group fully repaid its Bank of England Term Funding Scheme with additional incentives for SMEs ('TFSME') balances in 2025 (2024: £230.0 million). The Group has £201.2 million (2024: £125.7 million) of funding through sale and repurchase arrangements.

Cost income ratio improved to 45.2% (2024: 47.4%) reflecting strong income growth and effective cost management in an inflationary environment, and the delivery of operational efficiencies through our cost optimisation programme, Project Fusion<sup>3</sup>. In 2025, operating expenses included £2.5 million of non-recurring costs relating to changes in senior leadership; excluding these items, the cost income ratio would have been 43.7%.

Cost of risk increased to 1.0% (2024: 0.8%). This reflects the impact of three specific cases in Business Finance and

costs then increased to more than one year, this reflects the impact of three specific cases in Business Finance and a normalisation of impairment charges in Retail Finance, following the impact of one-off model benefits.

The Group was capital accretive in 2025 and strengthened its capital position in the year, improving the CET 1 ratio by 60 bps to 12.9% (2024: 12.3%). The sale of the Consumer Vehicle Finance business, which completed on 25 February 2026, further increases the CET 1 ratio on a pro forma basis to 14.7%<sup>2</sup>.

#### Financial Summary<sup>1</sup>

|                                               | 2025        | 2024        | Change    |
|-----------------------------------------------|-------------|-------------|-----------|
| Continuing profit before tax                  | £59.3m      | £59.4m      | (0.2)%    |
| Total profit before tax                       | £27.5m      | £29.2m      | (5.8)%    |
| Total adjusted <sup>4</sup> profit before tax | £51.6m      | £39.1m      | 32.0%     |
| Basic earnings per share                      | 238.8 pence | 227.7 pence | 4.9%      |
| Total basic earnings per share                | 94.2 pence  | 103.4 pence | (8.9)%    |
| Ordinary dividend per share                   | 35.5 pence  | 33.8 pence  | 5.0%      |
| Return on average equity                      | 14.3%       | 14.6%       | (30) bps  |
| Net interest margin                           | 4.7%        | 4.7%        | -         |
| Cost of risk                                  | 1.0%        | 0.8%        | 20 bps    |
| Cost income ratio                             | 45.2%       | 47.4%       | (220) bps |
| Net lending balances                          | £3,295.8m   | £3,050.2m   | 8.1%      |
| Customer deposits                             | £3,509.6m   | £3,244.9m   | 8.2%      |
| Tangible book value per share                 | £19.73      | £18.64      | 5.8%      |
| CET 1 ratio                                   | 12.9%       | 12.3%       | 60 bps    |
| Total capital ratio                           | 15.2%       | 14.6%       | 60 bps    |

#### Execution against strategic priorities

We continued to make strong progress against the four strategic priorities set out in 2023: simplify, leverage networks, enhance customer experience and enabled by technology.

- **Sale of Consumer Vehicle Finance business further simplifies Group structure**
- **Completion of Project Fusion, which has delivered c.£8 million of annualised cost savings<sup>3</sup>**  
**Strong levels of new lending across Business and Retail Finance, reflecting strength of deep customer and partner relationships**
- **Surpassed 475,000 Retail Finance app registrations and re-launched an updated Savings app**
- **Gains in Retail Finance new business market share to 15.5%<sup>5</sup> (2024: 13.6%)**

#### Regulatory and legal developments

In October 2025, and in response to the proposed FCA approach, we increased our provision for motor finance consumer redress and related costs by £16.4 million. As at the 31 December 2025 the provision held was £21.5 million (2024: £6.4 million).

#### Dividend

The Board recommends the payment of a final dividend for 2025 of 23.7 pence per share, which together with the interim dividend of 11.8 pence per share, represents a total dividend for the year of 35.5 pence per share (2024: 33.8 pence per share). This will be payable on 21 May 2026 to shareholders on the register at the close of business on 24 April 2026 and is in line with the Group's progressive dividend policy.

#### Updated strategic priorities and medium-term targets

##### 2025 strategic pivot

In the first half of 2025, the Group underwent a strategic review and identified opportunities to increase ROAE over time. As a result, the Group took decisive actions to streamline the business during 2025, including announcing its decision to stop new Vehicle Finance lending and subsequently agreeing the sale of the Consumer Vehicle Finance business.

We have now simplified to two lending divisions, Retail Finance and Business Finance, supported by our Savings division. This new structure reflects the way that we manage and evaluate our businesses through a product lens. We have profitable growth opportunities across our divisions, all with an established track record of value creation. Our proven specialist market capabilities, combined with the operating leverage now embedded within our businesses, enable us to pursue growth opportunities at minimal incremental cost.

#### Refreshed strategy - Targeted growth for higher returns

Secure Trust Bank's refreshed strategy is "targeted growth for higher returns". This will be delivered through three strategic priorities:

- **Product expansion:** The Group will build on its existing strengths while broadening its product portfolio, including expansion into complementary offerings that enhance overall returns.
- **Effective digital solutions:** The Group will use scalable, flexible technology to enable further efficiencies, widen distribution and enhance the customer journey.

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- **Capital discipline:** Capital allocation decisions will be informed by business credit expertise and data insights. The deployment of capital will support growth and value creation.

## Medium-term targets

Secure Trust Bank also announces new medium-term targets.

| Measure                      | Medium-term target |
|------------------------------|--------------------|
| Annual growth in net lending | c.10%              |
| ROAE                         | >16%               |

Our target ROAE of above 16% will be driven by a disciplined focus on key drivers and underpinned by our ambitions to:

- target c.10% annual net lending growth in Retail Finance and Business Finance divisions, whilst maintaining risk adjusted margins through credit discipline and utilising data insights;
- expand our products into areas that share similar characteristics to our current offering where we have proven capability;
- deliver high operating leverage by maintaining a disciplined approach to cost management and delivery of efficiencies;
- improve cost income ratio over time, with an ambition to be 35-40% in the medium-term; and
- support predictable and stable returns through a balanced risk-weighted asset mix.

## Optimising capital management

Maintaining a strong capital base is pivotal to the delivery of our medium-term targets.

Our capital allocation framework is designed to optimise capital deployment for growth and value creation, whilst managing capital buffers. Our ambition is to maintain the CET 1 ratio at c.13.0%. We aim to deploy any surplus capital in the highest returning opportunities or return capital to shareholders, so as to enable us to deploy capital in organic product driven growth opportunities and enhance distributions to shareholders. Subject to regulatory approval and no material changes in prevailing market conditions, we will be committing surplus capital to initiate a share buyback programme with £10 million intended to be delivered in tranches over the next 12 months, as well as reaffirming our commitment to a progressive dividend policy. The Group is capital accretive and can support both further growth in net lending and dividends.

These choices are possible due to the sale of the Consumer Vehicle Finance business which has released capital ahead of schedule. This also accelerates our removal of costs from the Group. In our 2025 Interim Results, we indicated that the exit from Vehicle Finance would release £25 million of costs by 2030, involving incurring costs of £5 million. We are reaffirming our target to remove £25 million of run-rate costs but will do so by 2028, incurring additional costs of £12 million. We intend to support our medium-term target of more than 16% ROAE in this way through material improvements in the cost income ratio.

## 2026 Guidance

Having taken decisive strategic actions in 2025, 2026 will be a transitional year to launch new products and reduce cost. Accordingly, we provide the following guidance on 2026 expected performance.

|                         |                                                                                    |
|-------------------------|------------------------------------------------------------------------------------|
| Net lending             | 8-10% growth                                                                       |
| Risk Adjusted Margin    | c.10 bps improvement                                                               |
| Costs                   | Cost income ratio c.47%                                                            |
| Capital                 | CET 1 ratio c. 13.5%                                                               |
|                         | Progressive dividend policy maintained                                             |
| Distributions           | Intention to launch £10 million buy-back programme, subject to regulatory approval |
| Discontinued activities | Break even profit before tax pre-exceptionals                                      |

## CEO, Ian Corfield said:

"Our strategy is simple. We will grow in large investable scale markets, where there are product driven opportunities that leverage our proven capabilities, and we will do this with operating leverage that will deliver an improved cost income ratio in the medium-term. We have a clear trajectory to higher returns, delivered at a reduced cost of risk. We are well capitalised and intend to deliver value back to shareholders through a share buyback programme. In combination this will allow us to deliver targeted growth at higher returns."

## Footnotes

1. Performance metrics relate to continuing operations, unless otherwise stated. The term "Total" refers to statutory continuing and discontinued operations. Further details of the metrics can be found in the Appendix to the 2025 Annual Report and Accounts.
2. The revised pro forma CET 1 ratio at 31 December 2025 reflects 1) the Consumer Vehicle Finance portfolio had credit risk weighted assets of £293.2 million at that time and 2) the Vehicle Finance business sale generated a one-off net gain on sale on completion which

increased CET 1.

3. £5.0 million cost savings relative to operating expenses for the 12 months ended December 2021. The additional £3.0 million savings (of the £8.0 million) are relative to annualised operating expenses for the six months ended 30 June 2024.

4. Adjusted metrics exclude exceptional items of £24.1 million (2024: £9.9 million). Details can be found in Note 8 to the Financial Statements.

5. Source: Finance & Leasing Association: New business values within retail store and online credit: 2025: 15.5% (2024: 13.6%). FLA total and Retail Finance new business of £9,094.8 million (2024: £9,476.0 million) and £1,407.0 million (2024: £1,289.7 million). As published at 31 December 2025.

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#### **Forward looking statements**

This announcement contains forward-looking statements about the business, strategy and plans of STB and its current objectives, targets and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about STB's or management's beliefs and expectations, are forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. STB's actual future results may differ materially from the results expressed or implied in these forward-looking statements as a result of a variety of factors. These include economic and business conditions, risks from failure of clients, customers and counterparties, market related risks including interest rate risk, risks regarding market conditions outside STB's control, expected credit losses in certain scenarios involving forward looking data, operational risks, legal, regulatory, or governmental developments, and other factors. The forward-looking statements contained in this announcement are made as of the date of this announcement, and (except as required by law or regulation) STB undertakes no obligation to update any of its forward-looking statements.

#### **About STB**

STB is an established, well - funded and capitalised UK retail bank with a 72 - year trading track record. STB operates principally from its head office in Solihull, West Midlands. The Group's diversified lending portfolio currently focuses on two sectors:

(i) Business Finance through its Real Estate Finance and Commercial Finance divisions; and

(ii) Consumer Finance through its V12 Retail Finance division,

supported by its Savings division.

Secure Trust Bank PLC is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Secure Trust Bank PLC, Yorke House, Arleston Way, Solihull, B90 4LH.

## **Group at a glance**

### **Our strategic progress against 2025 priorities**

#### **Simplify**

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- **Streamlined Group:** Accelerated exit of Vehicle Finance business has focused capital deployment on higher returning businesses
  - **Delivered cost efficiencies:** Project Fusion, our cost optimisation programme has delivered c. £8 million<sup>1</sup> of annualised savings
  - **Workplace optimisation:** Consolidation of office spaces, driving operational efficiencies and contributing to our ESG strategy

## Enhance customer experience

- **Improved speed of credit decisions:** 90% of Retail Finance applications auto-decided in 6 seconds (2024: 6 seconds)
- **Upgraded user experience through digital applications:** New Savings app launched in December streamlines the customer journey and enhances digital capabilities
- **Sustained client satisfaction:** Internal surveys recorded strong scores across Business Finance, and Retail Finance and Savings Trustpilot score maintained at 4.8 stars<sup>2</sup> (2024: 4.8)

## Leverage networks

- **Sustained strong growth in new business lending:** Supported by high levels of client retention and repeat business in Business Finance, and depth of relationships in Retail Finance
- **Breadth of partnerships:** Partnering with c.900 retailers across thousands of outlets to drive £1.5 billion of net lending in Retail Finance
- **Increased market reach:** Strong network of partners and retailers achieved 8.1% growth in Business Finance and new business market share of 15.5%<sup>3</sup> in Retail Finance

## Enabled by technology

- **Digital-first operating model:** Over 99% customers registered for online banking in Savings and over 91% opting for online account management in Retail Finance
- **New platforms and partners in Retail Finance:** Integration of additional platforms and partners has enhanced the Group's scalability and strengthened key controls
- **Seamless customer experience:** Over 475,000 customers registered for the Retail Finance V12 app, where they are able to access the full product suite available

## Updating our strategic priorities for 2026 and beyond

### Our refreshed strategic ambitions will position the Group for long term, sustainable growth

Refer to Chief Executive statement for further information.

#### Notes

1. £5.0 million cost savings relative to operating expenses for the 12 months ended December 2021. The additional £3.0 million savings (of the total £8.0 million) are relative to annualised operating expenses for the six months ending 30 June 2024.
2. Mark out of 5 based on star rating from 11,220 reviews (2024: 15,527).
3. Source: Finance & Leasing Association: New business values within retail store and online credit: 2025 15.5% (2024: 13.6%). FLA total and Retail Finance new business of £9,094.8m (2024: £9,476.6m) and £1,407.0m (2024: £1,289.7m) respectively. As published at 31 December 2025.

## Chair's statement

It has been a year of change at Secure Trust Bank, with the Board having taken decisive action to strengthen the business and to lay the foundations for enhanced shareholder returns.

In June, we appointed a new Chief Executive Officer ('CEO'), Ian Corfield, to lead the Group through the next phase of its growth strategy, to accelerate the pace of change across the Group and help drive improved performance. The Board is pleased with the progress he has made since his appointment.

In July, we made the difficult decision to cease lending in our Vehicle Finance business, which had been loss making, and with additional recent operational challenges and increased loan impairments, was materially impacting our Group performance. In December, we announced the sale of the Consumer Vehicle Finance business, which completed in February 2026. This was an important strategic milestone and will help to accelerate further our strategic progress by releasing capital to invest in our higher returning business areas.

I would like to take this opportunity to thank all of our Vehicle Finance colleagues, who helped grow the business despite the increasingly challenging operating environment, and to wish them all the very best for the future.

We have refreshed our strategy and simplified our medium-term targets ensuring the business is focused on delivering growth and driving improved returns for our shareholders. Under our revised strategy we will deploy capital, with discipline, into our three higher returning business units; Retail Finance, Commercial Finance and Real Estate Finance, supported by funding through our Savings business. We are focused on developing adjacent products where we have expertise, can add value to our customers and business partners, and leverage technology to ensure our services can be delivered effectively and efficiently. We will continue to have a rigorous approach to cost management, as we right-size the business following the sale of Consumer Vehicle Finance, and further improve our cost-income ratio.

cost income ratio.

We are confident that the strategic decisions taken will support the sustainable growth of our business, deliver improved performance and increased return on equity.

## Business performance

Adjusted<sup>1</sup> total profit before tax for the year ended 31 December 2025 increased by 32.0% to £51.6 million (2024: £39.1 million). This was strong year-on-year growth, however, it was below our expectations for the year with performance once again impacted by the volatility in impairments within our legacy Vehicle Finance business.

Total statutory profit before tax decreased slightly to £27.5 million (2024: £29.2 million). Statutory profit was negatively impacted by exceptional costs incurred due to the decision to cease lending within our Vehicle Finance business and the additional provision booked following the publication of the FCA's consultation on the proposed redress scheme for motor finance commissions.

Whilst we appreciate the additional certainty the FCA's redress scheme will bring, we believe the proposed scheme is not aligned with the Supreme Court judgment in *Johnson v FirstRand*. If implemented in the form proposed, we believe the scheme will result in redress also being paid to customers who received competitive finance and were not harmed and will unfairly impact lenders, particularly those providing near prime financing through specialist brokers operating competitive panels of lenders. We provided a robust response (supported by analysis of our data) to the consultation, including setting out how customers who received competitive finance were not harmed.

## Capital and shareholder returns

On a total basis, adjusted<sup>1</sup> return on average equity was 10.4% (2024: 8.0%); however, if the legacy Vehicle Finance business is excluded, the adjusted<sup>1</sup> return on average equity for the continuing business was 14.3% (2024: 15.0%).

The returns generated by the continuing business, and the plans to increase these further, are positive indicators for the Group's ability to deliver a return on average equity of over 16% in line with our revised medium-term targets.

We have a strong capital position, which has increased during 2025 and, as at 31 December 2025, the Group's Common Equity Tier 1 ratio was 12.9% (2024: 12.3%). This ratio includes the additional provision booked for the estimated redress and costs associated with the FCA's redress scheme for historic motor finance commissions.

It is pleasing to see the progress being made across the business, starting to be reflected in the Company's share price, which increased by 244% over the course of 2025. However, the share price as at 31 December 2025 was £12.45, which is still materially below the Group's tangible book value of £19.73.

In accordance with the Group's progressive dividend policy, the Board has proposed a final dividend payment of 23.7 pence per share (2024: 22.5 pence per share), which if approved by shareholders at the Company's 2026 Annual General Meeting, will be paid on 21 May 2026 to those shareholders on the register on 24 April 2026.

## Governance

There have been several changes to the Board this year. David McCreadie, our former CEO, retired in August 2025 and I would like to thank David on behalf of the Board, employees and all stakeholders for the progress he drove during his tenure as CEO. He oversaw material increases in our lending balances and helped simplify and refocus the Group, providing us with a strong platform for growth.

Our Senior Independent Director and Chair of the Audit Committee, Ann Berresford, who had served on the Board for nine years, stepped down as a Non-Executive Director on 30 December 2025. Ann was appointed to the Board in November 2016 and as Audit Committee Chair in September 2017, and has overseen significant change across the organisation and enhanced the operation of the Audit Committee. In her role as Senior Independent Director, she led the recruitment for the Chair role, which concluded in 2024. I would like to extend our thanks and best wishes to Ann.

Steve Colsell was appointed to the Board on 12 June 2025 and was appointed Chair of the Audit Committee with effect from 30 December 2025. Steve brings extensive financial and accounting experience, particularly within financial services, and is already making a strong contribution to the Board.

In August, Victoria Mitchell was appointed our designated Non-Executive Director for employee engagement, taking over from Paul Myers. We were also delighted to appoint Julie Hopes, who joined the Board in October 2024, as our new Senior Independent Director and Deputy Chair with effect from 30 December 2025.

There have been some changes to our Executive Committee during the year (further information on which can be found in the Chief Executive's statement). I would like to thank all former colleagues for their contribution to Secure Trust Bank and wish all those commencing new roles every success.

## Outlook

The macroeconomic outlook remains uncertain with muted growth across the UK and significant geopolitical uncertainty. We will need to remain agile to adapt to market conditions and continue to focus on delivering good outcomes for our customers, in the specialist areas we operate.

The strategic changes we have implemented during the year position us well to drive improved performance and accelerate our growth and returns for the benefit of our shareholders and other stakeholders. Across the Group we look forward with optimism and renewed energy.

I would like to thank our customers, business partners and shareholders for their continued support and all of our employees who have worked tirelessly to deliver for our customers and the business.

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Note:

1. Adjusted metrics exclude exceptional items of £24.1 million, all relating to Vehicle Finance (2024: £9.9 million, of which £8.4 million relating to Vehicle Finance). Details can be found in Note 8 to the Financial Statements.

## Chief Executive's statement

Our 2025 results reflect a year of decisive strategic execution to improve financial performance. While there have been challenges, I believe the actions taken in 2025 to refresh the leadership team, streamline the Group to operate as one business and to deploy resources into higher returning business units will position us to deliver higher returns and enhanced long-term value creation.

I was delighted to join Secure Trust Bank as Chief Executive Officer at the mid-year. During my first six months I have observed the many strengths of the Group: deep specialist credit and financial expertise, strong partner relationships and flexible platforms. Above all, I have been struck by the commitment of my new colleagues to do the right thing for the business and our customers. I am pleased with the way they have managed a period of significant change with resilience. With a renewed focus on in-office collaboration, I look forward to further progress in 2026 and beyond.

We have grown our continuing businesses, with net lending growth of 8.1% to £3.3 billion (2024: £3.1 billion). Our capital position has strengthened with a significant improvement in the Common Equity Tier 1 ('CET 1') ratio of 60 bps in the year to 12.9% (2024: 12.3%). Customer deposits grew in line with the loan book during the year, supporting robust lending.

These results signal that, despite the need to guide the market to a lower profit number during the year, the Group has solid foundations for the next phase of its development.

## Strategic pivot

In July, we made the decision to stop new lending in our Vehicle Finance business. In December, we announced the sale of the Consumer Vehicle Finance business, which completed as planned on 25 February 2026. The decision to stop new lending was made following a Groupwide strategic review in the first half of the year and reflects the historical financial performance, as well as the medium-term outlook, of the Vehicle Finance business. The sale means the Group can now accelerate its strategic plans. Exiting the Vehicle Finance business will unlock capital to reinvest into higher returning opportunities, supporting long-term growth ambitions and enable consideration of enhanced shareholder distributions.

As a result of the first half strategic review, we identified an optimised model for the Group to significantly improve shareholder returns over the medium-term. We have profitable organic growth opportunities across our Retail Finance and Business Finance businesses which have an established track record of value creation. We are also well placed to leverage the operational improvements and will be disciplined in our approach to investment for growth.

*All key performance indicators are presented on a continuing basis, unless otherwise stated.*

## Financial results - continuing business

The Group delivered a robust set of financial results in 2025. Notably, we delivered profit before tax of £59.3 million (2024: £59.4 million), with stable net interest margin ('NIM') of 4.7% (2024: 4.7%), reflecting strong pricing discipline in a falling rate environment.

Our cost income ratio improved by 220 bps to 45.2% (2024: 47.4%) reflecting continued income growth and disciplined cost management following the success of our cost optimisation programme, Project Fusion.

The Group's operating expenses included non-recurring costs relating to changes in senior leadership, with the underlying cost base stable year-on-year, despite inflationary pressures. We will maintain our focused approach to cost management, and optimise the cost base as we enter into the next phase of our strategic ambitions.

Growth across our continuing businesses was driven by continued strong levels of new business written across all markets, whilst navigating a year of modest economic growth.

Increased lending balances were supported by an 8.2% increase in customer deposits to £3.5 billion (2024: £3.2 billion), where our product mix remained focused on fixed-term offerings. We raised c. £1.8 billion of new deposits in the year, and over 97% of deposits (by value) are protected by the Financial Services Compensation Scheme.

The Group was capital accretive in 2025, and at the end of the period the Group's CET 1 ratio increased to 12.9% (2024: 12.3%). This remains comfortably above the regulatory requirements and supports the Group's growth ambitions. The sale of the Consumer Vehicle Finance business further strengthens this position, and improves our CET 1 ratio on a proforma basis by 180 bps to 14.7%, enabling reinvestment into our continuing businesses.

Cost of risk increased to 1.0% (2024: 0.8%). This was driven by impairment charges related to a few specific cases in Business Finance and a normalisation of impairment charges in Retail Finance, following one-off model benefits in 2024.

Total profit before tax was £27.5 million (2024: £29.2 million), impacted by the additional £16.4 million provision relating to motor finance commissions redress provisions. The Group also recognised £5.0 million of exceptional costs relating to the decision to exit Vehicle Finance.

Total adjusted<sup>1</sup> return on average equity ('ROAE') was 10.4% (2024: 8.0%). Excluding Vehicle Finance, adjusted<sup>1</sup> ROAE was 14.2% (2024: 15.0%). These measures indicate that the right decisions have been implemented to set

ROAE was 14.3% (2024: 13.0%). These measures indicate that the right decisions have been implemented to set the Group on a stronger trajectory for higher returns.

Note:

1. Adjusted metrics exclude exceptional items of £24.1 million, all relating to Vehicle Finance (2024: £9.9 million, of which £8.4 million relating to Vehicle Finance). Details can be found in Note 8 to the Financial Statements.

We made solid progress against the medium-term targets set in 2023, increasing net lending, improving cost income ratio, and maintaining stable NIM, while preserving robust capital ratios. However, market conditions have required a reset of strategic ambitions. Vehicle Finance continued to weigh on NIM and ROAE, and although our decision to exit this business will initially reduce lending balances and NIM, it will improve both the cost income ratio and ROAE over time. Given these changes, it is the right time to establish new medium-term targets focused on higher returning growth. Looking ahead, we are targeting c.10% annual growth in our continuing businesses and an ROAE of more than 16% in the medium-term. Whilst we acknowledge risk adjusted margins, pricing for capital requirements, and effective cost management are important to delivering high returns we do not intend to set individual targets for these measures and will balance these drivers to deliver against the target ROAE.

## Capital and funding

As previously announced, we repaid our Term Funding Scheme with additional incentives for SMEs ('TFSME') funding in the first half of 2025 ahead of contractual maturity. The Group continued to make use of sale and repurchase agreements as part of its funding strategy, ending the period with an outstanding balance of £200.0 million (2024: £125.0 million).

The PRA is to introduce the Basel 3.1 standards in January 2027. At the same time, it will implement the Strong and Simple capital regime for Small Domestic Deposit Taker ('SDDT') firms, providing an alternative to smaller banks to the full Basel 3.1 standards. The Group has been approved as an SDDT, and is making good progress in its preparations for transfer to the new regime. The Group has factored the anticipated requirements from the Basel 3.1 and SDDT regimes into its capital management; these transitions are not expected to materially impact the Group.

## Strategic priorities

In 2023 we established four strategic priorities to guide the Group: simplify, leverage networks, enhance customer experience and enabled by technology. These priorities underpinned the medium-term targets for the Group first established in 2021. During 2025, we continued to make good progress against these.

Our commitment to simplification was most clearly demonstrated by the sale of our Consumer Vehicle Finance business, allowing capital deployment to be focused in higher performing businesses. Project Fusion, our cost optimisation programme, has concluded, delivering total annualised savings of c.£8 million<sup>1</sup> through changes to our organisational design, streamlining legacy operational processes and simplifying the Group. These efficiencies support the next phase of our growth ambitions. Across the Group, we have streamlined operations, including the consolidation of our office footprint which has generated cost savings and contributed to our climate commitments.

Our customers are at the core of what we do, and we continue to use our digital platforms to enhance customer experience. In December, we launched our upgraded Savings app, providing a more streamlined journey and additional capabilities for self-service. High quality client interactions remain core to our relationship led model in Business Finance, as evidenced by the consistently strong customer satisfaction scores in our internal surveys.

Leveraging our networks remains central to our business model. The depth of relationships we hold with retailers and other business partners, and customers across our markets enable growth. Our relationships with approximately 900 retail partners supported £1.5 billion (2024: £1.4 billion) of net lending across a diverse range of retailers, both in sector and size. This supported an increase in Retail Finance's market share of new business to 15.5%<sup>2</sup> (2024: 13.6%). In Business Finance, high levels of repeat business and client retention reflect the strength of our regional footprint and the relationships we build with local advisory teams to deliver bespoke solutions.

Technology has been a key enabler of our strategic objectives. The Retail Finance app has surpassed 475,000 registrations, offering a seamless customer experience and direct access to our full product suite. Integration of new platforms and partners has enhanced the Group's scalability and strengthened key controls. We have made continued progress in our digital-first approach, with over 99% of customers registered for online banking for Savings and over 91% opting for online account management in Retail Finance. This provides customers with greater control and a more efficient journey, enhancing their overall customer experience.

Notes:

1. £5.0 million cost savings relative to operating expenses for the 12 months ended December 2021. The additional £3.0 million savings (of the £8.0 million) are relative to annualised operating expenses for the six months ending 30 June 2024.
2. Source: Finance & Leasing Association ('FLA'): New business values within retail store and online credit: 2025: 15.5% (2024: 13.6%). FLA total and Retail Finance new business of £9,094.8m (2024: £9,476.6m) and £1,407.0m (2024: £1,289.7m) respectively. As published at 31 December 2025.

## Regulatory and legal interventions

In October 2025, the FCA released a consultation paper on an industry-wide compensation scheme relating to motor finance commissions. The FCA is now working through an extensive range of responses to the consultation and has indicated it will publish redress scheme rules by the end of March 2026. The current proposed redress scheme is towards the extreme end of outcomes previously expected, however, these proposals are subject to consultation and therefore remain uncertain. As a result of the FCA proposals, the Group increased its provision for motor finance

therefore remain uncertain. As a result of the FCA proposals, the Group increased its provision for motor finance consumer redress and related costs by £16.4 million. As at 31 December 2025 we held a provision of £21.5 million (2024: £6.4 million. See Note 31 to the Financial Statements for further information).

To calculate the provision, we updated our range of probability-weighted scenarios, including a high probability of the FCA scheme being implemented as proposed. If the FCA scheme was implemented entirely in its current form, the Group would expect to increase the provision for redress by a further £6 million.

Following the FCA's review of Borrowers in Financial Difficulty ('BiFD') in 2023, we identified that it was appropriate to pay £2.2 million to customers where we could have supported them better due to their individual circumstances. We have now completed this programme of work. During 2025 we have recognised an additional £2.1 million (2024: £1.5 million) charge, as an exceptional item, which largely relates to costs to manage and conclude the programme (See Note 8 to the Financial Statements).

As a result of the BiFD review, we had an elevated stock of defaulted Vehicle Finance loans at the end of 2024. During the year, we agreed several debt sales, which reduced the level of defaulted balances, and entered into a forward flow arrangement for newly terminated accounts.

## **Environmental, Social and Governance ('ESG')**

Following a period of organisational transformation, we are reviewing our ESG strategy to ensure it aligns fully with our renewed strategic ambitions.

Our employees have worked hard to make 2025 an exceptional year for fundraising. The Group raised over £126,000 for important causes in the year (2024: £99,800) supporting our partners at Birmingham Children's Hospital, Tŷ Hafan, Mind, Go Beyond and Bone Cancer Research.

Building on our 2024 achievement of reducing direct CO2 emissions by 50% ahead of schedule, we implemented further reductions in 2025, through energy efficiency initiatives, further reducing our office footprint, and accelerating our paper-to-digital transition via enhanced self-service journeys in Retail Finance and Savings.

I am proud that we appear on the 2025 lists for Great Place to Work<sup>®</sup>, including accolades for UK Best Workplaces<sup>™</sup> and UK Best Workplaces for Women<sup>™</sup>. However, 2025 was also a year of significant transition. The strategic decision to exit Vehicle Finance and then sell the Consumer Vehicle Finance business resulted in many roles being made redundant. With increased clarity on the timing of the forthcoming changes, the Group is committed to supporting all those who have been impacted. As a result, our employee engagement Trust Index score fell to 64% (2024: 74%) and we are taking actions to rebuild trust and engagement in 2026. I acknowledge the significant impact strategic decisions have had on all colleagues as we have navigated this period and thank all employees for their hard work and resilience.

## **Executive Committee and Senior Leadership**

During the second half of 2025, there were several changes to what had been a relatively long-standing Executive team. Katie Docherty, former Chief Operating Officer ('COO'), left the Group after four years. I was pleased to welcome Jim Appleby, who has extensive experience in UK and international financial service operations, as COO.

Chris Harper, Chief Risk Officer ('CRO'), also left the Group after nearly five years of service. Uwe Seedorf has joined as Interim CRO, bringing a wealth of experience in risk leadership, including in his previous role as CRO at Allied Irish Bank UK.

Following the departure of Anne Mckenning, Vicki Baker joined the Group as Chief People Officer in February 2026. With over 20 years' experience in HR, transformation and strategy, Vicki brings valuable commercial insight and a strong people-first approach.

Finally, I was pleased that Rajat Mehta joined the Group as Savings Director, taking over from Julian Hartley, former Managing Director of Vehicle Finance and Savings, who left the Group in 2025. With over 20 years of leadership experience in retail banking, savings strategy and digital innovation, Rajat's expertise in delivering innovative solutions and driving growth will be invaluable.

I would like to thank Anne, Katie, Chris and Julian for their contribution and dedication to the success of the Group over several years. I am confident that the new additions to the Executive Committee and senior leadership mean we have the right leadership team in place to support delivery of the next phase of the Group's growth.

## **Outlook**

Despite signs of improving confidence across our markets, we recognise that recent developments in global conflict bring heightened uncertainty, particularly their potential effects on inflation and interest rates. However, with a clear strategy, strong foundations, and a long term outlook, we remain well positioned to navigate these challenges and deliver sustained value for customers and shareholders. The conclusion of regulatory interventions into the motor finance sector would also provide much needed certainty in 2026.

I am confident that the strategic decisions we have taken should enable the Group to begin building a track record as a sustainable high returning business. The Board and I believe that Secure Trust Bank is positioned for value creation and enhanced shareholder returns.

## **Key performance indicators**

The following key performance indicators are the primary measures used by management to assess the performance

of the Group.

## Financial

### Loans and advances to customers (£bn)

| 2023 | 2024 | 2025 |
|------|------|------|
| 2.8  | 3.1  | 3.3  |

#### Why we measure this

Shows the growth in the Group's lending balances, which generate income

### Common Equity Tier 1 ('CET 1') ratio (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 12.7 | 12.3 | 12.9 |

#### Why we measure this

The CET 1 ratio demonstrates the Group's capital strength

### Return on average equity (%)

|                       | 2023 | 2024 | 2025 |
|-----------------------|------|------|------|
| Statutory             | 10.0 | 14.6 | 14.3 |
| Adjusted <sup>1</sup> | 10.6 | 15.0 | 14.3 |

#### Why we measure this

Measures the Group's ability to generate profit from the equity available to it

### Cost to income ratio (%)

|                       | 2023 | 2024 | 2025 |
|-----------------------|------|------|------|
| Statutory             | 51.5 | 46.4 | 45.2 |
| Adjusted <sup>1</sup> | 52.8 | 47.4 | 45.2 |

#### Why we measure this

Measures how efficiently the Group uses its cost base to produce income

### Net interest margin (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 4.6  | 4.7  | 4.7  |

#### Why we measure this

Shows the interest margin earned on the Group's lending balances, net of funding costs

### Cost of risk (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 1.1  | 0.8  | 1.0  |

#### Why we measure this

Measures how effectively the Group manages the credit risk of its lending portfolios

## Non-financial

### Customer Trustpilot ratings (Stars)<sup>2</sup>

| 2023 | 2024 | 2025 |
|------|------|------|
| 4.8  | 4.8  | 4.8  |

#### Why we measure this

Indicator of customer satisfaction with the Group's products and services

### Employee survey trust index score (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 83.0 | 74.0 | 64.0 |

#### Why we measure this

## Why we measure this

Indicator of employee engagement and satisfaction

## Environmental intensity indicator<sup>3</sup>

| 2023 | 2024 | 2025 |
|------|------|------|
| 2.0  | 1.5  | 1.2  |

## Why we measure this

Indicator of the Group's impact on the environment

Note:

1. Adjusted figures exclude exceptional items. For further information see Note 8 to the Financial Statements.
2. Mark out of 5 based on star rating from 11,220 reviews (2024: 15,527, 2023: 4,776)
3. Total Scope 1, 2 and certain Scope 3 emissions per £million Group operating income. See page 60 of the 2025 Annual Report and Accounts for further details

Certain key performance indicators represent alternative performance measures that are not defined or specified under International Financial Reporting Standards ('IFRS').

Definitions of the financial key performance indicators, their calculation and an explanation of the reasons for their use can be found in the Appendix to the 2025 Annual Report and Accounts.

All key performance indicators are presented on a continuing basis, unless otherwise stated.

Further information on discontinued operations are included in Note 10 to the Financial Statements. Further explanation of the financial key performance indicators is discussed in the narrative of the Financial review. Further explanation of the non-financial key performance indicators is provided in the Managing our business responsibly and Climate-related financial disclosures sections of the 2025 Annual Report and Accounts.

The Directors' Remuneration report in the 2025 Annual Report and Accounts, sets out how executive pay is linked to the assessment of key financial and non-financial performance indicators.

## Financial review

### Income statement

|                                                                 | 2025                   |                          |                            | 2024                   |                          |                            |
|-----------------------------------------------------------------|------------------------|--------------------------|----------------------------|------------------------|--------------------------|----------------------------|
|                                                                 | Continuing<br>£million | Discontinued<br>£million | Total<br>Group<br>£million | Continuing<br>£million | Discontinued<br>£million | Total<br>Group<br>£million |
| Interest income                                                 | 301.8                  | 70.2                     | 372.0                      | 296.8                  | 69.2                     | 366.0                      |
| Interest expense                                                | (150.7)                | (22.7)                   | (173.4)                    | (159.5)                | (21.6)                   | (181.1)                    |
| <b>Net interest income</b>                                      | <b>151.1</b>           | <b>47.5</b>              | <b>198.6</b>               | <b>137.3</b>           | <b>47.6</b>              | <b>184.9</b>               |
| <b>Net fee and commission income</b>                            | <b>14.1</b>            | <b>0.8</b>               | <b>14.9</b>                | <b>18.2</b>            | <b>0.8</b>               | <b>19.0</b>                |
| <b>Operating income</b>                                         | <b>165.2</b>           | <b>48.3</b>              | <b>213.5</b>               | <b>155.5</b>           | <b>48.4</b>              | <b>203.9</b>               |
| Impairment charge                                               | (31.4)                 | (26.6)                   | (58.0)                     | (23.2)                 | (38.7)                   | (61.9)                     |
| Other gains/(losses)                                            | 0.1                    | 0.1                      | 0.2                        | (0.4)                  | 0.1                      | (0.3)                      |
| Fair value gains on financial instruments                       | 0.1                    | -                        | 0.1                        | 1.2                    | -                        | 1.2                        |
| Operating expenses                                              | (74.7)                 | (29.5)                   | (104.2)                    | (72.2)                 | (31.6)                   | (103.8)                    |
| <b>Profit/(loss) before income tax before exceptional items</b> | <b>59.3</b>            | <b>(7.7)</b>             | <b>51.6</b>                | <b>60.9</b>            | <b>(21.8)</b>            | <b>39.1</b>                |
| Exceptional items                                               | -                      | (24.1)                   | (24.1)                     | (1.5)                  | (8.4)                    | (9.9)                      |
| <b>Profit/(loss) before income tax</b>                          | <b>59.3</b>            | <b>(31.8)</b>            | <b>27.5</b>                | <b>59.4</b>            | <b>(30.2)</b>            | <b>29.2</b>                |
| Income tax (expense)/credit                                     | (14.7)                 | 4.8                      | (9.9)                      | (16.0)                 | 6.5                      | (9.5)                      |
| <b>Profit/(loss) for the year</b>                               | <b>44.6</b>            | <b>(27.0)</b>            | <b>17.6</b>                | <b>43.4</b>            | <b>(23.7)</b>            | <b>19.7</b>                |
| <b>Basic earnings per ordinary share</b>                        | <b>238.8</b>           | <b>(144.5)</b>           | <b>94.2</b>                | <b>227.7</b>           | <b>(124.3)</b>           | <b>103.4</b>               |
| <b>Basic earnings per ordinary share - adjusted</b>             | <b>238.8</b>           | <b>(31.1)</b>            | <b>207.7</b>               | <b>233.5</b>           | <b>(83.4)</b>            | <b>150.1</b>               |

| <b>Selected key performance indicators and performance metrics:<br/>(Continuing)</b> | <b>2025<br/>%</b> | <b>2024<br/>%</b> | <b>Percentage<br/>point<br/>movement</b> |
|--------------------------------------------------------------------------------------|-------------------|-------------------|------------------------------------------|
| Net interest margin                                                                  | <b>4.7</b>        | 4.7               | -                                        |
| Net revenue margin                                                                   | <b>5.2</b>        | 5.3               | (0.1)                                    |
| Yield                                                                                | <b>9.5</b>        | 10.2              | (0.7)                                    |
| Cost of funds                                                                        | <b>4.7</b>        | 5.5               | (0.8)                                    |
| Adjusted cost to income ratio                                                        | <b>45.2</b>       | 46.4              | (1.2)                                    |
| Statutory cost to income ratio                                                       | <b>45.2</b>       | 47.4              | (2.2)                                    |
| Cost of risk                                                                         | <b>1.0</b>        | 0.8               | 0.2                                      |
| Adjusted return on average equity                                                    | <b>14.3</b>       | 15.0              | (0.7)                                    |
| Return on average equity                                                             | <b>14.3</b>       | 14.6              | (0.3)                                    |
| Common Equity Tier 1 ratio                                                           | <b>12.9</b>       | 12.3              | 0.6                                      |
| Total capital ratio                                                                  | <b>15.2</b>       | 14.6              | 0.6                                      |

Certain key performance indicators and performance metrics represent alternative performance measures that are not defined or specified under International Financial Reporting Standards ('IFRS'). Definitions of these alternative performance measures, their calculation and an explanation of the reasons for their use can be found in the Appendix to the 2025 Annual Report and Accounts.

All key performance indicators are presented on a continuing basis, unless otherwise stated. Adjusted metrics exclude exceptional items. Further information on exceptional items are included in Note 8 of Financial Statements and discontinued operations are included in Note 10 to the Financial Statements.

The Directors' Remuneration report the 2025 Annual Report and Accounts, sets out how executive pay is linked to the assessment of key financial and non-financial performance metrics.

The Group achieved a continuing profit before tax of £59.3 million (2024: £59.4 million), maintaining a net interest margin ('NIM') of 4.7% (2024: 4.7%) with growth in lending balances of 8.1% to £3,295.8 million (2024: £3,050.2 million). 2025 saw a further improvement in effective cost management, achieving an adjusted cost income ratio of 45.2% (2024: 46.4%). Cost of risk increased to 1.0% (2024: 0.8%), with the Group being impacted by three specific cases within Business Finance. Common Equity Tier 1 ('CET 1') ratio at the end the year increased to 12.9% (2024: 12.3%).

Adjusted return on average equity decreased from 15.0% in 2024 to 14.3% in the year. Return on average equity decreased from 14.6% in 2024 to 14.3% in the year.

Adjusted earnings per share ('EPS') increased to 238.8 pence per share (2024: 233.5 pence per share). EPS increased to 238.8 pence per share (2024: 227.7 pence per share). Detailed disclosures of EPS are shown in Note 11 to the Financial Statements. The components of the Group's profit are analysed in more detail in the following sections.

Total adjusted profit before tax increased by 32.0% to £51.6 million (2024: £39.1 million). Total profit before tax decreased by £1.7 million to £27.5 million (2024: £29.2 million), being most significantly impacted by an exceptional item relating to an additional charge for the motor finance compensation scheme of £16.4 million (2024: £6.9 million) (see Note 31 to the Financial Statements for further information).

## Continuing operations

### Operating income

The Group's operating income increased by 6.2% to £165.2 million (2024: £155.5 million). Net interest income on the Group's lending assets continues to be the largest component of operating income. This increased by 10.1% to £151.1 million (2024: £137.3 million), driven by a growth in average lending balances of 9.5% to £3,184.3 million (2024: £2,908.4 million).

The Group's net interest margin was maintained at 4.7% (2024: 4.7%) by actively managing the reduction in gross yields in light of the reductions in the Bank of England Base Rate and lower cost of funds.

Other income, which relates to net fee and commission income, reduced by 22.5% to £14.1 million (2024: £18.2 million) due to lower one-off termination fees within Commercial Finance.

### Impairment charge

Impairment charges increased by £8.2 million year on year resulting in the cost of risk for increasing to 1.0% (2024: 0.8%), which included the impact of higher impairments on a few specific cases within Business Finance.

The impairment charge within Retail Finance of £19.2 million, was £5.9 million higher than the prior year (2024: £13.3 million), however, 2024 included the impact of IFRS 9 model enhancements.

During the year, the Group refreshed macroeconomic inputs to its IFRS 9 Expected Credit Loss ('ECL') models, incorporating its external economic adviser's latest UK economic outlook. The forecast economic assumptions within each IFRS 9 scenario, and the weightings applied, are set out in more detail in Note 17 to the Financial Statements. The overall impact of the updates to macroeconomic inputs in 2025 was an additional impairment charge of £1.0 million (2024: £1.2 million release).

The Group has applied Expert Credit Judgements ('ECJs') overlays totalling £1.6 million (2024: £5.7 million underlay), where management believes the IFRS 9 modelled output is not accurately reflecting current risks in the loan portfolios. The most significant underlay of £2.7 million relates primarily to specific Commercial Finance cases, where the model does not reflect the full value of the security held. During 2025, the 2024 ECJ underlay relating to the Vehicle Finance lending portfolios LGD stage 1 and 2 recovery assumptions were incorporated into the IFRS 9 model (2024: £4.5 million).

#### **Fair value gains on financial instruments**

The Group has highly effective hedge accounting relationships, and, as a result, did not recognise a hedging ineffectiveness gain or loss in 2025 (2024: £0.1 million gain) and £0.5 million loss (2024: £0.6 million gain) relating to hedge accounting inception and amortisation adjustments (see Note 5 to the Financial Statements). The Group recognised a gain of £0.6 million (2024: £0.5 million gain) relating to interest rate swaps being entered into ahead of hedge accounting becoming available, which will reverse to the income statement over the remaining life of the swaps.

#### **Operating expenses**

The cost base increased by £2.5 million to £74.7 million (2024: £72.2 million), having been impacted by the changes in senior leadership and increases in employers national insurance.

The adjusted cost to income ratio improved by 120 basis points to 45.2% (2024: 46.4%). Statutory cost income ratio was 45.2% (2024: 47.4%).

#### **Exceptional items**

Following an organisational redesign in 2024, £1.5 million was incurred for restructuring costs.

#### **Discontinued operations**

At the year-end, the Vehicle Finance business was classified as discontinued. Further information on the performance of the business can be found in the Business Review. Details of exceptional items relating to this activity are described below.

#### **Exceptional items**

The Group recognised charges for exceptional items of £24.1 million during the year, which all related to the Vehicle Finance business (2024: £9.9 million, of which £8.4 million related to the Vehicle Finance business).

In respect of the FCA's consultation on the motor finance redress scheme, a further charge of £16.4 million was recognised in the second half of the year as a consequence of the publication of the FCA's consultation paper. (2024: £6.9 million). Further information can be found in Note 31 to the Financial Statements.

Following the decision to exit the Vehicle Finance market in July, an organisation and business restructure was undertaken incurring a charge of £5.0 million, which included redundancy costs and the write-down of associated assets.

Further costs of £2.1 million, (2024: £1.5 million) were recognised in relation to the FCA's review of Borrower's in Financial Difficulty across the industry in 2023. These primarily related to costs to complete the programme of work.

In respect of the sale of the Consumer Vehicle Finance book announced in December 2025, £0.6 million of transaction costs were recognised, with the remainder of costs to be recognised in 2026.

Further details on all Exceptional items are included in Note 8 to the Financial Statements.

#### **Taxation**

The effective tax rate was 24.8% (2024: 26.9%), which was broadly in line with the statutory rate.

#### **Distributions to shareholders**

The Board recommended the payment of a final dividend for 2025 of 23.7 pence per share, which together with the interim dividend of 11.8 pence per share, represents a total dividend for the year of 35.5 pence per share (2024: 33.8 pence per share). This is in line with the Group's progressive dividend policy.

#### **Summarised balance sheet**

| <b>Assets</b>                                               | <b>2025</b>     | <b>2024</b>     |
|-------------------------------------------------------------|-----------------|-----------------|
|                                                             | <b>£million</b> | <b>£million</b> |
| Cash and Bank of England reserve account                    | <b>528.1</b>    | 445.0           |
| Loans and advances to banks and debt securities             | <b>37.8</b>     | 24.0            |
| Loans and advances to customers                             | <b>3,295.8</b>  | 3,050.2         |
| Loans and advances to customers - Discontinued <sup>1</sup> | <b>390.8</b>    | 558.3           |

|                                                 |                |                |
|-------------------------------------------------|----------------|----------------|
| Fair value adjustment for portfolio hedged risk | 7.3            | (6.8)          |
| Derivative financial instruments                | 0.2            | 14.3           |
| Other assets                                    | 56.0           | 31.7           |
|                                                 | <b>4,316.0</b> | <b>4,116.7</b> |
| <b>Liabilities</b>                              |                |                |
| Due to banks                                    | 205.9          | 365.8          |
| Deposits from customers                         | 3,509.6        | 3,244.9        |
| Fair value adjustment for portfolio hedged risk | 4.7            | (3.4)          |
| Derivative financial instruments                | 0.1            | 10.0           |
| Tier 2 subordinated liabilities                 | 93.5           | 93.3           |
| Other liabilities                               | 127.9          | 45.6           |
|                                                 | <b>3,941.7</b> | <b>3,756.2</b> |

1. Vehicle Finance portfolio classified as 'Held for Sale' in 2025, and 'Loans and Advances to Customers' in 2024.

## New business volumes

**£2,526.2m**

2024: £2,331.9m

| Retail Finance | Real Estate Finance | Commercial Finance | Continuing businesses | Vehicle Finance | Total            |
|----------------|---------------------|--------------------|-----------------------|-----------------|------------------|
| £1,407.0m      | £451.0m             | £287.5m            | <b>£2,145.5m</b>      | £380.7m         | <b>£2,526.2m</b> |

## Loans and advances to customers

**£3,686.6m**

2024: £3,608.5m

| Retail Finance | Real Estate Finance | Commercial Finance | Continuing businesses | Vehicle Finance | Total            |
|----------------|---------------------|--------------------|-----------------------|-----------------|------------------|
| £1,466.5m      | £1,466.9m           | £362.4m            | <b>£3,295.8m</b>      | £390.8m         | <b>£3,686.6m</b> |

## New business

2025 was another strong year for new business with new lending for continuing businesses of £2,145.5 million, up 20.6% year on year (2024: £1,779.0 million).

Business Finance increased by 50.9% to £738.5 million (2024: £489.3 million) with strong growth in both divisions. Retail Finance was 9.1% higher at £1,407.0 million (2024: £1,289.7 million) as the business continued to grow its retail distribution network and develop its strategic relationships.

## Customer lending and deposits

Net lending from continuing operations grew by 8.1% to £3,295.8 million (2024: £3,050.2 million) with Retail Finance up by 8.0%, Real Estate Finance by 9.4% and Commercial Finance by 3.2%.

Further analysis of loans and advances to customers, including a breakdown of the arrears profile of the Group's loan books, is provided in Note 17 to the Financial Statements.

Customer deposits include Fixed-term bonds, ISAs, Notice and Access accounts. Customer deposits increased by 8.2% to £3,509.6 million (2024: £3,244.9 million) in order to fund the growth in lending. This growth in deposits has come from ISAs.

## Investments and wholesale funding

The Bank of England Term Funding Scheme with additional incentives for SMEs ('TFSME') facility was fully paid off during 2025 (2024: £230.0 million) and the Group increased its drawings under sale and repurchase agreements to £201.2 million at 31 December 2025 (2024: £125.7 million).

Total funding ratio of 113.3% increased slightly from 31 December 2024 (112.4%).

## Tier 2 subordinated liabilities

In the current and prior year Tier 2 subordinated liabilities comprise £90.0 million of 10.5-year 13.0% Fixed-Rate Callable Subordinated Notes, which qualify as Tier 2 capital.

## Capital

## Management of capital

Our capital management policy is focused on optimising shareholder value over the long term. Capital is allocated to achieve targeted risk adjusted returns whilst ensuring appropriate surpluses are held above the minimum regulatory requirements.

Key factors influencing the management of capital include:

- The level of buffers and the capital requirement set by the Prudential Regulation Authority ('PRA');
- Estimated credit losses calculated using IFRS 9 methodology and the applicable transitional rules;
- New business volumes; and
- The product mix of new business.

## Capital resources

Capital resources increased over the period from £415.7 million to £428.4 million. CET 1 capital increased by £13.4 million, primarily driven by a total profit for the period of £17.6 million, offset by the 2025 final dividend of £4.4 million.

| Capital                                                 | 2025<br>£million | 2024<br>£million |
|---------------------------------------------------------|------------------|------------------|
| CET 1 capital, excluding IFRS 9 transitional adjustment | 364.8            | 351.3            |
| IFRS 9 transitional adjustment                          | -                | 0.1              |
| <b>CET 1 capital</b>                                    | <b>364.8</b>     | <b>351.4</b>     |
| Tier 2 capital <sup>1</sup>                             | 63.6             | 64.3             |
| <b>Total capital</b>                                    | <b>428.4</b>     | <b>415.7</b>     |
| <b>Total risk exposure</b>                              | <b>2,827.5</b>   | <b>2,855.7</b>   |

1. Tier 2 capital, which is solely subordinated debt net of unamortised issue costs, is capped at 25% of total Pillar 1 and Pillar 2A requirements.

| Capital ratios                                                 | 2025<br>% | 2024<br>% |
|----------------------------------------------------------------|-----------|-----------|
| CET 1 capital ratio                                            | 12.9      | 12.3      |
| Total capital ratio                                            | 15.2      | 14.6      |
| CET 1 capital ratio (excluding IFRS 9 transitional adjustment) | 12.9      | 12.3      |
| Total capital ratio (excluding IFRS 9 transitional adjustment) | 15.2      | 14.6      |
| Leverage ratio                                                 | 9.4       | 9.5       |

## Capital requirements

The Total Capital Requirement, set by the PRA, includes both the calculated requirement derived using the standardised approach and the additional capital derived in conjunction with the Internal Capital Adequacy Assessment Process ('ICAAP'). In addition, capital is held to cover generic buffers set at a macroeconomic level by the PRA.

|                             | 2025<br>£million | 2024<br>£million |
|-----------------------------|------------------|------------------|
| Total Capital Requirement   | 254.5            | 257.0            |
| Capital conservation buffer | 70.7             | 71.4             |
| Countercyclical buffer      | 56.6             | 57.1             |
| <b>Total</b>                | <b>381.8</b>     | <b>385.5</b>     |

The total risk exposure decreased from £2,855.7 million to £2,827.5 million, as a consequence of a change in the balance sheet mix at the end of the year, which included the impact of the Vehicle Finance loan book being in run-off.

## Liquidity

### Management of liquidity

The Group uses a number of measures to manage liquidity risk. These include:

- The Overall Liquidity Adequacy Requirement ('OLAR'), which is the Board's view of the Group's liquidity needs, as set out in the Board-approved Internal Liquidity Adequacy Assessment Process ('ILAAP');
- The Liquidity Coverage Ratio ('LCR'), which is a regulatory measure that assesses net 30-day cash outflows as a proportion of High Quality Liquid Assets ('HQLA');
- Total funding ratio, as defined in the Appendix to the Annual Report; and
- 'HQLA' are held in the Bank of England Reserve Account and gilts. For LCR purposes, the HQLA excludes gilts that are pledged as collateral.

that are proposed as consideration.

The Group was above the LCR minimum threshold (100%) throughout the year, with the Group's average LCR being 190.4% (2024: 219.6%) based on a rolling 12-month-end average.

#### Liquid assets

We continued to hold significant surplus liquidity over the minimum requirements throughout 2025, managing liquidity by holding HQLA and utilising funding (predominantly from retail funding) to support lending. Total liquid assets increased to £560.8 million (2024: £469.0 million). This includes the receipt of a deposit of £45.8 million as part of the sale of the Consumer Vehicle Finance business.

The Group has drawn £201.2 million under sale and repurchase agreements (2024: £125.0 million). The Group maintains access to the Bank of England's Sterling Monetary Framework, including a reserves account. Amounts drawn under the TFSME scheme were repaid during the year. The Group has no liquid asset exposures outside the United Kingdom and no amounts that are either past due or impaired.

|               | 2025         | 2024         |
|---------------|--------------|--------------|
| Liquid assets | £million     | £million     |
| Aaa-Aa3       | 529.1        | 445.0        |
| A1-A2         | 31.7         | 24.0         |
| <b>Total</b>  | <b>560.8</b> | <b>469.0</b> |

We continue to attract customer deposits to support balance sheet growth. The composition of customer deposits is shown in the table below.

|                   | 2025       | 2024       |
|-------------------|------------|------------|
| Customer deposits | %          | %          |
| Fixed term bonds  | 43         | 47         |
| ISAs              | 34         | 26         |
| Access accounts   | 22         | 25         |
| Notice accounts   | 1          | 2          |
| <b>Total</b>      | <b>100</b> | <b>100</b> |

#### Business review

Consumer Finance

Retail Finance

We provide quick and easy finance options at the point of purchase.

#### Performance history

##### New business (£m)

| 2023    | 2024    | 2025    |
|---------|---------|---------|
| 1,185.4 | 1,289.7 | 1,407.0 |

##### Loans and advances to customers (£m)

| 2023    | 2024    | 2025    |
|---------|---------|---------|
| 1,223.2 | 1,357.8 | 1,466.5 |

##### Net interest margin (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 6.4  | 6.8  | 6.9  |

##### Risk adjusted margin (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 5.3  | 6.0  | 5.8  |

#### What we do

- We provide a market-leading online e-commerce service to retailers, providing unsecured, interest-free and interest-bearing prime lending products to UK customers to facilitate the purchase of a wide range of consumer products, including furniture, jewellery, dental, leisure items and football season tickets. These retailers include a large number of household names.
- Products are available to purchase in store or online, using our market-leading origination platform, which provides fast decision making, with 90% of applications agreed in an average of six seconds.

- The customer proposition and the integrated platform support the growth of UK retailers and the real economy.

## 2025 performance

- New business lending increased 9.1% (2024: 8.8%), contributing to record lending balances. Retail Finance continued to hold a strong market position, with market share of new business at 15.5%<sup>1</sup> (2024: 13.6%).
- Growth was focused in high quality sectors such as furniture, and we continued to serve a diverse retailer mix across sectors and sizes.
- Improved net interest margin to 6.9% (2024: 6.8%) reflects disciplined pricing in a competitive environment. Risk adjusted margin fell to 5.8% (2024: 6.0%) reflecting the benefit of model enhancements in 2024.
- The portfolio remained focused on interest free lending, which accounted for 86.1% of balances (2024: 86.7%).
- Over 475,000 mobile app registrations, enabling greater self-service and access to our full product and retailer offering.
- We anticipate further growth with both new and existing retailers in 2026, with a focus on expansion within the Home improvement sector.

Note:

1. Source: Finance & Leasing Association ('FLA'): New business values within retail store and online credit: 2025: 15.5% (2024: 13.6%). FLA total and Retail Finance new business of £9,094.8m (2024: £9,476.6m) and £1,407.0m (2024: £1,289.7m). As published at 31 December 2025.

Business Finance

Real Estate Finance

We lend money against residential properties to professional landlords and property developers.

## Performance history

### New business (£m)

| 2023  | 2024  | 2025  |
|-------|-------|-------|
| 434.0 | 383.5 | 451.0 |

### Loans and advances to customers (£m)

| 2023    | 2024    | 2025    |
|---------|---------|---------|
| 1,243.8 | 1,341.4 | 1,466.9 |

### Net interest margin (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 2.6  | 2.6  | 2.4  |

### Risk adjusted margin (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 2.2  | 2.3  | 1.8  |

## What we do

- We provide non-regulated first charge secured lending to specialist real estate markets, lending to professional landlords to enable them to improve and grow their portfolio and provide development facilities to property developers and SME housebuilders to help build new homes for sale or letting.
- Due to our specialist relationship-led business model, we offer through the cycle tailored underwriting and cash flow led debt structuring.
- Finance opportunities are sourced and supported on a relationship basis directly and via introducers and brokers.

## 2025 performance

- Record levels of new lending, with £451.0 million of new business written throughout the year, despite a subdued market.
- The slight reduction in net revenue margin reflects increased lending in lower risk residential investment, which represents 92.4% of the book (2024: 88.1%). The remainder comprises development, commercial investment and bridging exposures.
- Impairment charges of £8.8 million (2024: £4.0 million) due to the impact of two cases. This largely relates to one legacy development case which is now materially resolved.
- The average loan-to-value remains low at 57.3% (2024: 56.0%), below our maximum 70% offering.
- We enter 2026 with strong positive momentum, with growth supported by expansion into our new Bridging product, which enables us to offer full lifecycle funding.

Business Finance

Commercial Finance

Supporting the growth of UK businesses by providing flexible, asset-based financing solutions

## Performance history

### New business (£m)

| 2023  | 2024  | 2025  |
|-------|-------|-------|
| 214.8 | 105.8 | 287.5 |

### Loans and advances to customers (£m)

| 2023  | 2024  | 2025  |
|-------|-------|-------|
| 381.1 | 351.0 | 362.4 |

### Net revenue margin (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 7.0  | 7.6  | 6.1  |

### Risk adjusted margin (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 4.7  | 5.9  | 5.2  |

## What we do

- We offer a full suite of asset-based lending solutions to SMEs and some larger corporates who need bespoke working capital solutions for their business.
- We operate a high-touch relationship-led model throughout the life of a facility, where partners and clients have direct access to decision-makers.
- Our lending remains predominantly against receivables, releasing funds of up to 90% of qualifying invoices under invoice discounting facilities.
- Business is sourced and supported directly from clients via private equity houses and professional introducers but is not reliant on the broker market.

## 2025 performance

- New business more than doubled year-on-year, and low client attrition saw net lending balances rise to £362.4 million.
- Growth in spot lending balances in line with average lending balances, reflecting controlled and stable growth.
- Income from one off termination fees was lower than in 2024, reducing net revenue margin and risk adjusted margin, but contributes to a more stable and higher quality earnings profile over time.
- Cost of risk of 0.9% (2024: 1.7%), whilst improved, reflects the impact of one specific case within the business.
- In 2026, we look forward to supporting businesses across our core product suite, whilst also expanding our offering to include selective Speciality Finance (lending to non bank lenders). This represents a natural extension of our current proposition.

Consumer Finance

Vehicle Finance

We provided quick and easy used car finance options at the point of purchase.

*We ceased lending in the Vehicle Finance portfolio in July 2025 to improve returns at Group level.*

*In February 2026 we completed the sale of the Consumer Vehicle Finance business, reflecting an acceleration of our strategic plans.*

## Performance history

### New business (£m)

| 2023  | 2024  | 2025  |
|-------|-------|-------|
| 471.2 | 552.9 | 380.7 |

### Loans and advances to customers (£m)

| 2023  | 2024  | 2025  |
|-------|-------|-------|
| 467.2 | 558.3 | 390.8 |

#### Net interest margin (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 10.3 | 9.4  | 9.1  |

#### Risk adjusted margin (%)

| 2023 | 2024 | 2025 |
|------|------|------|
| 7.3  | 1.9  | 4.2  |

### What we do

- We provided consumer lending products, secured against the second hand vehicle being financed.
- We provided a vehicle stock funding product, which was secured against dealer forecourt used car stock; sourced from auctions, part exchanges or trade sources.
- Finance was provided via technology platforms, allowing us to receive applications online from introducers; provide an automated decision; facilitate document production through to pay-out to dealer; and manage in-life loan accounts.

### 2025 performance

- As a result of the decision to exit Vehicle Finance, the portfolio has run-down in the second half of the year, with lending balances reducing to £390.8 million by the end of 2025.
- The sale was made at a premium to book value and was completed in February 2026. Further information will be included in the Group's Interim Report for the six months ended 30 June 2026.
- The book saw an improved risk adjusted margin to 4.2% (2024: 1.9%), with 2025 benefitting from a more consistent collections delivery without the adverse impact of the Borrowers in Financial Difficulty review that occurred in 2024. Further details can be found in Note 8 to the Financial Statements.
- In October, the FCA published a consultation paper on its proposed redress scheme. As a result, the Group increased its provision. Further details can be found in Note 31 to the Financial Statements.

#### Savings

We look after our customers' savings and provide a competitive return.

### Performance history

#### Total deposits (£m)

| 2023    | 2024    | 2025    |
|---------|---------|---------|
| 2,871.8 | 3,244.9 | 3,509.6 |

#### Total funds raised (£m)

| 2023    | 2024    | 2025    |
|---------|---------|---------|
| 1,719.1 | 1,604.2 | 1,797.9 |

### 2024 Total deposits (£m)

**£3,244.9m**

| Term      | ISA     | Access  | Notice | Total     |
|-----------|---------|---------|--------|-----------|
| £1,510.0m | £857.3m | £805.2m | £72.4m | £3,244.9m |

### 2025 Term deposits (£m)

**£3,509.6m**

| Term      | ISA       | Access  | Notice | Total     |
|-----------|-----------|---------|--------|-----------|
| £1,518.9m | £1,181.2m | £770.2m | £39.3m | £3,509.6m |

### What we do

- We offer a range of savings accounts that are purposely simple in design, with a choice of products from Access to 180-day notice, and six month to seven-year fixed terms across both Bonds and ISAs.
- Our range of savings products enables us to access the majority of the UK personal savings markets and compete for significant liquidity pools, achieving a lower marginal cost with the volume, mix and the competitive rates offered; optimised to the demand of our funding needs.

## 2025 performance

- In 2025 we delivered strong deposit growth increasing total balances by 8.2% to £3.5 billion (2024: £3.2 billion). This expansion has provided a stable source of funding to support lending book growth.
- The Bank of England lowered the Base Rate four times during the year to 3.75% by year-end.
- The Financial Services Compensation Scheme increased to cover 97.6% (2024: 95.1%) of total deposits, providing additional security and confidence for our customers.
- We re-launched our Savings app at the end of 2025 improving customer experience and strengthening our digital service offering.
- In 2026 we will continue with our focus of building a strong savings franchise with differentiated products and diversified distribution.

## Market review

The Group operates exclusively within the UK, and its revenue is derived almost entirely from customers operating in the UK. The Group is therefore particularly exposed to the condition of the UK economy. Customers' borrowing demands are variously influenced by, among other things, UK property markets, employment levels, inflation, interest rates and customer confidence. The economic environment and outlook affect demand for the Group's products, margins that can be earned on lending assets and the levels of loan impairment provisions.

As a financial services firm, the Group is subject to extensive and comprehensive regulation by governmental and regulatory bodies in the UK. The Group conducts its business subject to ongoing regulation by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA'). The Group must comply with the regulatory regime across many aspects of its activities, including: the training, authorisation and supervision of personnel; systems; processes; product design; customer journey and documentation.

## Economic review

Growth in the UK economy, measured by real annual Gross Domestic Product ('GDP') was estimated at 1.3%<sup>1</sup> in 2025 (2024: 1.1%). Following the Autumn Budget, and marginally more favourable economic forecasts than anticipated, analysts have adjusted UK growth estimates to 1.0%<sup>2</sup> GDP growth in 2026 and 1.4%<sup>2</sup> in 2027. This reflects an outlook that remains challenged, and slow underlying momentum. Global growth in 2026 is projected at 2.7%<sup>2</sup>, bolstered by China's strengthening fiscal outlook. However, global stability faces escalating geopolitical risks, from conflict in Iran and the wider Middle East, heightened international interventions and ongoing tariff related pressures by the US. Broader global conflicts further add to the overall uncertainty. The technology sector, led by AI, continues to serve as the fundamental engine for global investment and expansion. However, concerns in overvaluation of technology leaders and the complex relationships that exist in the supply chain could create waves in global markets, should a correction occur.

Inflation was higher than anticipated in 2025, ending the year at 3.4%<sup>1</sup> (2024: 2.5%). Consequently, the Bank of England took a more measured approach to rate reductions than expected, reducing the Base Rate four times in 2025 to 3.75% by December. Inflation had been expected to gradually decline towards the Bank of England's 2% target, driven by anticipated falls in the prices of energy and food. However, the extent to which recent developments in the conflict in Iran and the wider Middle East may increase energy prices, and in turn add to inflationary pressures, remains uncertain. The timing and quantum of future interest rate cuts is currently hard to predict.

The rate of employment stood at 75.0%<sup>1</sup> in December 2025 (2024: 74.9%), with unemployment rising to 5.2%<sup>1</sup> (2024: 4.4%), its highest level since 2021. Vacancies continued to decline, ending the year at 0.7 million<sup>1</sup> (2024: 0.8 million). Economists anticipate unemployment levels to rise further in 2026 due to higher employment cost pressures. Unemployment is expected to gradually ease towards 4%<sup>2</sup> by 2032, more slowly than previously forecast.

Despite higher borrowing costs and subdued buyer confidence, the housing market remained resilient during 2025. House prices grew by 2.4%<sup>3</sup>, with modest growth improving buyer affordability. Lower interest rates and steady levels of mortgage approval levels through 2025, leads to optimism in the housing market for 2026.

The Autumn Budget delivered historic tax increases (albeit coming into effect from 2028 and beyond) to fund public spending and strengthen fiscal headroom. UK productivity is expected to remain subdued due to structural challenges. However, rising investment in AI, technology infrastructure and supply chain capabilities are expected to generate new opportunities for growth.

2025 was marked by uncertainty, and yet UK banks performed strongly, with robust earnings and share price gains across the sector. This resilience was further underlined by the reduction of required Tier 1 Capital by the Bank of England, from 14% to 13%. UK banks have continued to see net interest income trending upwards, although competition in the savings market has put pressure on banks to increase savings rates following reductions in the

Base Rate. Large banks are also enjoying a tailwind from structural hedges than will unwind over coming years.

## Consumer Finance

2025 was a year of adjustment for UK retail. With businesses navigating inflation, shifting customer expectations and tighter operating conditions, many found new ways to adapt. Retailers leaned into AI opportunities, sustainability initiatives, and more connected omnichannel journeys to maintain demand. Physical stores continued to evolve, focusing on immersive experiences that complement the growing popularity of online shopping.

Amidst this change, demand remained resilient. New business volumes rose 6%<sup>4</sup> in the year to November, with several months delivering mid to high single digit growth.

## Business Finance

In 2025, UK businesses proved remarkably resilient in times of economic uncertainty. In Real Estate, rising construction and operational costs weighed on the sector and commercial businesses were sensitive to inflationary pressures and shifting fiscal policies.

Reflecting this resilience, new Buy to Let lending increased by 11%<sup>5</sup> compared with 2024. Gross SME lending also maintained its upward trajectory through 2025, with higher lending in Q3 marking the seventh consecutive quarterly increase since early 2024<sup>5</sup>. These trends indicate positive momentum across Business Finance heading into 2026.

Looking ahead to 2026, pressures will remain from rising labour costs and stretched household budgets. While confidence across Consumer and Business Finance markets had been strengthening, the evolving Middle East conflict creates uncertainty regarding upward inflationary pressure and subsequent interest rate movements. Technology and innovation will remain vital in helping retailers and businesses deliver smoother, more personalised experiences.

### Notes

1. Source: Office for National Statistics, data as at 31 December 2025, unless otherwise stated.
2. Source: Oxford Economics
3. Source: UK Parliament House of Commons Library.
4. Source: FLA.
5. Source: UK Finance.

## Government and regulatory

This has been another eventful year for Government and regulatory announcements that impact the Group and/or the markets in which it operates. The key announcements in the year are set out below.

### Prudential regulation

At the beginning of the year, the PRA announced delaying Basel 3.1 implementation by one year to 1 January 2027, shortening the transitional period for full implementation which remains 31 January 2030. It was later confirmed in October 2025 that the Interim Capital Regime was being revoked as the Small Domestic Deposit Takers ('SDDTs') implementation date would align to the Basel 3.1 effective date.

During the second half of 2025, the PRA issued a number of publications, providing clarity to the simplified capital regime and the near final proposals for SDDT firms. PS20/25 'The strong and simple framework: The simplified capital regime for Small Domestic Deposit Takers SDDTs near-final', confirmed no significant changes to the Pillar 1 capital treatment to the consultation proposals. The Policy Statement changed areas of the Pillar 2A capital and included details on the Pillar 2A lending adjustment. It also confirmed the single capital buffer under Pillar 2B and announced a reduction in frequency of Pillar 2A and Pillar 2B updates to every two years in line with the ICAAP and ILAAP document production for SDDTs. The final rules were published in January 2026, with limited further changes. The Group has assessed the changes announced and expect the impact to be fairly neutral.

As part of the wider Basel 3.1 regulatory change and implementation of the SDDT regime, the Group has established a project with involvement from across the firm to ensure the Group is prepared for implementation on 1 January 2027.

On 1 October 2025, the requirements for Solvent Exit analysis came into force and the required analysis was approved by the Board in August 2025.

In November 2025 the PRA announced an increase to the FSCS protection limit from £85,000 to £120,000, effective from 1 December 2025, providing increased protection to our savers.

### Conduct regulation

The FCA's consultation on motor finance commission redress was issued in October 2025. It is towards the extreme end of outcomes previously expected from the Supreme Court judgment. On 20 October, the Group updated the market that it had increased its motor finance redress commission provision as a result. The Group responded to the consultation on 5 December 2025 and also contributed to the FLA's response.

Operational readiness arrangements are being progressed in line with the FCA's expectations set out in their Dear CEO letter. The FCA issued its policy statement in December on changes to handling rules for motor finance complaints which fall outside the scope of the proposed redress scheme.

During the year, new rules were introduced by the UK Government to address concerns around "debanking" and policy statements were issued for a new FCA regulatory return for credit broking firms. The Appointed Representatives

policy statements were issued for a new FCA regulatory return for credit scoring rules, the approved representatives regime; changes to complaints data reporting requirements; changes to the interest rates applied to compensation awards issued by FOS; remuneration reform; and non-financial misconduct guidance. The FCA published outputs from initiatives focused on the Consumer Duty, and findings from their sustainable lending project.

There were consultations on reform of the Consumer Credit Act, Senior Managers and Certification Regime review, redress reform and the Financial Ombudsman Service case fees, and deferred payment credit regulation. The Data (Use and Access) Act 2025 came into force with the Information Commissioner's Office committing to publish guidance over the next year.

## Outlook

The near-term environment remains challenged by global geopolitical tensions and macro uncertainty. Although the outlook had been improving for lower interest rates and household incomes, recent developments create uncertainty around how the economy will be impacted. UK growth is expected to be modest; however, we remain well positioned to deliver value for consumers through our product proposition and to navigate the evolving environment.

## Principal risks and uncertainties

### Risk management

The effective management of risk is a key part of the Group's strategy and is underpinned by its Risk Aware value. This helps to protect the Group's customers and generate sustainable returns for shareholders. The Group is focused on maintaining sufficient levels of capital, liquidity, operational control, and acting in a responsible way.

The Group's Chief Risk Officer is responsible for leading the Group's Risk function, which is independent from the Group's operational and commercial teams. The Risk function is responsible for designing and overseeing the embedding of appropriate risk management frameworks, processes and controls, to enable key risks to be identified, assessed, monitored, and accepted or mitigated in line with the Group's risk appetite. The Group's risk management practices are regularly reviewed and enhanced to reflect changes in its operating environment. The Chief Risk Officer is responsible for reporting to the Board on the Group's principal risks and how they are being managed against agreed risk appetite.

### Risk appetite

The Group has identified the risk drivers and major risk categories relevant to the business, which has enabled it to agree a suite of risk appetite statements and metrics to underpin the strategy of the Group. The Board approves the Group's risk appetite statements annually and these define the level and type of risk that the Group is prepared to accept in the pursuit of its strategic objectives.

### Risk culture

A strong risk-aware culture is integral to the successful delivery of the Group's strategy and the effective management of risk.

The Group's risk culture is shaped by a range of factors including risk appetite, risk frameworks and policies, values and behaviours, as well as a clear tone from the top.

The Group looks to enhance continually its risk culture, and performs an annual assessment against standards based on industry best practice and guidance from the Institute of Risk Management.

### Risk governance

The Group's approach to managing risk is defined within its Enterprise-Wide Risk Management Framework. This provides a clear risk taxonomy and an overarching framework for risk management supported by frameworks and policies for individual risk disciplines. These frameworks set the standards for risk identification, assessment, mitigation, monitoring and reporting.

The Group's risk management frameworks, policies and procedures are regularly reviewed and updated to reflect the evolving risks that the Group faces in its business activities. They support decision making across the Group and are designed to ensure that risks are appropriately managed and reported on via appropriate committees.

An Executive Risk Committee, chaired by the Chief Risk Officer, reviews key risk management information from across all risk disciplines, with material issues escalated to the Executive Committee and/or the Risk Committee of the Board, as required.

The Group operates a 'Three Lines of Defence' model for the management of its risks. The Three Lines of Defence, when taken together, control and manage risks in line with the Group's risk appetite. The three lines are:

- First line: all employees within the business units and associated support functions, including Operations, Finance, Treasury, Human Resources and Legal. The first line has ownership of, and primary responsibility, for their risks.
- Second line: specialist risk management and compliance teams reporting directly into the Chief Risk Officer, covering Credit risk, Operational risk, Information Security, Prudential risk, Compliance and Conduct risk, and Financial Crime risk. The second line are responsible for developing frameworks to assist the first line in the management of their risks and providing oversight and challenge designed to ensure they are managed within appetite.
- Third line: is the Internal Audit function that provides independent assurance on the effectiveness of risk management across the Group.

## Board and Board Committees

See Corporate Governance section of the 2025 Annual Report and Accounts.

### Group Executive Committee

**Chair: Chief Executive Officer**

Provides executive oversight of the ongoing safe and profitable operation of the Group. It reports to the Board through the

Chief Executive Officer. Responsible for the execution of the strategy of the Group at the direction of the Chief Executive Officer.

### Executive Risk Committee

**Chair: Chief Risk Officer**

Responsible for overseeing the Group's risk profile, its adherence to regulatory compliance and monitoring these against the risk appetite set by the Board. Monitors the effective implementation of the risk management framework across the Group.

### Assets and Liabilities Committee ('ALCO')

**Chair: Chief Financial Officer**

Responsible for implementing and controlling the liquidity, and asset and liability management risk appetite of the Group, providing high-level control over the Group's balance sheet and associated risks.

Set out controls, capital deployment, treasury strategy guidelines and limits, and focuses on the effects of future plans and strategy on the Group's assets and liabilities.

### Credit Risk Committees

Responsible for making decisions and providing oversight of credit scorecards, strategies and modelling.

### Model Governance Committee

Responsible for understanding, challenging and assessing risk and appropriateness of statistical and financial models, to challenge model assumptions, and to provide oversight of model validation.

### Customer and Conduct Risk Committee

Responsible for providing oversight of Operational delivery, conduct and all other non-financial risks.

### Assumptions Committee

Responsible for approving assumptions that have a material impact on the Group's reporting and/or decision-making processes.

### Principal risks

Executive management performs ongoing monitoring and assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

Further details of the principal risks and the changes to risk profile seen during the 2025 financial year are set below.

The Group also regularly reviews strategic and emerging risks and analysis has been included to detail output of these reviews for 2025. Notes 39 to 42 to the Financial Statements provide further analysis of credit, liquidity, market and capital risks. Emerging risks are identified in line with the Group's Enterprise Wide Risk Management Framework, using a 'top-down' approach with Group Executive workshops, and Board discussion, and a 'bottom-up' approach through the business unit Risk and Control Self-Assessment process.

Further details of the Group's risk management framework, including risk appetite, can be found on the Group's website: [www.securetrustbank.com/riskmanagement](http://www.securetrustbank.com/riskmanagement)

| Description                                                                                                                                                                                                                           | Mitigation                                                                                                                                                                                            | Change during the year                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Credit risk</b>                                                                                                                                                                                                                    | The Group has a defined Credit risk framework, The Group's lending portfolios performed which sets out how Credit risk is managed and satisfactorily in 2025.                                         |                                                                                                                                                                                                                                                                                                                             |
| The risk of loss to the Group from the failure of clients, customers or counterparties to honour fully their obligations to the firm, including the whole and timely payment of principal, interest, collateral or other receivables. | Risk appetite is appropriate, assessed and approved at least annually by the business, the Risk function and the Board, with the Group focusing on sectors and products where it has deep experience. | Arrears levels in Retail Finance have shown a slight reduction over 2025, supported by a continued emphasis on robust credit risk management and a strategic shift toward new business sectors with lower risk profiles. Collections performance remains strong, delivering stable roll and cure rates throughout the year. |
|                                                                                                                                                                                                                                       | Specialist Credit teams are in place within each business area to enable new lending to be originated in line with the Group's risk appetite.                                                         | Market conditions in Vehicle Finance remained challenging; however, successive credit risk tightening and a return to normalised collections practices have improved                                                                                                                                                        |
| <b>Progress:</b>                                                                                                                                                                                                                      | For Business Finance, lending is secured                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                             |

|        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| Stable | <p>against assets, with Real Estate Finance lending, the majority of which is at fixed rates, secured by property at conservative loan-to-value ratios. Short dated Commercial Finance lending is secured across a range of assets, including debtors, stock, and plant and machinery.</p> <p>For Consumer Finance, Retail Finance is unsecured, however positioned towards lower risk sectors. The vast majority of Retail Finance lending is interest-free for consumers, with remaining consumer lending at fixed rates, which mitigates the direct impact of rising interest rates on affordability. Historically, security has been taken for Vehicle Finance lending although new business is no longer being originated. A strategic decision was taken to withdraw from the market, and the business was sold in February 2026.</p> <p>Consumer Credit risk is assessed through a combination of risk scorecards, credit and affordability policy rules.</p> <p>Portfolio performance is tracked closely and reported via specialist management review meetings into the Executive and Board Risk Committees, with the ability to make changes to policy, affordability assessments or scorecards on a dynamic basis.</p> <p>Management monitors and assesses concentration risk for all lending against control limits. The diversification of lending activities and secured nature of larger exposures mitigates the exposure of the Group to concentration risk.</p> <p>During 2025, economic conditions continued to be challenging in the UK, including cost-of-living pressures for consumers.</p> | <p>collections practices drove improved performance among newer customer cohorts during the latter part of 2024 and into 2025. Despite these gains, customer cure rates remain below historic norms, which continues to impact the overall financial performance of the product.</p> <p>Real Estate Finance at a portfolio level is performing well, with continued strong rental demand supporting performance across the portfolio. Only a small number of cases are in active workout, and where appropriate, specific provisions have been taken to cover the risk of loss from these exposures.</p> <p>The Real Estate Finance provisions have increased through the year at a higher than expected rate, however, this is mainly due to existing defaulted balances being held for longer than anticipated, leading to increased non-recovery of capital and interest.</p> <p>The Commercial Finance portfolio is performing satisfactorily, with provisions at acceptable levels. The economic backdrop in which our clients operated in 2025, remained sluggish with persistent inflationary pressures. Despite this, the collateral values that underpin our facilities remained robust.</p> |
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| Description                                                                                                                                                                                                                                                                                                                                                                                                                             | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Change during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
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| <p><b>Liquidity and Funding risk</b></p> <p>Liquidity risk is the risk that the Group is unable to meet its liquidity obligations as they fall due or can only do so at excessive cost. Funding risk is the risk that the Group is unable to raise or maintain funds to support asset growth, or the risk arising from an unstable funding profile that could result in higher funding costs.</p> <p><b>Progress:</b></p> <p>Stable</p> | <p>Liquidity and Funding risk is managed in line with the Group's Prudential Risk Management Framework. The Group has a defined set of liquidity and funding risk appetite measures that are monitored and reported, as appropriate.</p> <p>The Group manages its liquidity and funding in line with internal and regulatory requirements, and at least annually assesses its exposure to liquidity risks and adequacy of its liquidity resources as part of the Group's Internal Liquidity Adequacy Assessment Process ('ILAAP').</p> <p>In line with the Prudential Regulation Authority's ('PRA's') self-sufficiency rule, the Group always seeks to maintain liquid resources that are adequate, both as to amount and quality, and managed to ensure that there is no significant risk that its liabilities cannot be met as they fall due under stressed conditions. The Group defines liquidity adequacy as the:</p> <ul style="list-style-type: none"> <li>ongoing ability to accommodate the refinancing of liabilities upon maturity</li> </ul> | <p>The Group has maintained its liquidity and funding ratios in excess of regulatory and internal risk appetite requirements throughout the year. A significant level of high-quality liquid assets, held as cash at the Bank of England, continues to be maintained so that there is no material risk that liabilities cannot be met as they fall due.</p> <p>The Group's outstanding Term Funding Scheme with additional incentives for SMEs ('TFSME') funding was repaid by the end of the first half of 2025. The Group maintains access to the Bank of England's Sterling Monetary Framework, including a reserves account.</p> |

and other means of deposit withdrawal at acceptable cost;

- ability to fund asset growth; and
- otherwise, capacity to meet contractual obligations through unconstrained access to funding at reasonable market rates.

The Group conducts regular and comprehensive liquidity stress testing to identify sources of potential liquidity strain and to check that the Group's liquidity position remains within the Board's risk appetite and prudential regulatory requirements.

#### Contingency funding plans

The Group maintains a Recovery Plan that sets out how the Group would maintain sufficient liquidity to remain viable during a severe liquidity stress event. The Group also maintains access to the Bank of England liquidity schemes, including the Discount Window Facility.

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Change during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| <p><b>Capital risk</b></p> <p>Capital risk is the risk that the Group will have insufficient capital resources to meet minimum regulatory requirements and to support planned levels of growth.</p> <p>The Group adopts a conservative approach to managing its capital. It annually assesses the adequacy of the amount and quality of capital held under stress as part of the Group's Internal Capital Adequacy Assessment Process ('ICAAP').</p> <p><b>Progress:</b></p> <p>Stable</p> | <p>Capital management is defined as the operational and governance processes by which capital requirements are identified and capital resources maintained and allocated, such that regulatory requirements are met, while optimising returns and supporting sustainable growth.</p> <p>The Group manages its capital requirements on a forward-looking basis against minimum regulatory requirements and the Board's risk appetite set to enable capital resources to be sufficient to support planned levels of growth. The Group will take opportunities to increase overall levels of capital and to optimise its capital stack as and when appropriate. In addition to the ICAAP, the Group performs regular budgeting and reforecasting exercises that consider a five-year time horizon.</p> <p>These forecasts are used to plan for future lending growth at a rate that both increases year-on-year profits and maintains a healthy capital surplus, taking into consideration the impact of known and anticipated future regulatory changes. The Group also models various stressed scenarios looking over a five-year time horizon, which consider a range of growth rates over those years as part of the viability and going concern assessments.</p> <p>Further information on the Group's capital requirement is contained within the Pillar 3 disclosures, which are published as a separate document on our website (<a href="http://www.securetrustbank.com/pillar3">www.securetrustbank.com/pillar3</a>).</p> | <p>The Group's balance sheet and total risk exposure has reduced since the beginning of the year following the cessation of new Vehicle Finance lending, while the Group continues to grow its continuing businesses organically. The Group has continued to maintain adequate capital, and all capital ratio measures have been exceeded throughout the period. Details of the Common Equity Tier 1 ratio, total capital ratio and leverage ratio are included in the Financial review.</p> <p>The 2025 ICAAP showed that the Group can continue to meet its minimum regulatory capital requirements, even under extreme stress scenarios. Additionally, the Group has assessed the capital impact in relation to the exit of Vehicle Finance through an addendum to the 2025 ICAAP, which demonstrated a more resilient capital position following the change. This assessment included an additional stress reflecting our worst-case view of potential redress payments related to historical motor commissions (see Note 31 to the Financial Statements for further information); the Group is satisfied it could maintain capital adequacy in such a scenario.</p> <p>The Group has assessed the high-level impact of the Basel 3.1 rules and the PRA's Small Domestic Deposit Taker ('SDDT') Regime, and has taken this into consideration as part of its capital planning. Work is underway to ensure the Group is compliant with the SDDT Regime by 1 January 2027.</p> |
| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Change during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <p><b>Market risk</b></p> <p>Market risk is the risk to the Group's earnings and/or value from unfavourable market</p>                                                                                                                                                                                                                                                                                                                                                                     | <p>The Group's principal exposure comes from the term structure of interest rate sensitive items and the sensitivity of the Group's current and future earnings and economic value to movements in market interest rates.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <p>Interest rate risk and foreign exchange risk remain well managed with risk exposures actively managed. The Group has worked on enhancing interest rate risk management through the development of its Earnings at Risk methodology. In 2025, the Group has</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

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| movements, such as interest rates and foreign exchange rates. The Group's market risk primarily arises from interest rate risk. Interest rate risk refers to the exposure of the Group's financial position, balance sheet and earnings to movements in interest rates. | <p>The Group does not take significant unmatched positions through the application of hedging strategies and does not operate a trading book.</p> <p>The main contributors to interest rate risk are:</p> <ul style="list-style-type: none"> <li>the mismatch, or duration, between repricing dates of assets and liabilities; and</li> <li>customer optionality, for example, early repayment of loans in advance of contractual maturity dates.</li> </ul> <p>The Group uses an interest rate sensitivity gap analysis that informs the Group of any significant mismatched interest rate risk positions that require hedging. This takes into consideration the behavioural assumptions for optionality as approved by ALCO. Risk positions are managed through the structural matching of assets and liabilities with similar tenors and the use of vanilla interest rate derivative instruments to hedge the residual unmatched position and minimise the Group's exposure to interest rate risk.</p> | <p>technology. In 2025, the Group has also fully implemented central clearing to support derivative activity, with the majority of the portfolio centrally cleared.</p> |
| <p>The Group's balance sheet is predominantly denominated in GBP, although a small number of transactions are completed in US Dollars, euros and other currencies in support of Commercial Finance customers.</p> <p><b>Progress:</b></p> <p>Stable</p>                 | <p>The Group has a defined set of market risk appetite measures that are monitored monthly.</p> <p>Interest rate risk in the banking book is measured from an internal management and regulatory perspective, taking into consideration both an economic value and earnings-based approach.</p> <p>The Group monitors its exposure to basis risk and any residual non-GBP positions. Processes are in place to review and react to movements of the Bank of England Base Rate.</p> <p>The Group has no significant exposures to foreign currencies and hedges any residual currency risks to sterling.</p> <p>All such exposures are maintained within the risk appetite set by the Board and are monitored by ALCO.</p>                                                                                                                                                                                                                                                                                   |                                                                                                                                                                         |

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Change during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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| <p><b>Operational risk</b></p> <p>Operational risk is the risk that the Group may be exposed to direct or indirect loss arising from inadequate or failed internal processes, personnel and succession, technology/ infrastructure, or from external factors.</p> <p>The scope of Operational risk is broad and includes business process, operational resilience, third party risk, Change management, Human Resources, Information Security and IT risk.</p> <p><b>Progress:</b></p> | <p>The Group has an Operational Risk Framework designed in accordance with the 'Principles for the Sound Management of Operational Risk' issued by the Basel Committee on Banking Supervision. The framework is supported by a range of policies, including operational resilience, third party management, information technology, information security and data management policies.</p> <p>The Group has well-embedded processes that enable the identification, assessment, mitigation and reporting of operational risks.</p> <p>Key processes include Risk and Control Self-Assessments, risk event management, scenario analysis and risk culture assessments.</p> <p>In addition to the delivery of framework requirements, the Group has focused on various thematic areas of operational risk in 2025, including operational resilience where the Group met the March 2025 regulatory deadline and continued its embedding of operational resilience. Artificial Intelligence</p> | <p>The Group uses the 'Standardised Approach' for assessing its operational risk capital, in recognition of the enhancements made to its framework and embedding it across the Group.</p> <p>The Group continues to invest in resource, expertise and systems to support the effective management of operational risk. In 2025, the Group has continued to enhance these standards and has introduced several improvements to the control frameworks in place across its operational risks.</p> |

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| Stable                                                                                                                                                                                            | Operational resilience and cyber resilience ('AI') risk was formally integrated into existing Risk Frameworks and Policies.                                                                                                                                                              |                                                                                                                                                                                                                                            |
| <b>Model risk</b>                                                                                                                                                                                 | The Groups approach to Model risk is aligned to the PRA's Supervisory Statement 1/23 Model risk management principles for banks. The Group has a Model risk policy, inventory, risk-based assessment methodology, model development standards and independent model validation in place. | The Group has made progress in strengthening its governance of Model risk in 2025, through ongoing improvement of independent validation of High and Medium-High risk models, new model developments and monitoring for key IFRS 9 models. |
| Model risk is the potential for adverse consequences from model errors or the inappropriate use of modelled outputs to inform business decisions.                                                 |                                                                                                                                                                                                                                                                                          | A full review of the Model Risk Management Policy has been carried out, with increased focus on model monitoring reporting requirements and standardisation of processes for use of model adjustments.                                     |
| The Group has multiple models that are used, amongst other things, to support pricing, strategic planning, budgeting, forecasting, regulatory reporting, credit risk management and provisioning. |                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                            |
| <b>Progress:</b>                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                            |
| Stable                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                            |

| Description                                                                                                                                                                                                                                       | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Change during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
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| <b>Cyber risk*</b>                                                                                                                                                                                                                                | The Group operates a multi-layered model of defence, which includes both technical and operational measures. The Group's primary defences are tested regularly by independent third-party specialists to identify and remediate any weaknesses, and a suite of policies and processes designed to protect the Group are regularly monitored for compliance and updated on at least an annual basis. The Group also aligns to the Bank of England's ('BOE') CQUEST framework and constantly works to improve compliance and reduce the opportunities for external threats to attack the Group. | During 2025, the Group consolidated its cyber security position. Independent testing has shown that we have strong front line defences against cyber attacks, whilst work continues on the enhancement of our assessment of our third-party suppliers, as recent cyber attacks have demonstrated that attackers now favour indirect approaches by initially compromising vendors to gain access to core systems. Work has also been undertaken on enhancing our Cyber Security Incident Response Plan to better reflect current attack vectors and to incorporate industry best practice. |
| Cyber Risk is the potential for adverse consequences arising from a Cyber Security event that could result in operational disruption, financial loss, loss of business-critical data, or other impacts detrimental to the business.               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| The Group uses multiple layers of defence, both technical and operational, to limit the risk of a successful cyber event occurring or, where prevention is not possible, to limit the extent of any material impacts on the Group or our clients. |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Progress:</b>                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Stable                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| * Cyber risk was previously included within Operational Risk                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Compliance and Conduct risk</b>                                                                                                                                                                                                                | The Group manages this risk through its Compliance and Conduct Risk Management Framework. The Group takes a principle-based approach, which includes retail and commercial customers in our definition of 'customer', with coverage across all business units and both regulated and unregulated activities.                                                                                                                                                                                                                                                                                  | The overall heightened rating for the year is driven predominantly by the developments regarding motor finance commissions redress and its impact on the Group. The Financial Conduct Authority ('FCA') consultation paper on its proposed redress scheme was published on 7 October 2025. It is towards the extreme end of outcomes previously expected from the Supreme Court judgment. On 20                                                                                                                                                                                           |
| The risk that the Group's products and services, and the way they are delivered, or the Group's failure to be compliant with all                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

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| relevant regulatory requirements, result in poor outcomes for customers or markets in which we operate, or cause harm to the Group. This could be a direct result of poor or inappropriate execution of our business activities or behaviour from our employees. | <p>Risk management activities follow the Enterprise-Wide Risk Management Framework, through identifying, assessing and managing risks, governance arrangements and reporting risks against Group risk appetite. Arrangements include horizon-scanning of regulatory changes, oversight of regulatory risk events and assurance activities conducted by the three lines of defence, including the second line Compliance Monitoring programme.</p> <p>The Group's horizon-scanning activities track industry and regulatory developments, including the implementation of the Basel 3.1 standards and the SDDT regime, Consumer Credit product sales data reporting and regulation of Buy Now Pay Later.</p> | <p>from the Supreme Court judgment. On 29 October 2025, the Group updated the market on its increased motor finance redress commission provision as a result. The FCA expects to communicate next steps by the end of March 2026.</p> <p>The other Compliance and Conduct risk key area of focus during the year was on the completion of the final stages of the Group's review of its collections processes, procedures and policies in Vehicle Finance, following its formal discussions with the FCA on its Borrowers in Financial Difficulty review.</p> |
| <b>Progress:</b><br>Heightened                                                                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |

| Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Mitigation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Change during the year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
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| <p><b>Financial Crime risk</b></p> <p>The risk that the Group's products and services will be used to facilitate financial crime, resulting in harm to its customers, the Group or third parties, and the Group fails to protect them by not having effective systems and controls. Financial Crime includes anti-money laundering, terrorist financing, proliferation financing, sanctions restrictions, modern slavery, human trafficking, fraud, the failure to prevent fraud and the facilitation of tax evasion.</p> <p>The Group may incur significant remediation costs to rectify issues, reimburse losses incurred by customers and address regulatory censure and penalties.</p> <p><b>Progress:</b><br/>Stable</p> | <p>We operate in a constantly developing financial crime environment and are exposed to financial crime risks of varying degrees across all areas of the Group. The Group is focused on maintaining effective systems and controls, alongside vigilance against all forms of financial crime and meeting our regulatory obligations.</p> <p>The Group has a Financial Crime Framework designed to meet regulatory and legislative obligations, which includes:</p> <ul style="list-style-type: none"> <li>mandatory annual colleague training and awareness initiatives;</li> <li>regular reviews of our suite of financial crime policies, standards and procedures, checking they remain up to date and addressing any legislative/regulatory change and emerging risks;</li> <li>detection, transaction monitoring and screening technologies;</li> <li>extensive recruitment policies to screen potential and existing employees;</li> <li>horizon-scanning and regular management information production and analysis conducted to identify emerging threats, trends and typologies, as well as preparing for new legislation and regulation;</li> <li>financial crime-focused governance with risk committees providing senior management oversight, challenge and risk escalation; and</li> <li>intelligence shared through participating in key industry events such as those hosted by UK Finance and other networks.</li> </ul> | <p>The Group continued to monitor developments during the year. This included the implementation of the Economic Crime and Corporate Transparency Act ('ECCTA'), notably the introduction of the failure to prevent fraud offence, further reforms to the Money Laundering Regulations, enhanced Companies House transparency and identity-verification requirements, and the introduction of mandatory reimbursement for authorised push payment ('APP') fraud. We continue to closely monitor changes to financial crime regulation and guidance and are responding to them accordingly.</p> |
| <p><b>Climate Change risk</b></p> <p>Climate change, and society's response to it, present risks to the UK financial services sector, with some of</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>The Group has established processes to monitor our risk exposure to both the potential 'physical' impacts of climate change and the 'transitional' risks from the UK's transition towards a carbon neutral economy. The Group's approach to climate risk is</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | <p>The Group's direct exposure to the physical impacts of climate change remains low, given its footprint and areas of operation. However, it has maintained robust controls and oversight, designed to manage the associated risks and continues to develop its business plans, as the</p>                                                                                                                                                                                                                                                                                                    |

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| these only fully crystallising over an extended period. The Group is exposed to physical and transition risks arising from climate change. | <p>proportionate to its scale and nature of its activities.</p> <p>This has enabled the Group to align both its business and climate objectives. Climate change and its management are a key part of the Group's Environmental, Social and Governance strategy.</p>   | <p>risks mature. Disclosures are made within the Climate-related financial disclosures section of the Annual Report and Accounts in line with the guidance from the 'Task Force on Climate Related Financial Disclosures', where we are aligned to current requirements.</p>                                                          |
| <b>Progress:</b>                                                                                                                           | The Group continues to undertake stress testing aligned to climate change scenarios, individually, across each of our key businesses.                                                                                                                                 | Specific detail on each of the key risks identified and mitigation are covered within the Strategy section. The Group continues to actively monitor and prepare for anticipated developments in the evolving climate requirements and landscape, as well as in regulatory obligation and expectations, including transition planning. |
| Stable                                                                                                                                     | <p>The tests are focused on the resilience of our portfolios and strategies, to manage the risks and opportunities of climate change. Further detail is provided within the Climate-related financial disclosures section of the 2025 Annual Report and Accounts.</p> |                                                                                                                                                                                                                                                                                                                                       |

## Strategic and emerging risks

The key strategic risk for the Group remains the macroeconomic, and to a certain extent the political, environment in the UK. The Group's operational footprint, lending exposures and funding sources are all in the UK, therefore, overall performance is influenced by the strength and performance of the UK economy.

Given the specialist nature of the Group's lending, it is not exposed across all areas and sectors of the UK economy. However, key areas such as consumer confidence and affordability, house prices, levels of economic activity impacting commercial and corporate profitability as well as business confidence will impact levels of demand for the Group's products and services. Which in turn influences performance of its credit portfolios and achievable returns.

Inflation and cost of living have proven elevated in 2025. Unemployment has started to rise again while economic activity reflected in GDP growth has remained subdued. While this has been counterbalanced by the Bank of England's reductions of Base Rate to now 3.75% the outlook for 2026 remains of cautious optimism at best. Further influences to be considered include the overall health of the UK economy: Geopolitical risks, US- Tariffs volatility, government policies, and indebtedness influencing mortgage rates and consumer behaviour.

Given the prudent approach taken by the Group towards credit risk, these factors are tracked closely through ongoing portfolio monitoring and required changes in lending parameters are undertaken on a proactive basis.

The Group monitors the look forward strategic risk via regular analysis of forecast economic data as part of its review of impairment assumptions and in its annual ICAAP and ILAAP processes. In addition to direct economic factors, the Group is also exposed to the general operating environment in the UK for a regulated business.

The Supreme Court judgment and the subsequent FCA consultation about the motor finance commissions redress scheme have been the subject of intense scrutiny. The Group believes it has reflected the risk in its provision. However, the impact of the final FCA decision, expected by the end of March 2026, needs to be reviewed once issued.

In addition to these specific industry events, the Group is also tracking the various consultation papers relating to regulatory change and engaging with industry bodies to provide input into proposed changes, as well as tracking potential impacts.

## Viability and going concern

### Going concern

In assessing the Group as a going concern, the Directors considered the factors likely to affect its future performance and development, recent regulatory announcements, the Group's financial position and the principal risks and uncertainties facing the Group, as set out in the Strategic Report. The Group uses various short and medium-term forecasts to monitor future capital and liquidity requirements, and these include stress-testing business planning assumptions to identify the headroom on regulatory compliance measures. The details of the forecasts and stress tests are explained in the Business viability section below.

Accordingly, the Directors conclude that the Company and the Group have adequate resources to continue in operational existence for a period of at least 12 months from the date of the approval of the Financial Statements and, therefore, it is appropriate to continue to adopt the going concern basis in preparing the accounts.

### Business viability

In accordance with provision 31 of the UK Corporate Governance Code, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet their liabilities as they fall due, for the period up to 31 December 2030. As the Group's financial planning horizon is five years, the Group considers a five-year period for its viability assessment.

The Directors are confident of the Group's viability over the longer term after considering all of the principal risks

affecting the Group, including the following factors.

- The Group has delivered solid trading profits and sound capital management in 2025 and the 2026 annual budget process indicates long-term growth potential.
- Decrease in tail-risks from the cost-of-living crisis that resulted from a prolonged period of high inflation and high interest rates coupled with a lag on wage growth.
- Our deposit base is made up of retail customers and 97.6% of total deposits are fully covered by the Financial Services Compensation Scheme ('FSCS').
- Our stress testing indicates the Group's ability to manage its capital and liquidity requirements through the regulator's prescribed financial stresses.
- Capital stress testing is conducted after assessing the drivers of credit risk in the business, specifically the impact of adverse changes in economic variables that impacts the Group's IFRS 9 Expected Credit Loss ('ECL') models: unemployment, CPI, and HPI. The Group also considers specific business model risks that could lead to unexpected credit and operational losses.
- The Group has maintained capital levels in excess of its internal risk appetites and regulatory requirements throughout the year and is forecast to continue to do so over the five-year planning horizon.
- The Group increased its motor finance redress provision to reflect the Financial Conduct Authority's consultation on motor finance commission redress which closed in December 2025. Additional potential impacts have been considered through stress testing.
- In the area of climate change, the Board recognises the long-term risks and launched its Environmental, Social and Governance strategy in 2023. Risks associated with climate change are considered as part of the annual Internal Capital Adequacy Assessment Process ('ICAAP'). Material impacts of climate change on the Group's markets and business model will emerge over the longer-term horizon and beyond the period of viability assessment. Notwithstanding this, the Group is mindful of the need to adapt its business model to changes in the markets it operates in as a result of climate change.

Furthermore, the Board considers that the circumstances required to cause the Group to fail, as demonstrated by its stress testing procedures, are sufficiently remote.

The Directors have based their assessment on the results of the following activities.

- The latest annual budget process, which contains information on the expected financial and capital positions and performance of the Group over the 2026 to 2030 period.
- The Group monitors its key performance indicators across profit, capital, liquidity, and different risk categories to mitigate any changes in risk outside of its risk appetite.
- In addition to the annual budget process, key sensitivities are measured through other forecasting activity undertaken over the course of the year, which would impact on capital and liquidity over the planning horizon.
- The Group's ILAAP, approved by the Board in June 2025, provides assurance that the Group can maintain liquidity resources that are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. This risk was tested under the financial stresses outlined below. The Group has maintained liquidity levels in excess of its liquidity risk appetite and regulatory requirements throughout the year, and is forecast to continue to do so over the ILAAP planning horizon.
- The Group's ICAAP, which considered the Prudential Regulatory Authority's ('PRA's') published macroeconomic stress and severe scenarios in order to assess the adequacy of capital resources over the 2025 to 2029 period, was approved in August 2025. An addendum to the ICAAP considering the impact of the exit of Vehicle Finance, announced in July 2025, and the increased motor finance redress provision was subsequently approved by the Board in February 2026. Within the ICAAP, the Group considered the extent of the credit, operational and market risks it is exposed to, and how such risks affect its required capital levels. Under the macroeconomic stress, the details of which are set out below, at no point were minimum regulatory capital requirements breached, and capital buffers held at the start of the stress were confirmed to be adequate.
- The latest Group Recovery Plan was approved in October 2025 and confirmed that the Group has sufficient recovery options available to recover from the severe combined idiosyncratic and macroeconomic stress scenario modelled over the 2025 to 2029 period. An addendum to the Group Recovery Plan considering the impact of the exit of Vehicle Finance and the increased motor finance redress provision has subsequently been prepared. The primary recovery options are to reduce the level of new lending, and thus slow down the rate of growth to reduce risk weighted assets, and raise new deposits.
- The Group's first Solvent Exit Analysis ('SEA') was approved by the Board in August 2025 in compliance with the new regulation which was effective 1 October 2025. This analysis goes beyond the Recovery Plan to consider the process to achieve an orderly and timely wind-down of the Group's trading activities and return of customer deposits. The primary actions would be cessation of new business, run-down and sale of lending portfolios. As part of this new process the Group assessed indicators for when a Solvent Exit Plan would be required and executable. The SEA supports the creation of a Solvent Exit Plan in the event one is required,
- Consideration of the other principal risks, as set out in the Principal risks and uncertainties section, identify any other severe, but plausible scenarios that could threaten the Group's business model, future performance, solvency or liquidity.

A summary of the different financial stresses are set out below.

## **ILAAP**

The Group's 2025 ILAAP included idiosyncratic, market-wide and combined stress scenarios.

The idiosyncratic liquidity stress test assumed an operational incident within the deposits operations team leads to adverse media coverage across financial websites, newspapers and on TV. This leads to a short-term loss in customer confidence and makes it materially more challenging to retain maturing term bonds, higher notice being served and customers withdrawing Access deposits. The market-wide stress is based upon the UK economy entering a severe recession with rising unemployment and inflation, falling house and equity prices, subdued wage growth and a contraction in GDP, due to prolonged economic uncertainty. Higher customer default rates (in line with the Macro ICAAP stress) and the regulators decision to allow consumer customers to take payment holidays results in lower payment inflows. Completions on consumer contracts fall, while requests for refinancing from business customers also contracts in line with reduced economic activity. The combined stress includes elements of the idiosyncratic and market stresses, whereby the UK economy enters a severe recession, and the Group suffers outflows due to poor customer services at the same time.

A combined stress includes elements of the idiosyncratic and market stresses, whereby the UK economy enters a severe recession, and the Group suffers operational issues in the deposits function at the same time.

In addition, the ILAAP includes sensitivity analysis to model the impact of adverse variances in stress assumptions used in each of these scenarios.

Reverse stress test modelling was also performed to identify the type and severity of a stress required for the Group to no longer be able to meet its liquidity requirements. Three scenarios were assessed to consider the impact of: 1) an extreme retail deposits stress leading to higher attrition and inability to raise new deposits; 2) a significant reduction in lending inflows at the same time as a full utilisation of Commercial Finance facilities; and 3) the impact of Retail Finance loans becoming ineligible for use in supporting Bank of England liquidity schemes.

## **ICAAP**

The Group's ICAAP considered a combined PRA-published macroeconomic stress and severe idiosyncratic losses to assess the adequacy of capital resources over the 2025 to 2029 period. The macroeconomic stress included an unemployment peak of 9.0% in Q1 2027, a 28.0% property price decline by Q4 2027, and an economic recovery beginning in 2028. However, unemployment and house prices were not assumed to return to pre-stress levels before the end of the five-year scenario. At no point under the stress were the Group's minimum capital requirements not met, and capital buffers held at the start of the stress were confirmed to be adequate.

Reverse stress test modelling was also performed to assess the level of stress required for the Group to no longer be able to meet its capital requirements. This required a significantly more severe scenario, including peak unemployment of 12.5%, a sharper decline in house prices to 45.9% and multiple concurrent idiosyncratic loss events occurring at the start of the scenario.

The ICAAP also used scenario modelling for elements of the Group's Pillar 2A capital assessment to support the assessment of operational risk and credit risk.

## **Recovery Plan**

The Group's latest Recovery Plan confirmed that the Group has sufficient recovery options available to recover from the severe stress scenarios modelled over the 2025 to 2029 period.

The combined capital stress test included peak unemployment of 10.8%, a 36.8% decline in property prices and an increase in operational losses based on the ICAAP Pillar 2A scenario modelling.

The idiosyncratic liquidity stress test assumed a loss of confidence in the Group, resulting in a run on the bank with a rapid loss of Access and ISA deposits and significantly increased Notice account outflows. In addition, it was assumed that there would be a significant increase in requests to withdraw funds from fixed term bonds prior to the original maturity date.

At the same time, to reflect a layering of liquidity risks, lending outflows were increased due to higher levels of pipeline completion.

## **Solvent Exit Analysis**

The first SEA prepared by the Group considers a theoretical combination of macro and idiosyncratic stresses that would take the Group to a point beyond the point of recovery, but would allow minimum regulatory capital to be maintained whilst an orderly wind-down of the business activities was undertaken with Retail Deposits returned to customers. The SEA considered financial and operational resources required to achieve an orderly exit. Quantitative and qualitative indicators were calibrated to ensure a Solvent Exit Plan is achievable on a timely basis.

In future years the SEA will be updated alongside the Recovery Plan.

## **Directors' responsibility statement**

The Directors are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors are required to prepare the Group Financial Statements in accordance with UK-adopted international

Directors are required to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards. The Financial Statements also comply with International Financial Reporting Standards ('IFRSs') as issued by the IASB. The Directors have also chosen to prepare the Parent Company Financial Statements under UK-adopted international accounting standards. Under company law, the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these Financial Statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- 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 of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company'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 Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

## Responsibility statement

Each of the Directors who are in office at the date of this report, and whose names and roles are listed on the Board leadership section of the 2025 Annual Report and Accounts, confirm that to the best of their knowledge:

- the Financial Statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Management Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

## Consolidated statement of comprehensive income

For the year ended 31 December 2025

|                                                                 | Note | 2025         |              |                | 2024         |               |                |
|-----------------------------------------------------------------|------|--------------|--------------|----------------|--------------|---------------|----------------|
|                                                                 |      | Continuing   | Discontinued | Total          | Continuing   | Discontinued  | Total          |
|                                                                 |      | £million     | £million     | Group £million | £million     | £million      | Group £million |
| <b>Income statement</b>                                         |      |              |              |                |              |               |                |
| Interest income and similar income                              | 4.1  | 301.8        | 70.2         | 372.0          | 296.8        | 69.2          | 366.0          |
| Interest expense and similar charges                            | 4.1  | (150.7)      | (22.7)       | (173.4)        | (159.5)      | (21.6)        | (181.1)        |
| <b>Net interest income</b>                                      | 4.1  | <b>151.1</b> | <b>47.5</b>  | <b>198.6</b>   | <b>137.3</b> | <b>47.6</b>   | <b>184.9</b>   |
| Fee and commission income                                       | 4.2  | 14.1         | 1.0          | 15.1           | 18.3         | 0.9           | 19.2           |
| Fee and commission expense                                      | 4.2  | -            | (0.2)        | (0.2)          | (0.1)        | (0.1)         | (0.2)          |
| <b>Net fee and commission income</b>                            | 4.2  | <b>14.1</b>  | <b>0.8</b>   | <b>14.9</b>    | <b>18.2</b>  | <b>0.8</b>    | <b>19.0</b>    |
| <b>Operating income</b>                                         |      | <b>165.2</b> | <b>48.3</b>  | <b>213.5</b>   | <b>155.5</b> | <b>48.4</b>   | <b>203.9</b>   |
| Net impairment charge on loans and advances to customers        | 17   | (31.4)       | (26.6)       | (58.0)         | (23.2)       | (38.7)        | (61.9)         |
| Other gains/(losses)                                            |      | 0.1          | 0.1          | 0.2            | (0.4)        | 0.1           | (0.3)          |
| Fair value gains on financial instruments                       | 5    | 0.1          | -            | 0.1            | 1.2          | -             | 1.2            |
| Operating expenses                                              | 6    | (74.7)       | (29.5)       | (104.2)        | (72.2)       | (31.6)        | (103.8)        |
| <b>Profit/(loss) before income tax before exceptional items</b> |      | <b>59.3</b>  | <b>(7.7)</b> | <b>51.6</b>    | <b>60.9</b>  | <b>(21.8)</b> | <b>39.1</b>    |
| Exceptional items                                               | 8    | -            | (24.1)       | (24.1)         | (1.5)        | (8.4)         | (9.9)          |

|                                                                                                                          |      |              |                |             |              |                |              |
|--------------------------------------------------------------------------------------------------------------------------|------|--------------|----------------|-------------|--------------|----------------|--------------|
| <b>Profit/(loss) before income tax</b>                                                                                   |      | <b>59.3</b>  | <b>(31.8)</b>  | <b>27.5</b> | <b>59.4</b>  | <b>(30.2)</b>  | <b>29.2</b>  |
| Income tax (expense)/credit                                                                                              | 9    | (14.7)       | 4.8            | (9.9)       | (16.0)       | 6.5            | (9.5)        |
| <b>Profit/(loss) for the year</b>                                                                                        |      | <b>44.6</b>  | <b>(27.0)</b>  | <b>17.6</b> | <b>43.4</b>  | <b>(23.7)</b>  | <b>19.7</b>  |
| <b>Items that may be reclassified to the income statement</b>                                                            |      |              |                |             |              |                |              |
| Cash flow hedge reserve movements                                                                                        |      | (1.4)        | -              | (1.4)       | (0.8)        | -              | (0.8)        |
| Reclassification to the income statement                                                                                 |      | 1.4          | -              | 1.4         | 1.3          | -              | 1.3          |
| Taxation                                                                                                                 |      | -            | -              | -           | (0.2)        | -              | (0.2)        |
| <b>Other comprehensive income for the year, net of income tax</b>                                                        |      | <b>-</b>     | <b>-</b>       | <b>-</b>    | <b>0.3</b>   | <b>-</b>       | <b>0.3</b>   |
| <b>Total comprehensive income/(expense) for the year</b>                                                                 |      | <b>44.6</b>  | <b>(27.0)</b>  | <b>17.6</b> | <b>43.7</b>  | <b>(23.7)</b>  | <b>20.0</b>  |
|                                                                                                                          |      |              |                |             |              |                |              |
| <b>Profit/(loss) attributable to equity holders of the Company</b>                                                       |      | <b>44.6</b>  | <b>(27.0)</b>  | <b>17.6</b> | <b>43.4</b>  | <b>(23.7)</b>  | <b>19.7</b>  |
| <b>Total comprehensive income/(expense) attributable to equity holders of the Company</b>                                |      | <b>44.6</b>  | <b>(27.0)</b>  | <b>17.6</b> | <b>43.7</b>  | <b>(23.7)</b>  | <b>20.0</b>  |
|                                                                                                                          |      |              |                |             |              |                |              |
| <b>Earnings per share for profit attributable to the equity holders of the Company during the year (pence per share)</b> |      |              |                |             |              |                |              |
| <b>Basic earnings per ordinary share</b>                                                                                 | 11.1 | <b>238.8</b> | <b>(144.5)</b> | <b>94.2</b> | <b>227.7</b> | <b>(124.3)</b> | <b>103.4</b> |
| <b>Diluted earnings per ordinary share</b>                                                                               | 11.2 | <b>225.6</b> | <b>(136.6)</b> | <b>89.0</b> | <b>223.5</b> | <b>(122.1)</b> | <b>101.4</b> |

#### Consolidated and Company statement of financial position

As at 31 December 2025

|                                                 |          | Group            |                  | Company          |                  |
|-------------------------------------------------|----------|------------------|------------------|------------------|------------------|
|                                                 | Note     | 2025<br>£million | 2024<br>£million | 2025<br>£million | 2024<br>£million |
| <b>ASSETS</b>                                   |          |                  |                  |                  |                  |
| Cash and Bank of England reserve account        |          | 528.1            | 445.0            | 528.1            | 445.0            |
| Loans and advances to banks                     | 13       | 36.8             | 24.0             | 36.1             | 23.6             |
| Debt securities                                 | 14       | 1.0              | -                | 1.0              | -                |
| Loans and advances to customers                 | 15,16    | 3,295.8          | 3,608.5          | 3,295.8          | 3,608.5          |
| Fair value adjustment for portfolio hedged risk | 18       | 7.3              | (6.8)            | 7.3              | (6.8)            |
| Derivative financial instruments                | 18       | 0.2              | 14.3             | 0.2              | 14.3             |
| Assets held for sale                            | 19,15,16 | 390.8            | -                | 390.8            | -                |
| Investment property                             | 20       | 24.1             | -                | 0.9              | 0.9              |
| Property, plant and equipment                   | 21       | 7.4              | 9.9              | 5.9              | 6.0              |
| Right-of-use assets                             | 22       | 4.4              | 1.6              | 4.2              | 1.4              |
| Intangible assets                               | 23       | 5.1              | 5.0              | 3.2              | 2.9              |
| Investment in group undertakings                | 24       | -                | -                | 6.3              | 6.1              |
| Current tax assets                              |          | 2.6              | 0.2              | 2.6              | 1.0              |
| Deferred tax assets                             | 25       | 3.6              | 3.3              | 3.3              | 3.3              |
| Other assets                                    | 26       | 8.8              | 11.7             | 33.4             | 13.0             |
| <b>Total assets</b>                             |          | <b>4,316.0</b>   | <b>4,116.7</b>   | <b>4,319.1</b>   | <b>4,119.2</b>   |
| <b>LIABILITIES AND EQUITY</b>                   |          |                  |                  |                  |                  |
| <b>Liabilities</b>                              |          |                  |                  |                  |                  |

|                                                    |    |                |                |                |                |
|----------------------------------------------------|----|----------------|----------------|----------------|----------------|
| Due to banks                                       | 27 | 205.9          | 365.8          | 205.9          | 365.8          |
| Deposits from customers                            | 28 | 3,509.6        | 3,244.9        | 3,509.6        | 3,244.9        |
| Fair value adjustment for portfolio hedged risk    | 18 | 4.7            | (3.4)          | 4.7            | (3.4)          |
| Derivative financial instruments                   | 18 | 0.1            | 10.0           | 0.1            | 10.0           |
| Lease liabilities                                  | 29 | 4.4            | 1.8            | 4.2            | 1.6            |
| Other liabilities                                  | 30 | 98.0           | 32.5           | 110.3          | 41.1           |
| Provisions for liabilities and charges             | 31 | 25.5           | 11.3           | 25.5           | 11.3           |
| Subordinated liabilities                           | 32 | 93.5           | 93.3           | 93.5           | 93.3           |
| <b>Total liabilities</b>                           |    | <b>3,941.7</b> | <b>3,756.2</b> | <b>3,953.8</b> | <b>3,764.6</b> |
| <b>Equity attributable to owners of the parent</b> |    |                |                |                |                |
| Share capital                                      | 34 | 7.6            | 7.6            | 7.6            | 7.6            |
| Share premium                                      |    | 84.2           | 84.0           | 84.2           | 84.0           |
| Other reserves                                     | 35 | (1.9)          | (2.2)          | (1.9)          | (2.2)          |
| Retained earnings                                  |    | 284.4          | 271.1          | 275.4          | 265.2          |
| <b>Total equity</b>                                |    | <b>374.3</b>   | <b>360.5</b>   | <b>365.3</b>   | <b>354.6</b>   |
| <b>Total liabilities and equity</b>                |    | <b>4,316.0</b> | <b>4,116.7</b> | <b>4,319.1</b> | <b>4,119.2</b> |

The Company has elected to take the exemption under section 408 of the Companies Act 2006 to not present the parent company income statement. The profit for the parent company for the year of £14.6 million is presented in the Company statement of changes in equity.

#### Consolidated and Company statement of changes in equity

|                                                | Group                                               |               |               |              |                   |              | Company                                             |               |               |              |                   |              |
|------------------------------------------------|-----------------------------------------------------|---------------|---------------|--------------|-------------------|--------------|-----------------------------------------------------|---------------|---------------|--------------|-------------------|--------------|
|                                                | Equity attributable to equity holders of the parent |               |               |              |                   |              | Equity attributable to equity holders of the parent |               |               |              |                   |              |
|                                                | Other reserves                                      |               |               |              |                   |              | Other reserves                                      |               |               |              |                   |              |
|                                                | Cash flow                                           |               |               |              |                   |              | Cash flow                                           |               |               |              |                   |              |
|                                                | Share capital                                       | Share premium | hedge reserve | Own shares   | Retained earnings | Total        | Share capital                                       | Share premium | hedge reserve | Own shares   | Retained earnings | Total        |
|                                                | £million                                            | £million      | £million      | £million     | £million          | £million     | £million                                            | £million      | £million      | £million     | £million          | £million     |
| <b>Balance at 1 January 2025</b>               | <b>7.6</b>                                          | <b>84.0</b>   | <b>-</b>      | <b>(2.2)</b> | <b>271.1</b>      | <b>360.5</b> | <b>7.6</b>                                          | <b>84.0</b>   | <b>-</b>      | <b>(2.2)</b> | <b>265.2</b>      | <b>354.6</b> |
| Profit for 2025                                | -                                                   | -             | -             | -            | 17.6              | 17.6         | -                                                   | -             | -             | -            | 14.6              | 14.6         |
| Other comprehensive income, net of income tax  | -                                                   | -             | -             | -            | -                 | -            | -                                                   | -             | -             | -            | -                 | -            |
| <b>Total comprehensive income for the year</b> | <b>-</b>                                            | <b>-</b>      | <b>-</b>      | <b>-</b>     | <b>17.6</b>       | <b>17.6</b>  | <b>-</b>                                            | <b>-</b>      | <b>-</b>      | <b>-</b>     | <b>14.6</b>       | <b>14.6</b>  |
| Purchase of own shares                         | -                                                   | -             | -             | (0.2)        | -                 | (0.2)        | -                                                   | -             | -             | (0.2)        | -                 | (0.2)        |
| Sale of own shares                             | -                                                   | -             | -             | 0.5          | -                 | 0.5          | -                                                   | -             | -             | 0.5          | -                 | 0.5          |
| Loss on sale of own shares                     | -                                                   | -             | -             | -            | (0.5)             | (0.5)        | -                                                   | -             | -             | -            | (0.5)             | (0.5)        |
| Issue of shares                                | -                                                   | 0.2           | -             | -            | -                 | 0.2          | -                                                   | 0.2           | -             | -            | -                 | 0.2          |
| Dividends                                      | -                                                   | -             | -             | -            | (6.4)             | (6.4)        | -                                                   | -             | -             | -            | (6.4)             | (6.4)        |
| Share-based payments                           | -                                                   | -             | -             | -            | 2.6               | 2.6          | -                                                   | -             | -             | -            | 2.5               | 2.5          |
| <b>Balance at 31 December 2025</b>             | <b>7.6</b>                                          | <b>84.2</b>   | <b>-</b>      | <b>(1.9)</b> | <b>284.4</b>      | <b>374.3</b> | <b>7.6</b>                                          | <b>84.2</b>   | <b>-</b>      | <b>(1.9)</b> | <b>275.4</b>      | <b>365.3</b> |

|                                                |            |             |              |              |              |              |  |            |             |              |              |              |              |
|------------------------------------------------|------------|-------------|--------------|--------------|--------------|--------------|--|------------|-------------|--------------|--------------|--------------|--------------|
| <b>Balance at 1 January 2024</b>               | <b>7.6</b> | <b>83.8</b> | <b>(0.3)</b> | <b>(1.4)</b> | <b>254.8</b> | <b>344.5</b> |  | <b>7.6</b> | <b>83.8</b> | <b>(0.3)</b> | <b>(1.4)</b> | <b>248.5</b> | <b>338.2</b> |
| Profit for 2024                                | -          | -           | -            | -            | 19.7         | 19.7         |  | -          | -           | -            | -            | 20.1         | 20.1         |
| Other comprehensive income, net of income tax  | -          | -           | 0.3          | -            | -            | 0.3          |  | -          | -           | 0.3          | -            | -            | 0.3          |
| <b>Total comprehensive income for the year</b> | <b>-</b>   | <b>-</b>    | <b>0.3</b>   | <b>-</b>     | <b>19.7</b>  | <b>20.0</b>  |  | <b>-</b>   | <b>-</b>    | <b>0.3</b>   | <b>-</b>     | <b>20.1</b>  | <b>20.4</b>  |
| Purchase of own shares                         | -          | -           | -            | (1.4)        | -            | (1.4)        |  | -          | -           | -            | (1.4)        | -            | (1.4)        |
| Sale of own shares                             | -          | -           | -            | 0.6          | -            | 0.6          |  | -          | -           | -            | 0.6          | -            | 0.6          |
| Loss on sale of own shares                     | -          | -           | -            | -            | (0.5)        | (0.5)        |  | -          | -           | -            | -            | (0.5)        | (0.5)        |
| Issue of shares                                | -          | 0.2         | -            | -            | -            | 0.2          |  | -          | 0.2         | -            | -            | -            | 0.2          |
| Dividends                                      | -          | -           | -            | -            | (5.2)        | (5.2)        |  | -          | -           | -            | -            | (5.2)        | (5.2)        |
| Share-based payments                           | -          | -           | -            | -            | 2.3          | 2.3          |  | -          | -           | -            | -            | 2.3          | 2.3          |
| <b>Balance at 31 December 2024</b>             | <b>7.6</b> | <b>84.0</b> | <b>-</b>     | <b>(2.2)</b> | <b>271.1</b> | <b>360.5</b> |  | <b>7.6</b> | <b>84.0</b> | <b>-</b>     | <b>(2.2)</b> | <b>265.2</b> | <b>354.6</b> |

### Consolidated statement of cash flows

For the year ended 31 December 2025

|                                                                                      | Note  | 2025<br>£million | 2024<br>£million |
|--------------------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                          |       |                  |                  |
| Profit for the year                                                                  |       | 17.6             | 19.7             |
| Adjustments for:                                                                     |       |                  |                  |
| Income tax expense                                                                   | 9     | 9.9              | 9.5              |
| Depreciation of property, plant and equipment                                        | 21    | 0.8              | 1.0              |
| Depreciation of right-of-use assets                                                  | 22    | 1.1              | 1.0              |
| Amortisation of intangible assets                                                    | 23    | 1.2              | 1.4              |
| Impairment charge on loans and advances to customers                                 | 17    | 58.0             | 61.9             |
| Share-based compensation                                                             | 36    | 2.0              | 2.3              |
| Provisions for liabilities and charges - charge to income statement                  | 31    | 21.7             | 9.8              |
| Other non-cash items included in profit before tax                                   |       | 0.2              | (0.6)            |
| Cash flows from operating profits before changes in operating assets and liabilities |       | 112.5            | 106.0            |
| Changes in operating assets and liabilities:                                         |       |                  |                  |
| - loans and advances to customers                                                    |       | (159.0)          | (354.8)          |
| - loans and advances to banks and balances at central banks                          |       | (5.1)            | 5.0              |
| - other assets                                                                       |       | 2.8              | 1.4              |
| - deposits from customers                                                            |       | 264.7            | 373.1            |
| - provisions for liabilities and charges                                             |       | (7.6)            | (4.7)            |
| - other liabilities                                                                  |       | 60.7             | (5.5)            |
| Income tax paid                                                                      |       | (12.0)           | (8.8)            |
| <b>Net cash inflow from operating activities</b>                                     |       | <b>257.0</b>     | <b>111.7</b>     |
| <b>Cash flows from investing activities</b>                                          |       |                  |                  |
| Purchase of investment property                                                      | 20    | (1.1)            | -                |
| Purchase of debt securities                                                          | 14    | (1.0)            | -                |
| Purchase of property, plant and equipment and intangible assets                      | 21,23 | (1.6)            | (1.0)            |
| Sale of property, plant and equipment                                                | 21    | 1.9              | -                |
| <b>Net cash outflow from investing activities</b>                                    |       | <b>(1.8)</b>     | <b>(1.0)</b>     |
| <b>Cash flows from financing activities</b>                                          |       |                  |                  |

|                                                                      |    |                |               |
|----------------------------------------------------------------------|----|----------------|---------------|
| (Repayment)/drawdown of amounts due to banks                         |    | (1.7)          | 0.8           |
| Drawdown of sale and repurchase agreements                           |    | 250.0          | 125.0         |
| Repayment of sale and repurchase agreements                          |    | (175.0)        | -             |
| Repayment of Term Funding Scheme with additional incentives for SMEs |    | (230.0)        | (160.0)       |
| Purchase of own shares                                               |    | (0.2)          | (1.4)         |
| Issue of shares                                                      |    | 0.2            | 0.2           |
| Dividends paid                                                       | 12 | (6.4)          | (5.2)         |
| Repayment of lease liabilities                                       | 29 | (1.3)          | (1.4)         |
| <b>Net cash outflow from financing activities</b>                    |    | <b>(164.4)</b> | <b>(42.0)</b> |
| <b>Net increase in cash and cash equivalents</b>                     |    | <b>90.8</b>    | <b>68.7</b>   |
| Cash and cash equivalents at 1 January                               |    | 469.0          | 400.3         |
| <b>Cash and cash equivalents at 31 December</b>                      | 37 | <b>559.8</b>   | <b>469.0</b>  |

Interest received was £227.0 million (2024: £246.1 million) and interest paid was £65.2 million (2024: £70.6 million).

### Company statement of cash flows

For the year ended 31 December 2025

|                                                                                      | Note  | 2025<br>£million | 2024<br>£million |
|--------------------------------------------------------------------------------------|-------|------------------|------------------|
| <b>Cash flows from operating activities</b>                                          |       |                  |                  |
| Profit for the year                                                                  |       | 14.6             | 20.1             |
| Adjustments for:                                                                     |       |                  |                  |
| Income tax expense                                                                   | 9     | 5.3              | 6.2              |
| Depreciation of property, plant and equipment                                        | 21    | 0.5              | 0.6              |
| Depreciation of right-of-use assets                                                  | 22    | 1.0              | 0.8              |
| Amortisation of intangible assets                                                    | 23    | 0.9              | 1.1              |
| Impairment charge on loans and advances to customers                                 |       | 58.0             | 62.0             |
| Share-based compensation                                                             | 36    | 1.8              | 2.1              |
| Dividends received from subsidiaries                                                 |       | (10.8)           | (9.5)            |
| Provisions for liabilities and charges - charge to the income statement              | 31    | 21.7             | 10.1             |
| Other non-cash items included in profit before tax                                   |       | 0.1              | (1.2)            |
| Cash flows from operating profits before changes in operating assets and liabilities |       | 93.1             | 92.3             |
| Changes in operating assets and liabilities:                                         |       |                  |                  |
| - loans and advances to customers                                                    |       | (136.0)          | (354.9)          |
| - loans and advances to banks and balances at central banks                          |       | (5.1)            | 5.0              |
| - other assets                                                                       |       | (9.7)            | 11.3             |
| - deposits from customers                                                            |       | 264.7            | 373.1            |
| - provisions for liabilities and charges                                             |       | (7.6)            | (4.6)            |
| - other liabilities                                                                  |       | 64.4             | (3.9)            |
| Income tax paid                                                                      |       | (6.4)            | (6.7)            |
| <b>Net cash inflow from operating activities</b>                                     |       | <b>257.4</b>     | <b>111.6</b>     |
| <b>Cash flows from investing activities</b>                                          |       |                  |                  |
| Purchase of debt securities                                                          | 14    | (1.0)            | -                |
| Purchase of property, plant and equipment and intangible assets                      | 21,23 | (1.6)            | (0.8)            |
| <b>Net cash outflow from investing activities</b>                                    |       | <b>(2.6)</b>     | <b>(0.8)</b>     |
| <b>Cash flows from financing activities</b>                                          |       |                  |                  |
| (Repayment)/drawdown of amounts due to banks                                         |       | (1.7)            | 0.8              |

|                                                                      |                |               |
|----------------------------------------------------------------------|----------------|---------------|
| Drawdown of sale and repurchase agreements                           | 250.0          | 125.0         |
| Repayment of sale and repurchase agreements                          | (175.0)        | -             |
| Repayment of Term Funding Scheme with additional incentives for SMEs | (230.0)        | (160.0)       |
| Purchase of own shares                                               | (0.2)          | (1.4)         |
| Issue of shares                                                      | 0.2            | 0.2           |
| Dividends paid                                                       | 12             | (6.4)         |
| Repayment of lease liabilities                                       | 29             | (1.2)         |
| <b>Net cash outflow from financing activities</b>                    | <b>(164.3)</b> | <b>(41.8)</b> |
| <b>Net increase in cash and cash equivalents</b>                     | <b>90.5</b>    | <b>69.0</b>   |
| Cash and cash equivalents at 1 January                               | 468.6          | 399.6         |
| <b>Cash and cash equivalents at 31 December</b>                      | <b>37</b>      | <b>559.1</b>  |
|                                                                      |                | <b>468.6</b>  |

## Notes to the consolidated financial statements

### 1. Accounting policies

The material accounting policies applied in the preparation of these consolidated financial statements are set out below, and if applicable, directly under the relevant note to the consolidated financial statements. These policies have been consistently applied to all of the years presented, unless otherwise stated.

#### 1.1. Reporting entity

Secure Trust Bank PLC is a public limited company incorporated in England and Wales in the United Kingdom (referred to as the 'Company') and is limited by shares. The Company is registered in England and Wales and has the registered number 00541132. The registered address of the Company is Yorke House, Arleston Way, Solihull B90 4LH. The consolidated financial statements of the Company as at, and for, the year ended 31 December 2025 comprise Secure Trust Bank PLC and its subsidiaries (together referred to as the 'Group' and individually as 'subsidiaries'). The Group is primarily involved in the provision of banking and financial services.

#### 1.2. Basis of presentation

The figures shown for the year ended 31 December 2025 are not statutory accounts within the meaning of section 435 of the Companies Act 2006. The statutory accounts for the year ended 31 December 2025 on which the auditors have given an unqualified audit report and did not contain an adverse statement under section 498(2) or 498(3) of the Companies Act 2006 will be delivered to the Registrar of Companies after the Annual General Meeting. The figures shown for the year ended 31 December 2024 are not statutory accounts. A copy of the statutory accounts has been delivered to the Registrar of Companies, which contained an unqualified audit report and did not contain an adverse statement under section 498(2) or 498(3) of the Companies Act 2006. This announcement has been agreed with the Company's auditors for release.

#### 1.3. Consolidation

##### **Subsidiaries**

Subsidiaries are all investees controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition, excluding directly attributable costs, over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The parent company's investments in subsidiaries are recorded at cost less, where appropriate, provision for impairment. The fair value of the underlying business of the Company's only material investment was significantly higher than carrying value, and, therefore, no impairment was required.

Intercompany transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

The accounting policies adopted by subsidiaries are generally consistent with those adopted by the Group with minor exceptions.

Subsidiaries are de-consolidated from the date that control ceases.

##### **Discontinued operations**

Discontinued operations are a component of an entity that has been disposed of and represents a major line of business and/or is part of a single co-ordinated disposal plan. For further information please see Note 10.

#### 1.4. Financial assets and financial liabilities accounting policy

##### ***Financial assets (with the exception of derivative financial instruments) accounting policy***

The Group classifies its financial assets at inception into three measurement categories; 'amortised cost', 'Fair Value Through Other Comprehensive Income' ('FVOCI') and 'Fair Value Through Profit or Loss' ('FVTPL'). A financial asset is measured at amortised cost if both the following conditions are met and it has not been designated as at FVTPL:

- the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that are Solely Payments of Principal and Interest ('SPPI').

The Group's current business model for all financial assets, with the exception of derivative financial instruments, is to hold to collect contractual cash flows, and all assets held give rise to cash flows on specified dates that represent SPPI on the outstanding principal amount. All of the Group's financial assets are, therefore, currently classified as amortised cost, except for derivative financial instruments which are held at FVTPL. Loans are recognised when funds are advanced to customers and are carried at amortised cost using the Effective Interest Rate ('EIR') method.

A debt instrument would be measured at FVOCI only if both the below conditions are met and it has not been designated as FVTPL:

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

The Group currently has no financial instruments classified as FVOCI.

See below for further details of the business model assessment and the SPPI test.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election would be made on an investment-by-investment basis. The Group currently holds no such investments.

All other assets are classified as FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets. The Group has not reclassified any financial assets during the reporting period.

##### ***Assessment whether contractual cash flows are SPPI***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the cost of funds and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet the condition.

In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- prepayments and extension terms;
- terms that limit the Group's claim to cash flows from specific assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rate).

The SPPI assessment of loans with ESG-linked features ('green loans') is judgmental. These are loans where the interest cash flows are linked to certain ESG performance metrics and where analysis of the loans needs to be undertaken to assess whether the cash flows represent solely payments of principal and interest. In May 2024, the IASB issued amendments to IFRS 9 which included amendments impacting loans that contain ESG targets. The new requirements have been endorsed by the UK Endorsement Board and apply to accounting periods beginning on or after 1 January 2026. The Group has early adopted these requirements and as a result continues to hold these loans at amortised cost. Prior to the issue of the new amendments, including for the year ended 31 December 2024, the loans may have met the criteria to be recorded at fair value, however this would not have been material in the context of the overall value of loans and advances to customers.

##### ***Business model assessment***

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on managing the portfolio in order to collect contractual cash flows or whether it is managed in order to trade to realise fair value changes;

- how the performance of the portfolio is evaluated and reports to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are classified as FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

#### ***Amortised cost measurement***

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, plus or minus the cumulative amortisation using the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, minus any reduction for impairment.

#### ***Derecognition of financial assets***

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all of the risks and rewards of ownership or in the event of a substantial modification. There have not been any instances where assets have only been partially derecognised.

#### ***Modification of loans***

A customer's account may be modified to assist customers who are in, or have recently overcome, financial difficulties and have demonstrated both the ability and willingness to meet the current or modified loan contractual payments. Substantial loan modifications result in the derecognition of the existing loan, and the recognition of a new loan at the new origination EIR based on the expected future cash flows at origination. Determination of the origination Probability of Default ('PD') for the new loan is required, based on the PD as at the date of the modification, which is used for the calculation of the impairment provision against the new loan. Any deferred fees or deferred interest, and any difference between the carrying value of the derecognised loan and the new loan, is written-off to the income statement on recognition of the new loan.

Where the modification is not considered to be substantial, neither the origination EIR nor the origination probability of default for the modified loan changes. The net present value of changes to the future contractual cash flows adjusts the carrying amount of the original asset with the difference immediately being recognised in profit or loss. The adjusted carrying amount is then amortised over the remaining term of the modified loan using the original EIR.

#### ***Financial liabilities (with the exception of derivative financial instruments)***

The Group classifies its financial liabilities as measured at amortised cost. Such financial liabilities are recognised when cash is received from depositors and carried at amortised cost using the EIR method. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

#### ***Offsetting of financial assets and financial liabilities***

Financial assets and financial liabilities are not offset in the consolidated financial statements unless the Group has both a legally enforceable right and intention to offset.

### **1.5. Foreign currencies**

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated into the Company's functional currency at the rates prevailing on the consolidated statement of financial position date. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the income statement for the period.

## **2. Critical accounting judgements and key sources of estimation uncertainty**

### **2.1. Judgements**

No critical judgements have been identified.

### **2.2. Key sources of estimation uncertainty**

Estimations that could have a material impact on the Group's financial results, and, are therefore, considered to be key sources of estimation uncertainty. Key sources of estimation can be found in:

- Note 17.1. Allowances for impairment of loans and advances to customers;
- Note 31.1. Provisions for liabilities and charges.

## **3. Operating segments**

The Group is organised into four operating segments, which consist of the different products available, as disclosed below.

### Consumer Finance

- Retail Finance: a market-leading online e-commerce service to retailers, providing unsecured lending products to prime UK customers to facilitate the purchase of a wide range of consumer products, including furniture, jewellery, dental, leisure items and football season tickets.
- Vehicle Finance: hire purchase lending for used cars to prime and near-prime customers and Personal Contract Purchase lending into the consumer prime credit market, both secured against the vehicle financed. In addition, a Stocking Funding product was also offered, whereby funds are advanced and secured against dealer forecourt used car stock, sourced from auctions, part exchanges or trade sources. In December 2025, this segment was classified as discontinued. For further information please see Note 10.

### Business Finance

- Real Estate Finance: non-regulated first charge secured lending to specialist real estate markets, lending to professional landlords to enable them to improve and grow their portfolio and provide development facilities to property developers and SME housebuilders to help build new homes for sale or letting.
- Commercial Finance: asset-based lending solutions to SMEs and some larger corporates who need bespoke working capital solutions for their business. Lending is predominantly against receivables, releasing funds of up to 90% of qualifying invoices under invoice discounting facilities.

### Other

This principally includes interest receivable from central banks, interest receivable and payable on derivatives and interest payable on deposits from customers, amounts due to banks and subordinated liabilities, and operating expenses, which are not recharged to the operating segments.

The Group's chief operating decision maker, the Executive Committee, regularly reviews these segments by looking at the operating income, size of the loan books and impairments.

Interest expense is charged to the operating segments in accordance with the Group's internal funds transfer pricing policy. Operating expenses reflect costs incurred directly, and costs incurred centrally that are reallocated to the operating segment to which they can be directly attributed.

Additionally, no balance sheet items are allocated to segments other than loans and advances to customers.

All of the Group's operations are conducted wholly within the United Kingdom and geographical information is, therefore, not presented.

|                                                                 | Real           |                |              | Total Discontinued |                |               |                |
|-----------------------------------------------------------------|----------------|----------------|--------------|--------------------|----------------|---------------|----------------|
|                                                                 | Retail         | Estate         | Commercial   | Continuing         | Vehicle        | Total         |                |
|                                                                 | Finance        | Finance        | Finance      | Other              | Finance        | Group         |                |
|                                                                 | £million       | £million       | £million     | £million           | £million       | £million      |                |
| 31 December 2025                                                |                |                |              |                    |                |               |                |
| Interest income and similar income                              | 157.2          | 92.2           | 27.6         | 24.8               | 301.8          | 70.2          | 372.0          |
| Interest expense and similar charges                            | (59.7)         | (58.0)         | (15.5)       | (17.5)             | (150.7)        | (22.7)        | (173.4)        |
| <b>Net interest income</b>                                      | <b>97.5</b>    | <b>34.2</b>    | <b>12.1</b>  | <b>7.3</b>         | <b>151.1</b>   | <b>47.5</b>   | <b>198.6</b>   |
| Fee and commission income                                       | 3.7            | 0.3            | 10.1         | -                  | 14.1           | 1.0           | 15.1           |
| Fee and commission expense                                      | -              | -              | -            | -                  | -              | (0.2)         | (0.2)          |
| <b>Net fee and commission income</b>                            | <b>3.7</b>     | <b>0.3</b>     | <b>10.1</b>  | <b>-</b>           | <b>14.1</b>    | <b>0.8</b>    | <b>14.9</b>    |
| <b>Operating income</b>                                         | <b>101.2</b>   | <b>34.5</b>    | <b>22.2</b>  | <b>7.3</b>         | <b>165.2</b>   | <b>48.3</b>   | <b>213.5</b>   |
| Net impairment charge on loans and advances to customers        | (19.2)         | (8.8)          | (3.4)        | -                  | (31.4)         | (26.6)        | (58.0)         |
| Other gains/(losses)                                            | -              | 0.2            | -            | (0.1)              | 0.1            | 0.1           | 0.2            |
| Fair value gains on financial instruments                       | -              | -              | -            | 0.1                | 0.1            | -             | 0.1            |
| Operating expenses                                              | (24.3)         | (10.4)         | (7.8)        | (32.2)             | (74.7)         | (29.5)        | (104.2)        |
| <b>Profit/(loss) before income tax before exceptional items</b> | <b>57.7</b>    | <b>15.5</b>    | <b>11.0</b>  | <b>(24.9)</b>      | <b>59.3</b>    | <b>(7.7)</b>  | <b>51.6</b>    |
| Exceptional items                                               | -              | -              | -            | -                  | -              | (24.1)        | (24.1)         |
| <b>Profit/(loss) before income tax</b>                          | <b>57.7</b>    | <b>15.5</b>    | <b>11.0</b>  | <b>(24.9)</b>      | <b>59.3</b>    | <b>(31.8)</b> | <b>27.5</b>    |
| <b>Loans and advances to customers</b>                          | <b>1,466.5</b> | <b>1,466.9</b> | <b>362.4</b> | <b>-</b>           | <b>3,295.8</b> | <b>390.8</b>  | <b>3,686.6</b> |

Exceptional items have been reallocated out to the respective operating segments for prior year to aid comparability.

|  | Real   |        |            | Total Discontinued |         |       |
|--|--------|--------|------------|--------------------|---------|-------|
|  | Retail | Estate | Commercial | Continuing         | Vehicle | Total |

| 31 December 2024                                                | Finance<br>£million | Finance<br>£million | Finance<br>£million | Other operations<br>£million | Finance<br>£million | Group<br>£million    |
|-----------------------------------------------------------------|---------------------|---------------------|---------------------|------------------------------|---------------------|----------------------|
| Interest income and similar income                              | 140.7               | 87.1                | 29.8                | 39.2                         | 296.8               | 69.2 366.0           |
| Interest expense and similar charges                            | (53.9)              | (54.5)              | (17.6)              | (33.5)                       | (159.5)             | (21.6) (181.1)       |
| <b>Net interest income</b>                                      | <b>86.8</b>         | <b>32.6</b>         | <b>12.2</b>         | <b>5.7</b>                   | <b>137.3</b>        | <b>47.6 184.9</b>    |
| Fee and commission income                                       | 3.2                 | 0.4                 | 14.6                | 0.1                          | 18.3                | 0.9 19.2             |
| Fee and commission expense                                      | -                   | -                   | (0.1)               | -                            | (0.1)               | (0.1) (0.2)          |
| <b>Net fee and commission income</b>                            | <b>3.2</b>          | <b>0.4</b>          | <b>14.5</b>         | <b>0.1</b>                   | <b>18.2</b>         | <b>0.8 19.0</b>      |
| <b>Operating income</b>                                         | <b>90.0</b>         | <b>33.0</b>         | <b>26.7</b>         | <b>5.8</b>                   | <b>155.5</b>        | <b>48.4 203.9</b>    |
| Net impairment charge on loans and advances to customers        | (13.3)              | (4.0)               | (5.9)               | -                            | (23.2)              | (38.7) (61.9)        |
| Other (losses)/gains                                            | -                   | -                   | -                   | (0.4)                        | (0.4)               | 0.1 (0.3)            |
| Fair value gains on financial instruments                       | -                   | 0.3                 | -                   | 0.9                          | 1.2                 | - 1.2                |
| Operating expenses                                              | (26.1)              | (10.0)              | (8.1)               | (28.0)                       | (72.2)              | (31.6) (103.8)       |
| <b>Profit/(loss) before income tax before exceptional items</b> | <b>50.6</b>         | <b>19.3</b>         | <b>12.7</b>         | <b>(21.7)</b>                | <b>60.9</b>         | <b>(21.8) 39.1</b>   |
| Exceptional items                                               | -                   | -                   | -                   | (1.5)                        | (1.5)               | (8.4) (9.9)          |
| <b>Profit/(loss) before income tax</b>                          | <b>50.6</b>         | <b>19.3</b>         | <b>12.7</b>         | <b>(23.2)</b>                | <b>59.4</b>         | <b>(30.2) 29.2</b>   |
| <b>Loans and advances to customers</b>                          | <b>1,357.8</b>      | <b>1,341.4</b>      | <b>351.0</b>        | <b>-</b>                     | <b>3,050.2</b>      | <b>558.3 3,608.5</b> |

#### 4. Operating income

All items below arise from financial instruments measured at amortised cost unless otherwise stated.

##### 4.1. Net interest income

|                                                      | 2025<br>£million | 2024<br>£million |
|------------------------------------------------------|------------------|------------------|
| Loans and advances to customers                      | 347.2            | 326.7            |
| Cash and Bank of England reserve account             | 19.6             | 22.5             |
|                                                      | 366.8            | 349.2            |
| Income on financial instruments hedging assets       | 5.2              | 16.8             |
| <b>Interest income and similar income</b>            | <b>372.0</b>     | <b>366.0</b>     |
| Of which:                                            |                  |                  |
| Continuing                                           | 301.8            | 296.8            |
| Discontinued (Note 10)                               | 70.2             | 69.2             |
| Deposits from customers                              | (146.7)          | (136.0)          |
| Due to banks                                         | (12.1)           | (18.5)           |
| Subordinated liabilities                             | (11.9)           | (11.9)           |
| Other                                                | (0.1)            | (0.1)            |
|                                                      | (170.8)          | (166.5)          |
| Expense on financial instruments hedging liabilities | (2.6)            | (14.6)           |
| <b>Interest expense and similar charges</b>          | <b>(173.4)</b>   | <b>(181.1)</b>   |
| Of which:                                            |                  |                  |
| Continuing                                           | (150.7)          | (159.5)          |
| Discontinued (Note 10)                               | (22.7)           | (21.6)           |

##### Interest income and expense accounting policy

For all financial instruments measured at amortised cost, the EIR method is used to measure the carrying value and allocate interest income or expense. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating the EIR for financial instruments, other than assets that were credit impaired on initial recognition, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, early redemption penalty charges and broker commissions) and anticipated customer behaviour but does not consider future credit losses.

The calculation of the EIR includes all fees received and paid that are an integral part of the loan, transaction costs and all other premiums or discounts. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial instrument.

For financial assets that are not considered to be credit-impaired ('Stage 1' and 'Stage 2' assets), interest income is recognised by applying the EIR to the gross carrying amount of the financial asset. For financial assets that become credit-impaired subsequent to initial recognition ('Stage 3' assets), from the next reporting period onwards interest income is recognised by applying the EIR to the amortised cost of the financial asset. The credit risk of financial assets that become credit-impaired are not expected to improve such that they are no longer considered credit-impaired, however, if this were to occur, the calculation of interest income would revert back to the gross basis. The Group's definition of Stage 1, Stage 2 and Stage 3 assets is set out in Note 17.

For financial assets that were credit-impaired on initial recognition ('POCI' assets), income is calculated by applying the credit adjusted EIR to the amortised cost of the asset. Collection activity costs are not included in the amortised cost of the assets, but are included in operating expenses in the income statement, and are recognised as incurred, in common with other businesses in the sector. For such financial assets the calculation of interest income will never revert to a gross basis, even if the credit risk of the asset improves.

Further details regarding when an asset becomes credit-impaired subsequent to initial recognition is provided within Note 17.

#### 4.2. Net fee and commission income

|                                   | 2025<br>£million | 2024<br>£million |
|-----------------------------------|------------------|------------------|
| Fee and disbursement income       | 14.0             | 18.1             |
| Commission income                 | 1.1              | 1.1              |
| <b>Fee and commission income</b>  | <b>15.1</b>      | <b>19.2</b>      |
| Of which:                         |                  |                  |
| Continuing                        | 14.1             | 18.3             |
| Discontinued (Note 10)            | 1.0              | 0.9              |
| Other expenses                    | (0.2)            | (0.2)            |
| <b>Fee and commission expense</b> | <b>(0.2)</b>     | <b>(0.2)</b>     |
| Of which:                         |                  |                  |
| Continuing                        | -                | (0.1)            |
| Discontinued (Note 10)            | (0.2)            | (0.1)            |

Fees and commission income is all recognised under IFRS 15 Revenue from contracts to customers and consists principally of the following:

- Commercial Finance - discounting, service and arrangement fees.
- Retail Finance - principally comprises of account management fees received from customers and referral fees received from third parties.
- Vehicle Finance - primarily relates to vehicle collection and damage charges made to customers and loan administration fees charged to dealers in respect of the Stock Funding product.

#### *Fee and commission accounting policy*

Fees and commission income that is not considered an integral part of the EIR of a financial instrument are recognised under IFRS 15 when the Group satisfies performance obligations by transferring promised services to customers and presented in the income statement as fee and commission income. All of the Group's fees and commissions relate to performance obligations that are recognised at a point in time.

Fees and commission income and expenses that are an integral part of the EIR of a financial instrument are included in the EIR and presented in the income statement as interest income or expense.

No significant judgements are made in evaluating when a customer obtains control of promised goods or services.

## 5. Fair value gains on financial instruments

|                                                                 | 2025<br>£million | 2024<br>£million |
|-----------------------------------------------------------------|------------------|------------------|
| Fair value movement during the year - Interest rate derivatives | (6.4)            | 1.6              |

|                                                                 |            |            |
|-----------------------------------------------------------------|------------|------------|
| Fair value movement during the year - interest rate derivatives | (0.7)      | 1.0        |
| Fair value movement during the year - Hedged items              | 6.4        | (1.5)      |
| Hedge ineffectiveness recognised in the income statement        | -          | 0.1        |
| Inception and amortisation adjustment <sup>1</sup>              | (0.5)      | 0.6        |
| Losses recognised on hedges not in hedge relationships          | 0.6        | 0.5        |
|                                                                 | <b>0.1</b> | <b>1.2</b> |

Note:

1. The inception and amortisation adjustment relates to amortisation of macro fair value hedge accounting relationships derecognised and the amortisation of the fair value adjustment of underlying hedged items at the time hedge accounting relationships commenced or were redesignated. Over the life of the hedged items these adjustments are expected to off-set gains/losses on derivatives taken for hedging purposes before and after they are designated in hedge relationships.

As a part of its risk management strategy, the Group uses derivatives to economically hedge financial assets and liabilities. For further information on the Group's risk management strategy for market risk see the Group's Strategic Report in the 2025 Annual Report and Accounts.

Hedge accounting is employed by the Group to minimise the accounting volatility associated with the change in fair value of derivative financial instruments. This volatility does not reflect the economic reality of the Group's hedging strategy, the Group only uses derivatives for the hedging of risks.

#### 5.1. Fair value gain recognised in other comprehensive income

|                                                                 | 2025<br>£million | 2024<br>£million |
|-----------------------------------------------------------------|------------------|------------------|
| <b>Cash flow hedges</b>                                         |                  |                  |
| Fair value movement during the year - Interest rate derivatives | (1.4)            | (0.8)            |
| Interest reclassified to the income statement during the year   | 1.4              | 1.3              |
| <b>Fair value gain recognised in other comprehensive income</b> | <b>-</b>         | <b>0.5</b>       |

Although the Group uses interest rate derivatives exclusively to hedge interest rate risk exposures, income statement volatility can still arise due to hedge accounting ineffectiveness or because hedge accounting is not achievable. Where such volatility arises, it will net to zero over the life of the hedging relationship. All derivatives held by the Group have been highly effective in the year, resulting in minimal hedge accounting ineffectiveness recognised in the income statement. Future ineffectiveness may arise as a result of:

- differences between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience; or
- differences in the timing of cash flows for the hedged item and the hedging instrument.

How fair value and cash flow hedge accounting affect the consolidated financial statements and the main sources of the residual hedge ineffectiveness remaining in the income statement are set out as follows. Further information on the current derivative portfolio and the allocation to hedge accounting types is included in Note 18.

#### **Derivative financial instruments accounting policy**

The Group enters into derivatives to manage exposures to fluctuations in interest rates. Derivatives are not used for speculative purposes. Derivatives are carried at fair value, with movements in fair value recognised in the income statement or other comprehensive income. Derivatives are valued by discounted cash flow models using yield curves based on Overnight Indexed Swap ('OIS') rates. Derivatives are carried as assets where fair value is positive and as liabilities when fair value is negative where they are not offset. Derivatives are offset in the consolidated financial statements where the Group has both a legally enforceable right and intention to offset.

The Group does not hold contracts containing embedded derivatives.

Where cash collateral is received, to mitigate the risk inherent in the amounts due to the Group, it is included as a liability within the due to banks line within the statement of financial position. Where cash collateral is given, to mitigate the risk inherent in amounts due from the Group, it is included as an asset in the loans and advances to banks line within the statement of financial position. Where cash collateral meets the requirements of offsetting, it is included within derivatives.

#### **Hedge accounting**

Following the implementation of IFRS 9, the Group elected to apply IAS 39 for all of its hedge accounting requirements. When transactions meet specified criteria the Group can apply two types of hedge accounting:

- hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges); and
- hedges of highly probable future cash flows attributable to a recognised asset or liability (cash flow hedges).

The Group does not have hedges of net investments.

At inception of a hedge, the Group formally documents the relationship between the hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The

Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of the hedged items (i.e. the fair value offset between the hedged item and hedging instrument is within the 80-125% range).

When the European Union adopted IAS 39 in 2004, it removed certain hedge accounting requirements, commonly referred to as the EU carve-out. The relaxed requirements under the carve-out allow the Group to apply the 'bottom up' method when calculating macro hedge ineffectiveness. This option is not allowed under full IFRS. The Group has applied this carve-out, which is permitted under UK-adopted IAS 39, accordingly.

#### ***Fair value hedge accounting***

Fair value hedge accounting results in the carrying value of the hedged item being adjusted to reflect changes in fair value attributable to the hedged risk, thereby offsetting the effect of the related movement in the fair value of the derivative. Changes in the fair value of derivatives and hedged items that are designated and qualify as fair value hedges are recorded in the income statement.

In a one-to-one hedging relationship, in which a single derivative hedges a single hedged item, the carrying value of the underlying asset or liability (the hedged item) is adjusted for the hedged risk to offset the fair value movement of the related derivative. In the case of a portfolio hedge, an adjustment is included in the fair value adjustments for portfolio hedged risk line in the statement of financial position to offset the fair value movements in the related derivative. The Group currently only designates portfolio hedges.

If the hedge no longer meets the criteria for hedge accounting, expires or is terminated, the cumulative fair value adjustment to the carrying amount of a hedged item is amortised to the income statement over the period to maturity of the previously designated hedge relationship and recorded as net interest income. If the underlying item is sold or repaid, the unamortised fair value adjustment is immediately recognised in the income statement.

#### ***Cash flow hedge accounting***

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and presented in the cash flow hedge reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the income statement. Amounts recognised in the cash flow hedge reserve are subsequently reclassified to the income statement when the underlying asset or liability being hedged impacts the income statement, for example, when interest payments are recognised, and are recorded in the same income statement line in which the income or expense associated with the related hedged item is reported.

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 existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects the income statement. When a forecast transaction is no longer expected to occur (for example, the recognised hedged item is disposed of), the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the income statement.

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective in cash flow hedges. The cumulative deferred gain or loss on the hedging instrument is recognised in profit or loss only when the hedged transaction impacts the profit or loss, or is included directly in the initial cost or other carrying amount of the hedged non-financial items (basis adjustment).

## **6. Operating expenses**

|                                                         | <b>2025</b>     | <b>2024</b>     |
|---------------------------------------------------------|-----------------|-----------------|
|                                                         | <b>£million</b> | <b>£million</b> |
| Employee costs, including those of Directors:           |                 |                 |
| Wages and salaries                                      | 51.0            | 52.5            |
| Social security costs                                   | 7.8             | 5.7             |
| Pension costs                                           | 2.0             | 2.0             |
| Share-based payment transactions                        | 2.1             | 2.3             |
| Depreciation of property, plant and equipment (Note 21) | 0.8             | 1.0             |
| Depreciation of lease right-of-use assets (Note 22)     | 1.1             | 1.0             |
| Amortisation of intangible assets (Note 23)             | 1.2             | 1.4             |
| Operating lease rentals                                 | 0.8             | 0.8             |
| Other administrative expenses                           | 37.4            | 37.1            |
| <b>Total operating expenses</b>                         | <b>104.2</b>    | <b>103.8</b>    |
| Of which:                                               |                 |                 |
| Continuing                                              | 74.7            | 72.2            |
| Discontinued                                            | 29.5            | 31.6            |

#### ***Post-retirement obligations accounting policy***

The Group contributes to defined contribution schemes for the benefit of certain employees. The schemes are funded

through payments to insurance companies or trustee-administered funds at the contribution rates agreed with individual employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. There are no post-retirement benefits other than pensions.

Remuneration of the Auditor and its associates, excluding VAT, was as follows:

|                                                                                      | 2025<br>£million | 2024<br>£million |
|--------------------------------------------------------------------------------------|------------------|------------------|
| Fees payable to the Company's Auditor for the audit of the Company's annual accounts | 1.4              | 1.3              |
| Fees payable to the Company's Auditor for other services:                            |                  |                  |
| Other assurance services                                                             | 0.2              | 0.1              |
|                                                                                      | <b>1.6</b>       | <b>1.4</b>       |

Other assurance services related to the interim independent review report and profit certifications (2024: interim independent review report and profit certification).

## 7. Average number of employees

|                         | 2025<br>Number | 2024<br>Number |
|-------------------------|----------------|----------------|
| Directors               | 2              | 2              |
| Other senior management | 26             | 23             |
| Other employees         | 832            | 890            |
|                         | <b>860</b>     | <b>915</b>     |

## 8. Exceptional items

|                                         | 2025<br>£million | 2024<br>£million |
|-----------------------------------------|------------------|------------------|
| Motor Finance commissions               |                  |                  |
| - Redress                               | 11.3             | 5.2              |
| - Cost                                  | 5.1              | 1.7              |
|                                         | <b>16.4</b>      | <b>6.9</b>       |
| BiFD Vehicle Finance collections review |                  |                  |
| - Redress                               | -                | 0.2              |
| - Cost                                  | 2.1              | 1.3              |
|                                         | <b>2.1</b>       | <b>1.5</b>       |
| Exit from Vehicle Finance               | 5.0              | -                |
| Sale of Consumer Vehicle Finance        | 0.6              | -                |
| Organisational redesign                 | -                | 1.5              |
| <b>Total exceptional items</b>          | <b>24.1</b>      | <b>9.9</b>       |

Costs associated with these activities are outside the normal course of business and are treated as exceptional.

### Motor Finance commissions

During 2025, the Group updated its range of probability weighted scenarios resulting in estimated costs of £16.4 million (2024: £6.9 million, of which £6.4 million was recognised as a provision) following the release of the FCA's consultation paper in October 2025. Further details about the provision can be found in Note 31.

### Borrowers in Financial Difficulty ('BiFD') Vehicle Finance collections review

As previously described, following the FCA's review of BiFD across the industry and, in response to the specific feedback we received on our own collections activities, we incurred costs relating to implementing enhanced processes, procedures and policies in our Vehicle Finance collections operations of £2.1 million (2024: £1.5 million). This work has now been completed.

### Exit from Vehicle Finance business

In July 2025, the Group announced the decision to cease lending in the Vehicle Finance business. Exceptional costs arising in relation to this decision include redundancy costs, write down of the value of Cloud software development costs and costs in respect of onerous contracts.

costs and costs in respect of business combination.

#### Sale of Consumer Vehicle Finance business

In respect of the sale of the Consumer Vehicle Finance business announced in December 2025, £0.6 million of transaction costs were recognised, with the remainder of costs to be recognised in 2026.

#### Organisational redesign

During 2024, the Group undertook an organisational redesign where product-specific teams were amalgamated under a single management structure resulting in the Group incurring redundancy costs of £1.5 million.

#### Income tax on exceptional items

Income tax on exceptional items amount to £2.9 million credit (2024: £1.0 million credit).

#### Exceptional items accounting policy

Exceptional items are expenses that do not relate to the Group's core activities, which are material in the context of the Group's performance.

### 9. Income tax expense

|                                                                | 2025<br>£million | 2024<br>£million |
|----------------------------------------------------------------|------------------|------------------|
| <b>Current taxation</b>                                        |                  |                  |
| Corporation tax charge - current year                          | 9.6              | 8.4              |
| Corporation tax charge - adjustments in respect of prior years | 0.1              | 0.3              |
|                                                                | 9.7              | 8.7              |
| <b>Deferred taxation</b>                                       |                  |                  |
| Deferred tax charge - current year                             | 0.4              | 1.2              |
| Deferred tax credit - adjustments in respect of prior years    | (0.2)            | (0.4)            |
|                                                                | 0.2              | 0.8              |
| <b>Income tax expense</b>                                      | <b>9.9</b>       | <b>9.5</b>       |
| Of which:                                                      |                  |                  |
| Continuing                                                     | 14.7             | 16.0             |
| Discontinued (Note 10)                                         | (4.8)            | (6.5)            |
|                                                                |                  |                  |
| Tax reconciliation                                             |                  |                  |
| Profit before tax                                              | 27.5             | 29.2             |
| Tax at 25.0% (2024: 25.0%)                                     | 6.9              | 7.3              |
| Permanent differences on exceptional items                     | 3.0              | 1.5              |
| Other permanent differences                                    | 0.2              | 0.1              |
| Rate change on deferred tax assets                             | -                | 0.5              |
| Other adjustments including prior year adjustments             | (0.2)            | 0.1              |
| Income tax expense for the year                                | <b>9.9</b>       | <b>9.5</b>       |

The tax has been calculated at the current statutory rate, which is 25.0% for the year ended 31 December 2025 (2024: 25.0%).

#### Income tax accounting policy

Current income tax, which is payable on taxable profits, is recognised as an expense in the period in which the profits arise.

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantially enacted by the statement of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The Group is currently outside the scope of Pillar 2 (for tax purposes).

### 10. Discontinued operations

On 24 December 2025, the Group announced the sale of the Consumer Vehicle Finance business, which represents the majority of the Vehicle Finance business. This meets the criteria, under IFRS 5 Non current Assets held for sale and discontinued operations, to be classified as held for sale and disclosed as a discontinued operation. The consolidated statement of comprehensive income and Note 3 Operating segments presents the information required to be disclosed under IFRS 5 including:

- (i) the post-tax profit or loss of discontinued operations;

- (i) the post-tax profit or loss of discontinued operations;
- (ii) the revenue, expenses and pre-tax profit or loss of discontinued operations; and
- (iii) the related income tax expense.

As at 31 December 2025, a net cash inflow from operating activities of £45.8 million in relation to the sale of the Consumer Vehicle Finance business was attributed to discontinued operations.

IFRS 5 measurement requires that assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. This results in no change to the year end valuation at 31 December 2025 as the purchase price exceeded the carrying value.

## 11. Earnings per ordinary share

### 11.1. Basic

Basic earnings per ordinary share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares as follows:

|                                                                       | 2025        | 2024         |
|-----------------------------------------------------------------------|-------------|--------------|
| <b>Profit attributable to equity holders of the parent (£million)</b> | 17.6        | 19.7         |
| Weighted average number of ordinary shares (number)                   | 18,678,740  | 19,057,161   |
| <b>Earnings per share (pence)</b>                                     | <b>94.2</b> | <b>103.4</b> |

### 11.2. Diluted

Diluted earnings per ordinary share are calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, as noted above, as well as the number of dilutive share options in issue during the year, as follows:

|                                                                 | 2025              | 2024              |
|-----------------------------------------------------------------|-------------------|-------------------|
| Weighted average number of ordinary shares                      | 18,678,740        | 19,057,161        |
| Number of dilutive shares in issue at the period-end            | 1,089,891         | 363,751           |
| <b>Fully diluted weighted average number of ordinary shares</b> | <b>19,768,631</b> | <b>19,420,912</b> |
| Dilutive shares being based on:                                 |                   |                   |
| Number of options outstanding at the period-end                 | 1,688,791         | 1,395,045         |
| Weighted average exercise price (pence)                         | 162               | 215               |
| Average share price during the period (pence)                   | 804               | 525               |
| <b>Diluted earnings per share (pence)</b>                       | <b>89.0</b>       | <b>101.4</b>      |

## 12. Dividends

|                                              |        | 2025<br>£million | 2024<br>£million |
|----------------------------------------------|--------|------------------|------------------|
| 2025 interim dividend - 11.8 pence per share | Sep-25 | 2.2              | -                |
| 2024 final dividend - 22.5 pence per share   | May-25 | 4.2              | -                |
| 2024 interim dividend - 11.3 pence per share | Sep-24 | -                | 2.1              |
| 2023 final dividend - 16.2 pence per share   | May-24 | -                | 3.1              |
|                                              |        | <b>6.4</b>       | <b>5.2</b>       |

The Directors recommend the payment of a final dividend of 23.7 pence per share (2024: 22.5 pence per share). The final dividend, if approved by members at the Annual General Meeting, will be paid on 21 May 2026, with an associated record date of 24 April 2026.

The Employee Benefit Trust ('EBT') has waived its right to receive future dividends on shares held in the trust. Dividends waived on shares held in the EBT in 2025 were £0.1 million (2024: £0.1 million).

### Dividends accounting policy

Final dividends on ordinary shares are recognised in equity in the period in which they are approved by shareholders. Interim dividends on ordinary shares are recognised in equity in the period in which they are paid.

## 13. Loans and advances to banks

Moody's long-term ratings are as follows:

| Group<br>2025 | Group<br>2024 | Company<br>2025 | Company<br>2024 |
|---------------|---------------|-----------------|-----------------|
|---------------|---------------|-----------------|-----------------|

|           | 2023<br>£million | 2024<br>£million | 2023<br>£million | 2024<br>£million |
|-----------|------------------|------------------|------------------|------------------|
| Aaa - Aa3 | 5.1              | -                | 5.1              | -                |
| A1        | 31.7             | 24.0             | 31.0             | 23.6             |
|           | <b>36.8</b>      | <b>24.0</b>      | <b>36.1</b>      | <b>23.6</b>      |

None of the loans and advances to banks are either past due or impaired.

Loans and advances to banks includes £5.1 million (2024: £nil), which the Group and Company does not have access to, and are therefore excluded from cash and cash equivalents. See Note 37.1 for a reconciliation to cash and cash equivalents.

## 14. Debt securities

### Group and Company

Debt securities consisted solely of sterling UK Government securities ('gilts'). The Group holds gilts from time to time for liquidity risk management purposes. The Group's intention is to hold the asset to collect its contractual cash flows of principal and interest and, therefore, they are stated in the statement of financial position at amortised cost. During 2025, the Group transacted £1.0 million of gilts (2024: £nil).

## 15. Loans and advances to customers

### Group and Company

|                                                                 | Loans and<br>advances to<br>customers<br>£million | Assets held<br>for sale<br>£million | Total<br>£million |
|-----------------------------------------------------------------|---------------------------------------------------|-------------------------------------|-------------------|
| 31 December 2025                                                |                                                   |                                     |                   |
| Gross loans and advances                                        | 3,341.3                                           | 434.8                               | 3,776.1           |
| Less: allowances for impairment of loans and advances (Note 17) | (45.5)                                            | (44.0)                              | (89.5)            |
|                                                                 | <b>3,295.8</b>                                    | <b>390.8</b>                        | <b>3,686.6</b>    |

|                                                                 | Loans and<br>advances to<br>customers<br>£million | Assets held<br>for sale<br>£million | Total<br>£million |
|-----------------------------------------------------------------|---------------------------------------------------|-------------------------------------|-------------------|
| 31 December 2024                                                |                                                   |                                     |                   |
| Gross loans and advances                                        | 3,720.3                                           | -                                   | 3,720.3           |
| Less: allowances for impairment of loans and advances (Note 17) | (111.8)                                           | -                                   | (111.8)           |
|                                                                 | <b>3,608.5</b>                                    | <b>-</b>                            | <b>3,608.5</b>    |

The fair value of loans and advances to customers is shown in Note 43. Loans and advances to customers includes finance lease receivables of £411.5 million (2024: £548.4 million). See Note 16 for further details.

Retail Finance assets of £1,023.8 million (2024: £1,088.2 million) were pre-positioned for use under sale and repurchase agreements (2024: Sale and repurchase agreements and Term Funding Scheme with additional incentives for SMEs) and are available for use as collateral.

The Real Estate Finance loan book of £1,466.9 million (2024: £1,341.4 million) is secured upon real estate, which had a loan-to-value of 57% at 31 December 2025 (2024: 56%).

Under its credit policy, the Real Estate Finance business lends to a maximum loan-to-value of:

- 70% for investment loans;
- 60% for residential development loans<sup>1</sup>;
- 65% for certain residential higher leveraged development loans<sup>1</sup>, which is subject to an overall cap on such lending agreed by management according to risk appetite; and
- 65% for commercial development loans<sup>1</sup>.

Note:

1. based on gross development value.

All property valuations at loan inception, and the majority of development stage valuations, are performed by independent Chartered Surveyors, who perform their work in accordance with the Royal Institution of Chartered Surveyors Valuation - Professional Standards.

Of cash collateral. £0.3 million has been received as at 31 December 2025 in respect of certain loans and advances

of each company, zero million has been recorded as at 31 December 2025 in respect of certain lease and database (2024: £0.3 million).

The accounting policy for loans and advances to customers is included in Note 1.4 Financial assets and financial liabilities accounting policy.

## 16. Finance lease receivables

### Group and Company

Loans and advances to customers include finance lease receivables as follows:

|                                                                  | 2025<br>£million | 2024<br>£million |
|------------------------------------------------------------------|------------------|------------------|
| Gross investment in finance lease receivables:                   |                  |                  |
| - Not more than one year                                         | 191.4            | 228.1            |
| - Later than one year and no later than five years               | 358.6            | 535.4            |
|                                                                  | 550.0            | 763.5            |
| Unearned future finance income on finance leases                 | (138.5)          | (215.1)          |
| <b>Net investment in finance leases</b>                          | <b>411.5</b>     | <b>548.4</b>     |
| The net investment in finance leases may be analysed as follows: |                  |                  |
| - Not more than one year                                         | 123.6            | 135.3            |
| - Later than one year and no later than five years               | 287.9            | 413.1            |
|                                                                  | <b>411.5</b>     | <b>548.4</b>     |

Finance lease receivables include Vehicle Finance loans to consumers.

### Lessor accounting policy

The present value of the lease payments on assets leased to customers under agreements that transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

## 17. Allowances for impairment of loans and advances

### Group and Company

|                                               | Not credit-impaired              |                                  | Credit-impaired                  |             | Gross loans and advances        |             |
|-----------------------------------------------|----------------------------------|----------------------------------|----------------------------------|-------------|---------------------------------|-------------|
|                                               | Stage 1: Subject to 12-month ECL | Stage 2: Subject to lifetime ECL | Stage 3: Subject to lifetime ECL | Total       | Provision to customers coverage |             |
| 31 December 2025                              | £million                         | £million                         | £million                         | £million    | £million                        | %           |
| <b>Consumer Finance:</b>                      |                                  |                                  |                                  |             |                                 |             |
| Retail Finance                                | 13.5                             | 8.0                              | 11.6                             | 33.1        | 1,499.6                         | 2.2         |
| <b>Business Finance:</b>                      |                                  |                                  |                                  |             |                                 |             |
| Real Estate Finance                           | 0.4                              | -                                | 8.0                              | 8.4         | 1,475.3                         | 0.6         |
| Commercial Finance                            | 0.6                              | 3.2                              | 0.2                              | 4.0         | 366.4                           | 1.1         |
|                                               | <b>14.5</b>                      | <b>11.2</b>                      | <b>19.8</b>                      | <b>45.5</b> | <b>3,341.3</b>                  | <b>1.4</b>  |
| <b>Assets held for sale: Vehicle Finance:</b> |                                  |                                  |                                  |             |                                 |             |
| Voluntary termination provision               | 3.8                              | 1.5                              | -                                | 5.3         |                                 |             |
| Other impairment                              | 6.9                              | 8.6                              | 23.2                             | 38.7        |                                 |             |
|                                               | <b>10.7</b>                      | <b>10.1</b>                      | <b>23.2</b>                      | <b>44.0</b> | <b>434.8</b>                    | <b>10.1</b> |
|                                               | <b>25.2</b>                      | <b>21.3</b>                      | <b>43.0</b>                      | <b>89.5</b> | <b>3,776.1</b>                  | <b>2.4</b>  |

|  | Not credit-impaired              |                                  | Credit-impaired                  | Gross loans and advances |                                 |
|--|----------------------------------|----------------------------------|----------------------------------|--------------------------|---------------------------------|
|  | Stage 1: Subject to 12-month ECL | Stage 2: Subject to lifetime ECL | Stage 3: Subject to lifetime ECL | Total                    | Provision to customers coverage |

| 31 December 2024                | 12-month<br>ECL<br>£million | lifetime<br>ECL<br>£million | lifetime<br>ECL<br>£million | Total advances to<br>provision<br>£million | customers<br>£million | Provision<br>coverage<br>% |
|---------------------------------|-----------------------------|-----------------------------|-----------------------------|--------------------------------------------|-----------------------|----------------------------|
| <b>Consumer Finance:</b>        |                             |                             |                             |                                            |                       |                            |
| Retail Finance                  | 13.5                        | 6.5                         | 10.1                        | 30.1                                       | 1,387.9               | 2.2                        |
| <b>Business Finance:</b>        |                             |                             |                             |                                            |                       |                            |
| Real Estate Finance             | 0.4                         | 0.3                         | 11.8                        | 12.5                                       | 1,353.9               | 0.9                        |
| Commercial Finance              | 0.5                         | 0.2                         | 0.1                         | 0.8                                        | 351.8                 | 0.2                        |
|                                 | <b>14.4</b>                 | <b>7.0</b>                  | <b>22.0</b>                 | <b>43.4</b>                                | <b>3,093.6</b>        | <b>1.4</b>                 |
| <b>Vehicle Finance:</b>         |                             |                             |                             |                                            |                       |                            |
| Voluntary termination provision | 5.4                         | 1.5                         | -                           | 6.9                                        |                       |                            |
| Other impairment                | 9.8                         | 7.4                         | 44.3                        | 61.5                                       |                       |                            |
|                                 | <b>15.2</b>                 | <b>8.9</b>                  | <b>44.3</b>                 | <b>68.4</b>                                | <b>626.7</b>          | <b>10.9</b>                |
|                                 | <b>29.6</b>                 | <b>15.9</b>                 | <b>66.3</b>                 | <b>111.8</b>                               | <b>3,720.3</b>        | <b>3.0</b>                 |

The impairment charge disclosed in the income statement can be analysed as follows:

|                                                         | 2025<br>£million | 2024<br>£million |
|---------------------------------------------------------|------------------|------------------|
| Expected credit losses: impairment charge               | 58.3             | 61.9             |
| Charge in respect of off balance sheet loan commitments | 0.1              | 0.1              |
| Loans written off directly to the income statement      | 0.8              | 0.7              |
| Unwind of discount                                      | (1.2)            | (0.8)            |
|                                                         | <b>58.0</b>      | <b>61.9</b>      |
| Of which:                                               |                  |                  |
| Continuing                                              | 31.4             | 23.2             |
| Discontinued (Note 10)                                  | 26.6             | 38.7             |

Total provisions include expert credit judgements as follows:

|                                                                                                                      | 2025<br>£million | 2024<br>£million |
|----------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Specific overlays/(underlays) held against credit-impaired secured assets held within the Business Finance portfolio | 1.9              | (0.7)            |
| Management judgement in respect of:                                                                                  |                  |                  |
| Vehicle Finance LGD                                                                                                  | -                | (4.5)            |
| Other                                                                                                                | (0.3)            | (0.5)            |
| <b>Expert credit judgements over the IFRS 9 model results</b>                                                        | <b>1.6</b>       | <b>(5.7)</b>     |

The specific overlays/(underlays) for Business Finance have been estimated on an individual basis by assessing the recoverability and condition of the secured asset, along with any other recoveries that may be made.

Vehicle Finance LGD underlay has been released in 2025 reflecting recoveries and model changes.

Reconciliations of the opening to closing allowance for impairment of loans and advances are presented below:

|                                                  | Not credit-impaired                                   |                                                    | Credit-impaired                                    |                   |
|--------------------------------------------------|-------------------------------------------------------|----------------------------------------------------|----------------------------------------------------|-------------------|
|                                                  | Stage 1:<br>Subject to<br>12-month<br>ECL<br>£million | Stage 2:<br>Subject to<br>lifetime ECL<br>£million | Stage 3:<br>Subject to<br>lifetime ECL<br>£million | Total<br>£million |
| At 1 January 2025                                | 29.6                                                  | 15.9                                               | 66.3                                               | 111.8             |
| (Decrease)/increase due to change in credit risk |                                                       |                                                    |                                                    |                   |
| - Transfer to stage 2                            | (13.7)                                                | 40.0                                               | (2.4)                                              | 23.9              |
| - Transfer to stage 3                            | (0.2)                                                 | (24.2)                                             | 48.9                                               | 24.5              |

|                                             |             |             |             |             |
|---------------------------------------------|-------------|-------------|-------------|-------------|
| - Transfer to stage 1                       | 6.8         | (16.5)      | -           | (9.7)       |
| Passage of time                             | (11.0)      | 3.6         | 5.2         | (2.2)       |
| New loans originated                        | 15.6        | -           | -           | 15.6        |
| Matured and derecognised loans              | (2.6)       | (1.6)       | (3.0)       | (7.2)       |
| Changes to credit risk parameters           | 2.2         | 4.0         | 2.1         | 8.3         |
| Other adjustments                           | 5.0         | 0.1         | -           | 5.1         |
| Charge to income statement                  | 2.1         | 5.4         | 50.8        | 58.3        |
| Allowance utilised in respect of write-offs | (6.5)       | -           | (74.1)      | (80.6)      |
| <b>31 December 2025</b>                     | <b>25.2</b> | <b>21.3</b> | <b>43.0</b> | <b>89.5</b> |

|                                                  | Not credit-impaired                                |                                                    | Credit-impaired                                    | Total<br>£million |
|--------------------------------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|-------------------|
|                                                  | Stage 1:<br>Subject to<br>12-month ECL<br>£million | Stage 2:<br>Subject to<br>lifetime ECL<br>£million | Stage 3:<br>Subject to<br>lifetime ECL<br>£million |                   |
| At 1 January 2024                                | 29.5                                               | 18.2                                               | 40.4                                               | 88.1              |
| (Decrease)/increase due to change in credit risk |                                                    |                                                    |                                                    |                   |
| - Transfer to stage 2                            | (11.7)                                             | 38.6                                               | (1.4)                                              | 25.5              |
| - Transfer to stage 3                            | (0.2)                                              | (24.1)                                             | 48.8                                               | 24.5              |
| - Transfer to stage 1                            | 7.8                                                | (20.8)                                             | -                                                  | (13.0)            |
| Passage of time                                  | (6.3)                                              | 4.6                                                | 14.8                                               | 13.1              |
| New loans originated                             | 16.2                                               | -                                                  | -                                                  | 16.2              |
| Matured and derecognised loans                   | (2.1)                                              | (1.6)                                              | (0.5)                                              | (4.2)             |
| Changes to credit risk parameters                | (2.3)                                              | (0.5)                                              | (2.9)                                              | (5.7)             |
| Other adjustments                                | 4.0                                                | 1.5                                                | -                                                  | 5.5               |
| Charge/(credit) to income statement              | 5.4                                                | (2.3)                                              | 58.8                                               | 61.9              |
| Allowance utilised in respect of write-offs      | (5.3)                                              | -                                                  | (32.9)                                             | (38.2)            |
| <b>31 December 2024</b>                          | <b>29.6</b>                                        | <b>15.9</b>                                        | <b>66.3</b>                                        | <b>111.8</b>      |

These tables have been prepared based on monthly movements in the ECL.

Passage of time represents the impact of accounts maturing through their contractual life, the associated reduction in PDs and the unwind of the discount applied in calculating the ECL.

Changes to credit risk parameters represent movements that have occurred due to the Group updating model inputs. This would include the impact of, for example, updating the macroeconomic scenarios applied to the models.

Other adjustments represents the movement in the Vehicle Finance voluntary termination provision.

Stage 1 write-offs arise on Vehicle Finance accounts where borrowers have exercised their right to voluntarily terminate their agreements.

Reconciliations of the opening to closing gross loans and advances are presented below:

|                                | Not credit impaired                                |                                                    | Credit-impaired                                    | Total<br>£million |
|--------------------------------|----------------------------------------------------|----------------------------------------------------|----------------------------------------------------|-------------------|
|                                | Stage 1:<br>Subject to 12<br>month ECL<br>£million | Stage 2:<br>Subject to<br>lifetime ECL<br>£million | Stage 3:<br>Subject to<br>lifetime ECL<br>£million |                   |
| At 1 January 2025              | 3,204.6                                            | 329.0                                              | 186.7                                              | 3,720.3           |
| - Transfer to stage 2          | (668.7)                                            | 651.7                                              | (3.2)                                              | (20.2)            |
| - Transfer to stage 3          | (9.0)                                              | (136.7)                                            | 143.4                                              | (2.3)             |
| - Transfer to stage 1          | 391.2                                              | (407.9)                                            | -                                                  | (16.7)            |
| Passage of time                | (1,407.7)                                          | (18.7)                                             | (73.3)                                             | (1,499.7)         |
| New loans originated           | 2,526.2                                            | -                                                  | -                                                  | 2,526.2           |
| Matured and derecognised loans | (689.4)                                            | (149.9)                                            | (92.2)                                             | (931.5)           |

|                  |         |       |       |         |
|------------------|---------|-------|-------|---------|
| 31 December 2025 | 3,347.2 | 267.5 | 161.4 | 3,776.1 |
|------------------|---------|-------|-------|---------|

A breakdown of the gross receivable by internal credit risk rating is shown below:

|                   | 2025                |                     |                     |                   |
|-------------------|---------------------|---------------------|---------------------|-------------------|
|                   | Stage 1<br>£million | Stage 2<br>£million | Stage 3<br>£million | Total<br>£million |
| Business Finance: |                     |                     |                     |                   |
| Strong            | 84.9                | -                   | -                   | 84.9              |
| Good              | 1,166.6             | 46.4                | 1.2                 | 1,214.2           |
| Satisfactory      | 348.2               | 51.3                | 25.0                | 424.5             |
| Weak              | -                   | 31.0                | 87.1                | 118.1             |
|                   | <b>1,599.7</b>      | <b>128.7</b>        | <b>113.3</b>        | <b>1,841.7</b>    |

|                   | 2024                |                     |                     |                   |
|-------------------|---------------------|---------------------|---------------------|-------------------|
|                   | Stage 1<br>£million | Stage 2<br>£million | Stage 3<br>£million | Total<br>£million |
| Business Finance: |                     |                     |                     |                   |
| Strong            | 29.6                | -                   | -                   | 29.6              |
| Good              | 1,051.5             | 54.2                | 1.4                 | 1,107.1           |
| Satisfactory      | 298.6               | 141.5               | 25.8                | 465.9             |
| Weak              | -                   | 20.1                | 83.0                | 103.1             |
|                   | <b>1,379.7</b>      | <b>215.8</b>        | <b>110.2</b>        | <b>1,705.7</b>    |

|                   | 2025                |                     |                     |                   |
|-------------------|---------------------|---------------------|---------------------|-------------------|
|                   | Stage 1<br>£million | Stage 2<br>£million | Stage 3<br>£million | Total<br>£million |
| Consumer Finance: |                     |                     |                     |                   |
| Good              | 1,008.7             | 1.2                 | -                   | 1,010.0           |
| Satisfactory      | 632.5               | 51.8                | -                   | 684.3             |
| Weak              | 106.3               | 85.8                | 48.1                | 240.2             |
|                   | <b>1,747.5</b>      | <b>138.8</b>        | <b>48.1</b>         | <b>1,934.4</b>    |

|                   | 2024                |                     |                     |                   |
|-------------------|---------------------|---------------------|---------------------|-------------------|
|                   | Stage 1<br>£million | Stage 2<br>£million | Stage 3<br>£million | Total<br>£million |
| Consumer Finance: |                     |                     |                     |                   |
| Good              | 921.6               | 4.9                 | -                   | 926.5             |
| Satisfactory      | 768.1               | 32.4                | -                   | 800.5             |
| Weak              | 135.2               | 75.9                | 76.5                | 287.6             |
|                   | <b>1,824.9</b>      | <b>113.2</b>        | <b>76.5</b>         | <b>2,014.6</b>    |

#### **Impairment of financial assets and loan commitments accounting policy**

The Group recognises loss allowances for Expected Credit Losses ('ECL') on all financial assets carried at amortised cost, including lease receivables and loan commitments. Credit loss allowances on Stage 1 assets are measured as an amount equal to 12-month ECL and credit loss allowances on Stage 2, and Stage 3 assets are measured as an amount equal to lifetime ECL.

#### **Stage 1 assets**

Stage 1 assets comprise of the following.

- Financial assets determined to have low credit risk at the reporting date.
- Financial assets that have not experienced a significant increase in credit risk since their initial recognition.
- Financial assets that have experienced a significant increase in credit risk since their initial recognition, but have subsequently met the Group's cure policy, as set out below.

A low credit risk asset is considered to have low credit risk when its credit risk rating is equivalent to the widely understood definition of 'investment grade' assets. This is not applicable to loans and advances to customers, but the Group has assessed all its debt securities, which represents gilts, to be low credit risk.

#### **Stage 2 assets**

Loans and advances to customers that have experienced a significant increase in credit risk since their initial

Loans and advances to customers that have experienced a significant increase in credit risk since their initial recognition and have not subsequently met the Group's cure policy are classified as Stage 2 assets.

The Group's definitions of a significant increase in credit risk and default are set out below.

For Consumer Finance, the credit risk of a financial asset is considered to have experienced a significant increase in credit risk since initial recognition where there has been a significant increase in the remaining lifetime probability of default of the asset. The Group may also use its expert credit judgement, and where possible, relevant historical and current performance data, including bureau data, to determine that an exposure has undergone a significant increase in credit risk.

For Business Finance, the credit risk of a financial asset is considered to have experienced a significant increase in credit risk where certain early warning indicators apply. These indicators may include notification of county court judgements or, specifically for the Real Estate Finance portfolio, cost over-runs and timing delays experienced by borrowers.

As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due for all portfolios.

### **Stage 3 assets**

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired or defaulted (Stage 3). A financial asset is considered to be credit-impaired when an event or events that have a detrimental impact on estimated future cash flows have occurred, or have other specific unlikelihood to pay indicators. Evidence that a financial asset is credit impaired includes the following observable data.

- Initiation of bankruptcy proceedings.
- Notification of bereavement.
- Identification of loan meeting debt sale criteria.
- Initiation of repossession proceedings.
- Customer on an Individual Voluntary Arrangement or Debt Management Plan.
- A material covenant breach that has remained unremedied for more than 90 days.

In addition, a loan that is 90 days or more past due is considered credit-impaired for all portfolios. The credit risk of financial assets that become credit-impaired will be monitored in line with the curing policy.

For Commercial Finance facilities that do not have a fixed-term or repayment structure, evidence that a financial asset is credit-impaired includes:

- the client ceasing to trade; or
- unpaid debtor balances that are dated at least six months past their normal recourse period.

### **Cure policy**

The credit risk of a financial asset may improve such that it is no longer considered to have experienced a significant increase in credit risk if it meets the Group's cure policy. The Group's cure policy from stage 2 to stage 1 for all portfolios requires sufficient payments to be made to bring an account back within less than 30 days past due and such payments need to be maintained for six consecutive months in Vehicle Finance and three months in Retail Finance. In addition, an account can cure from stage 2 to stage 1 if the significant increase in credit risk since their initial recognition is not triggered anymore due to improvement in their credit quality (e.g. loan credit bureau score).

The Group's cure policy from stage 3 to 2 for all portfolios requires sufficient payments to be made to bring an account back within less than 30 days past due. For Vehicle Finance and Retail Finance, such non-defaulted status need to be maintained for three consecutive months. For Real Estate Finance such payments need to be maintained for 12 consecutive months.

### **Calculation of expected credit loss ('ECL')**

ECL are probability weighted estimates of credit losses that are measured as the present value of all cash shortfalls. Specifically, this is the difference between the contractual cash flows due and the cash flows expected to be received, discounted at the original effective interest rate. For undrawn loan commitments, ECL is measured as the difference between the contractual cash flows due if the commitment is drawn and the cash flows expected to be received.

Lifetime ECL is the ECL that results from all possible default events over the expected life of a financial asset.

12-month ECL is the portion of lifetime ECL that results from default events on a financial asset that are possible within 12 months after the reporting date.

ECL are calculated by multiplying three main components: the Probability of Default ('PD'), Exposure At Default ('EAD') and Loss Given Default ('LGD') discounted at the original effective interest rate of an asset. These variables are derived from internally developed statistical models and historical data, adjusted to reflect forward-looking information and are discussed in turn further below. Management adjustments are made to modelled output to account for situations, where known, or expected risk factors that have not been reflected in the modelled outcome.

### **Probability of Default ('PD') and credit risk grades**

Credit risk grades are a primary input into the determination of the PD for exposures. The Group allocates each

exposure to a credit risk grade at origination and at each reporting period to predict the risk of default. Credit risk grades are determined using qualitative and quantitative factors that are indicative of the risk of default e.g. arrears status and loan credit bureau score. These factors vary for each loan portfolio. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. In monitoring exposures information, such as payment records and forecast changes in economic conditions are considered for Consumer Finance. Additionally, for Business Finance portfolios information obtained during periodic client reviews, for example, audited financial statements, management accounts, budgets and projections are considered, with particular focus on key ratios, compliance with covenants and changes in senior management teams.

Emergence curves modelling is used in the production of forward-looking lifetime PDs. This method defines the way that debt emerges for differing quality accounts and their time on the books creating a clean relationship to best demonstrate the movement in default rates as macroeconomic variables are changed. These models are extrapolated to provide PD estimates for the future, based on forecasted economic scenarios.

#### ***Exposure at Default ('EAD')***

EAD represents the expected exposure in the event of a default. EAD is derived from the current exposure and potential changes to the current amount allowed under the terms of the contract, including amortisation overpayments and early terminations. The EAD of a financial asset is its gross carrying amount. For loan commitments, the EAD includes the amount drawn, as well as potential future amounts that may be drawn under the terms of the contract, estimated based on historical observations and forward-looking forecasts.

For Commercial Finance facilities that have no specific term, an assumption is made that accounts close 36 months after the reporting date for the purposes of measuring lifetime ECL. This assumption is based on industry experience of average client life. These facilities do not have a fixed-term or repayment structure, but are revolving and increase or decrease to reflect the value of the collateral i.e. receivables or inventory. The Group can cancel the facilities with immediate effect, although this contractual right is not enforced in the normal day-to-day management of the facility. Typically, demand would only be made on the failure of a client business or in the event of a material event of default, such as a fraud. In the normal course of events, the Group's exposure is recovered through receipt of remittances from the client's debtors rather than from the client itself.

The ECL for such facilities is estimated taking into account the credit risk management actions that the Group expects to take to mitigate against losses. These include a reduction in advance rate and facility limits or application of reserves against a facility to improve the likelihood of full recovery of exposure from the debtors.

Alternative recovery routes mitigating ECL would include refinancing by another funding provider, taking security over other asset classes or secured personal guarantees from the client's principals.

#### ***Loss Given Default ('LGD')***

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

#### ***Incorporation of forward-looking data***

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of ECL. This is achieved by developing a number of potential economic scenarios and modelling ECLs for each scenario. To ensure material non-linear relationships between economic factors and credit losses are reflected in the calculation of ECL, a severe stress scenario is used as one of these scenarios. The outputs from each scenario are combined using the estimated likelihood of each scenario occurring to derive a probability weighted expected credit loss. The four scenarios adopted and probability weighting applied are set out below.

The Group considers that the key drivers of credit risk and credit losses included in the macroeconomic scenarios are annual unemployment rate growth, annual house price index growth, consumer price index ('CPI'), Bank of England Base Rate, and debt service ratio. Base case assumptions applied for each of these variables have been sourced from external consensus or Bank of England forecasts. Further details of the assumptions applied to other scenarios are presented below.

#### ***Expert credit judgements***

The impairment charge comprises modelled ECLs and expert credit judgements. Where the ECL modelled output does not reflect the level of credit risk, judgement is used to calculate expert credit judgements, which are overlaid onto the output from the models.

#### ***Presentation of loss allowance***

Loss allowances for ECLs and expert credit judgements are presented in the statement of financial position as follows with the loss recognised in the income statement:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets.
- Other loan commitments: generally, as a provision.

For the Real Estate Finance and Commercial Finance portfolios, where a loan facility is agreed that includes both drawn and undrawn elements and the Group cannot identify the ECL on the loan commitment separately, a combined loss allowance for both drawn and undrawn components of the loan is presented as a deduction from the gross

loss allowance for both drawn and undrawn components of the loan is presented as a deduction from the gross carrying amount of the drawn component, with any excess of the loss allowance over the gross drawn amount presented as a provision.

When a loan is uncollectible, it is written off against the related ECL allowance. Such loans are written off after all necessary procedures have been completed and the amount of the loss has been determined.

#### **Vehicle Finance voluntary termination provision**

In addition to recognising allowances for ECLs, the Group holds a provision for Voluntary Terminations ('VT') for all Vehicle Finance financial assets. VT is a legal right provided to customers who take out hire purchase agreements. The provision is calculated by multiplying the probability of VT of an asset by the expected shortfall on VT discounted back at the original effective interest rate of the asset. VT allowances are not held against loans in default (Stage 3 loans).

The VT provision is presented in the statement of financial position as a deduction from the gross carrying amount of Vehicle Finance assets with the loss recognised in the income statement.

#### **Write-off**

Loans and advances to customers are written off partially or in full when the Group has exhausted all viable recovery options. The majority of write-offs arise from Debt Relief Orders, insolvencies, Individual Voluntary Arrangements, deceased customers where there is no estate and vulnerable customers in certain circumstances. Amounts subsequently recovered on assets previously written off are recognised in the impairment charge in the income statement.

#### **Intercompany receivables**

The parent company's expected credit loss on amounts due from related companies is calculated by applying probability of default and loss given default to the amount outstanding at the year-end. See Note 26 for further details.

### **17.1. Key sources of estimation uncertainty**

Estimations that could have a material impact on the Group's financial results and are, therefore, considered to be key sources of estimation uncertainty all relate to the impairment charge on loans and advances to customers and are, therefore, set out below. The potential impact of the current macroeconomic environment has been considered in determining reasonably possible changes in key sources of estimation uncertainty that may occur in the next 12 months. The determination of both the PD and LGD require estimation, which is discussed further below.

#### **17.1.1. Incorporation of forward-looking data**

The Group incorporates forward-looking information into both its assessment of whether the credit risk of a financial asset has increased significantly since initial recognition and its measurement of expected credit loss by developing a number of potential economic scenarios and modelling expected credit losses for each scenario. Further detail on this process is provided above. The macroeconomic scenarios used were provided by external economic advisers. The scenarios and weightings applied are summarised below:

| December 2025 |            | UK unemployment rate - Annual Average |           |           |                   |
|---------------|------------|---------------------------------------|-----------|-----------|-------------------|
| Scenario      | Weightings | 2026<br>%                             | 2027<br>% | 2028<br>% | 5-Yr Average<br>% |
| Upside        | 20%        | 4.6                                   | 3.9       | 3.6       | 3.9               |
| Base          | 50%        | 5.0                                   | 4.8       | 4.5       | 4.6               |
| Downside      | 25%        | 5.8                                   | 6.5       | 6.9       | 6.5               |
| Severe        | 5%         | 6.1                                   | 7.2       | 7.7       | 7.1               |

|          |            | UK HPI - movement from December 2025 |           |           |                   |
|----------|------------|--------------------------------------|-----------|-----------|-------------------|
| Scenario | Weightings | 2026<br>%                            | 2027<br>% | 2028<br>% | 5-Yr Average<br>% |
| Upside   | 20%        | 4.5                                  | 10.3      | 17.9      | 5.4               |
| Base     | 50%        | 2.4                                  | 5.8       | 10.8      | 4.1               |
| Downside | 25%        | (5.9)                                | (7.5)     | (7.6)     | 0.6               |
| Severe   | 5%         | (11.6)                               | (17.0)    | (21.7)    | (2.3)             |

|          |            | UK CPI - movement from December 2025 |           |           |                   |
|----------|------------|--------------------------------------|-----------|-----------|-------------------|
| Scenario | Weightings | 2026<br>%                            | 2027<br>% | 2028<br>% | 5-Yr Average<br>% |
| Upside   | 20%        | 3.5                                  | 6.9       | 9.8       | 2.8               |
| Base     | 50%        | 2.7                                  | 5.3       | 7.6       | 2.3               |
| Downside | 25%        | 1.6                                  | 2.9       | 4.7       | 1.7               |
| Severe   | 5%         | 0.6                                  | 1.1       | 2.5       | 1.2               |

|        |  |    |     |     |     |     |
|--------|--|----|-----|-----|-----|-----|
| Severe |  | 5% | 1.4 | 0.8 | 0.8 | 0.9 |
|--------|--|----|-----|-----|-----|-----|

  

|                           |            |                               |      |      |              |
|---------------------------|------------|-------------------------------|------|------|--------------|
| December 2025 (continued) |            | UK Base Rate - Annual Average |      |      |              |
| Scenario                  | Weightings | 2026                          | 2027 | 2028 | 5-Yr Average |
|                           |            | %                             | %    | %    | %            |
| Upside                    | 20%        | 4.8                           | 4.4  | 3.7  | 3.8          |
| Base                      | 50%        | 3.3                           | 3.0  | 2.8  | 2.8          |
| Downside                  | 25%        | 2.4                           | 1.8  | 1.8  | 1.9          |
| Severe                    | 5%         | 1.4                           | 0.8  | 0.8  | 0.9          |

  

|          |            |                                        |      |      |              |
|----------|------------|----------------------------------------|------|------|--------------|
|          |            | UK debt service ratio - Annual Average |      |      |              |
| Scenario | Weightings | 2026                                   | 2027 | 2028 | 5-Yr Average |
|          |            | %                                      | %    | %    | %            |
| Upside   | 20%        | 5.1                                    | 5.0  | 4.3  | 4.5          |
| Base     | 50%        | 4.4                                    | 4.3  | 4.1  | 4.1          |
| Downside | 25%        | 4.1                                    | 4.1  | 4.0  | 3.9          |
| Severe   | 5%         | 3.6                                    | 3.2  | 3.4  | 3.3          |

  

|               |            |                                       |      |      |              |
|---------------|------------|---------------------------------------|------|------|--------------|
| December 2024 |            | UK unemployment rate - Annual Average |      |      |              |
| Scenario      | Weightings | 2025                                  | 2026 | 2027 | 5-Yr Average |
|               |            | %                                     | %    | %    | %            |
| Upside        | 20%        | 4.0                                   | 3.6  | 3.6  | 3.7          |
| Base          | 50%        | 4.4                                   | 4.3  | 4.2  | 4.2          |
| Downside      | 25%        | 5.1                                   | 6.0  | 6.7  | 6.2          |
| Severe        | 5%         | 5.5                                   | 6.7  | 7.4  | 6.8          |

  

|          |            |                                      |        |        |              |
|----------|------------|--------------------------------------|--------|--------|--------------|
|          |            | UK HPI - movement from December 2024 |        |        |              |
| Scenario | Weightings | 2025                                 | 2026   | 2027   | 5-Yr Average |
|          |            | %                                    | %      | %      | %            |
| Upside   | 20%        | 3.7                                  | 7.8    | 13.4   | 4.2          |
| Base     | 50%        | 1.7                                  | 3.4    | 6.2    | 2.9          |
| Downside | 25%        | (6.6)                                | (9.6)  | (11.7) | (0.5)        |
| Severe   | 5%         | (12.3)                               | (18.9) | (24.7) | (3.4)        |

  

|                           |            |                                      |      |      |              |
|---------------------------|------------|--------------------------------------|------|------|--------------|
| December 2024 (continued) |            | UK CPI - movement from December 2024 |      |      |              |
| Scenario                  | Weightings | 2025                                 | 2026 | 2027 | 5-Yr Average |
|                           |            | %                                    | %    | %    | %            |
| Upside                    | 20%        | 3.8                                  | 7.3  | 10.1 | 2.8          |
| Base                      | 50%        | 3.0                                  | 5.4  | 7.6  | 2.3          |
| Downside                  | 25%        | 1.9                                  | 2.9  | 4.6  | 1.7          |
| Severe                    | 5%         | 1.0                                  | 1.1  | 2.6  | 1.2          |

  

|          |            |                               |      |      |              |
|----------|------------|-------------------------------|------|------|--------------|
|          |            | UK Bank Rate - Annual Average |      |      |              |
| Scenario | Weightings | 2025                          | 2026 | 2027 | 5-Yr Average |
|          |            | %                             | %    | %    | %            |
| Upside   | 20%        | 5.4                           | 4.4  | 3.4  | 3.8          |
| Base     | 50%        | 3.8                           | 3.1  | 2.6  | 2.9          |
| Downside | 25%        | 3.0                           | 1.8  | 1.8  | 2.0          |
| Severe   | 5%         | 2.0                           | 0.8  | 0.8  | 1.0          |

  

|          |            |                                        |      |      |              |
|----------|------------|----------------------------------------|------|------|--------------|
|          |            | UK debt service ratio - Annual Average |      |      |              |
| Scenario | Weightings | 2025                                   | 2026 | 2027 | 5-Yr Average |
|          |            | %                                      | %    | %    | %            |
| Upside   | 20%        | 5.6                                    | 5.3  | 4.8  | 4.9          |
| Base     | 50%        | 4.9                                    | 4.6  | 4.5  | 4.5          |
| Downside | 25%        | 4.6                                    | 4.3  | 4.5  | 4.3          |

|        |    |     |     |     |     |
|--------|----|-----|-----|-----|-----|
| Severe | 5% | 4.6 | 3.6 | 3.8 | 3.8 |
|--------|----|-----|-----|-----|-----|

The sensitivity of the ECL allowance to reasonably possible changes in scenario weighting (an increase in downside case weighting from the upside case and an increase in severe stress case weighting from the base case) has been assessed by the Group and computed as not material.

The Group recognised a total impairment charge of £58.0 million (2024: £61.9 million). Were each of the scenarios to be applied at 100%, rather than using the weightings set out above, the increase/(decrease) in ECL provisions would be as follows:

| Scenario | 2025                        |                            |                              |                         |
|----------|-----------------------------|----------------------------|------------------------------|-------------------------|
|          | Vehicle Finance<br>£million | Retail Finance<br>£million | Business Finance<br>£million | Total Group<br>£million |
| Upside   | (0.7)                       | (0.3)                      | (1.3)                        | (2.3)                   |
| Base     | (0.4)                       | (0.3)                      | (0.7)                        | (1.4)                   |
| Downside | 1.6                         | 0.7                        | 1.8                          | 4.1                     |
| Severe   | 2.1                         | 0.7                        | 4.1                          | 6.9                     |

  

| Scenario | 2024                        |                            |                              |                         |
|----------|-----------------------------|----------------------------|------------------------------|-------------------------|
|          | Vehicle Finance<br>£million | Retail Finance<br>£million | Business Finance<br>£million | Total Group<br>£million |
| Upside   | (0.6)                       | (0.3)                      | (1.3)                        | (2.2)                   |
| Base     | (0.2)                       | (0.1)                      | (0.8)                        | (1.1)                   |
| Downside | 0.6                         | 0.4                        | 1.8                          | 2.8                     |
| Severe   | 1.2                         | 0.8                        | 4.1                          | 6.1                     |

#### 17.1.2. ECL modelled output: Estimation of PDs

Sensitivity to reasonably possible changes in PD could potentially result in material changes in the ECL allowance for Vehicle Finance and Retail Finance.

A 15% change in the PD for Vehicle Finance would immediately impact the ECL allowance by £3.7 million (2024: a 15% change impacted the ECL allowance by £4.0 million).

A 15% change in the PD for Retail Finance would immediately impact the ECL allowance by £4.1 million (2024: a 15% change impacted the ECL allowance by £3.4 million).

The above sensitivities reflect the levels of defaults observed during the year.

Due to the relatively low levels of provisions on the Business Finance books, sensitivity to reasonably possible changes in PD are not considered material.

#### 17.1.3. ECL modelled output: Vehicle Finance recovery rates

With the exception of the Vehicle Finance portfolio, the sensitivity of the ECL allowance to reasonably possible changes in the LGD is not considered material. The Vehicle Finance portfolio is particularly sensitive to changes in LGD due to the range of outcomes that could crystallise, depending on whether the Group is able to recover the vehicle as security. For the Vehicle Finance portfolio, a 20% (2024: 20%) change in the recovery rate assumption in the LGD is considered reasonably possible due to delays in the vehicle collection process. A 20% (2024: 20%) reduction in the vehicle recovery rate assumption element of the LGD for Vehicle Finance would increase the ECL by £1.2 million (2024: £1.7 million). There has been no change in the vehicle recovery rate assumption in the ECL model in either the current or prior year.

#### 17.1.4. Climate-risk impact

The Group considers the impact of climate-related risks on the financial statements on an annual basis, in particular, climate change negatively impacting the value of the Group's Real Estate Finance business' security due to the increased risk of flooding associated with climate change.

While the effects of climate change represent a source of uncertainty (in respect of potential transitional risks, such as those that may arise from changes in future government policy), the impact of all of the climate change risks is considered to be low. Accordingly, the Group does not consider there to be a material impact on its judgements and estimates from the physical, transitional and other climate-related risks in the short term.

## 18. Derivative financial instruments

### Group and Company

Interest rate derivatives are held for risk mitigation purposes. The table below provides an analysis of the notional amount and fair value of derivatives by hedge accounting relationship. The amount of ineffectiveness recognised for each hedge type is shown in Note 5. Notional amount is the amount on which payment flows are derived and does not represent amounts at risk.

not represent amounts at risk.

|                                                                  | Notional<br>2025<br>£million | Assets<br>2025<br>£million | Liabilities<br>2025<br>£million | Notional<br>2024<br>£million | Assets<br>2024<br>£million | Liabilities<br>2024<br>£million |
|------------------------------------------------------------------|------------------------------|----------------------------|---------------------------------|------------------------------|----------------------------|---------------------------------|
| <b>Interest rate derivatives designated in fair value hedges</b> |                              |                            |                                 |                              |                            |                                 |
| In less than one year                                            | 953.1                        | 3.4                        | (1.7)                           | 965.5                        | 3.1                        | (2.5)                           |
| More than one year but less than three years                     | 1,179.7                      | 3.4                        | (7.8)                           | 941.4                        | 10.1                       | (3.9)                           |
| More than three years but less than five years                   | 374.2                        | 1.5                        | (1.2)                           | 432.9                        | 1.1                        | (3.3)                           |
|                                                                  | 2,507.0                      | 8.3                        | (10.7)                          | 2,339.8                      | 14.3                       | (9.7)                           |
| <b>Interest rate derivatives designated in cash flow hedges</b>  |                              |                            |                                 |                              |                            |                                 |
| In less than one year                                            | -                            | -                          | -                               | 9.4                          | -                          | (0.1)                           |
| More than one year but less than three years                     | 2.4                          | 0.1                        | -                               | 2.4                          | -                          | -                               |
| More than three years but less than five years                   | 8.7                          | -                          | -                               | -                            | -                          | -                               |
|                                                                  | 11.1                         | 0.1                        | -                               | 11.8                         | -                          | (0.1)                           |
| <b>Interest rate derivatives - not hedged<sup>1</sup></b>        |                              |                            |                                 |                              |                            |                                 |
| In less than one year                                            | -                            | -                          | -                               | 15.0                         | -                          | -                               |
| More than one year but less than three years                     | 95.0                         | -                          | -                               | 42.5                         | -                          | -                               |
| More than three years but less than five years                   | 8.0                          | -                          | -                               | -                            | -                          | -                               |
|                                                                  | 103.0                        | -                          | -                               | 57.5                         | -                          | -                               |
| <b>Foreign exchange derivatives</b>                              |                              |                            |                                 |                              |                            |                                 |
| In less than one year                                            | 17.0                         | 0.1                        | -                               | 25.7                         | -                          | (0.2)                           |
|                                                                  | 17.0                         | 0.1                        | -                               | 25.7                         | -                          | (0.2)                           |
| Offset                                                           | -                            | (8.3)                      | 10.6                            | -                            | -                          | -                               |
|                                                                  | 2,638.1                      | 0.2                        | (0.1)                           | 2,434.8                      | 14.3                       | (10.0)                          |

Note:

1. Derivatives not in hedge relationships at the end of the reporting period will either enter a hedge relationship in the following month, or be in the final month of maturity.

In order to manage interest rate risk arising from fixed-rate financial instruments, the Group monitors its interest rate mismatch regularly throughout each month, seeking to 'match' assets and liabilities in the first instance and hedging residual risk using interest rate derivatives to maintain adherence to risk appetites. Some residual risk remains due to timing differences. The exposure from the portfolio frequently changes due to the origination of new instruments, contractual repayments and early prepayments made in each period. As a result, the Group adopts a dynamic hedging strategy (sometimes referred to as 'macro' or 'portfolio' hedge) to hedge its exposure profile by closing and entering into new interest rate derivative agreements. The Group establishes the hedging ratio by matching the derivatives with the principal of the portfolio being hedged.

The following table sets out details of the hedged exposures covered by the Group's hedging strategies:

|                                        | Carry amount<br>of hedged item<br>asset/(liability)<br>2025<br>£million | Accumulated<br>amount<br>of fair value<br>adjustments<br>in the hedged items<br>asset/(liability)<br>2025<br>£million | Carry amount<br>of hedged item<br>asset/(liability)<br>2025<br>£million | Accumulated<br>amount<br>of fair value<br>adjustments<br>in the hedged items<br>(liability)/asset<br>2024<br>£million |
|----------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| <b>ASSETS</b>                          |                                                                         |                                                                                                                       |                                                                         |                                                                                                                       |
| <b>Interest rate fair value hedges</b> |                                                                         |                                                                                                                       |                                                                         |                                                                                                                       |
| <b>Loans and advances to customers</b> |                                                                         |                                                                                                                       |                                                                         |                                                                                                                       |
| Fixed rate Real Estate Finance loans   | 558.8                                                                   | 3.2                                                                                                                   | 519.6                                                                   | (5.2)                                                                                                                 |
| Fixed rate Consumer Finance loans      | 680.4                                                                   | 4.1                                                                                                                   | 723.4                                                                   | (1.6)                                                                                                                 |
|                                        | 1,239.2                                                                 | 7.3                                                                                                                   | 1,243.0                                                                 | (6.8)                                                                                                                 |

**Interest rate cash flow hedges**

**Cash and Bank of England reserve account**

|                                        |                  |              |                  |              |
|----------------------------------------|------------------|--------------|------------------|--------------|
| Bank of England reserve                | 11.1             | N/A          | 11.8             | N/A          |
|                                        | <b>1,250.3</b>   | <b>7.3</b>   | <b>1,254.8</b>   | <b>(6.8)</b> |
| <b>LIABILITIES</b>                     |                  |              |                  |              |
| <b>Interest rate fair value hedges</b> |                  |              |                  |              |
| <b>Deposits from customers</b>         |                  |              |                  |              |
| Fixed rate customer deposits           | (1,177.1)        | (3.7)        | (1,006.5)        | 3.1          |
| <b>Subordinated liabilities</b>        |                  |              |                  |              |
| Fixed rate Tier 2 regulatory capital   | (90.0)           | (1.0)        | (90.0)           | 0.3          |
|                                        | <b>(1,267.1)</b> | <b>(4.7)</b> | <b>(1,096.5)</b> | <b>3.4</b>   |

The following table shows:

- amounts which have been offset, where there is an enforceable master netting arrangement or similar agreement in place, an unconditional right to offset exists and there is an intention to settle net ('amounts offset'); and
- amounts which have not been offset, where there is an enforceable master netting arrangement or similar agreement in place, but the offset criteria are otherwise not satisfied ('master netting arrangements') and/or where financial collateral has been paid or received ('financial collateral'). Financial collateral consists of cash settled, typically daily or weekly, to mitigate the credit risk on the fair value of derivatives.

|                                         | Gross<br>amount<br>recognised<br>£million | Amounts<br>offset<br>£million | Net amount<br>reported on<br>balance<br>sheet<br>£million | Master<br>netting<br>arrange-<br>ments<br>£million | Financial<br>collateral<br>£million | Net<br>amounts<br>after<br>offsetting<br>£million |
|-----------------------------------------|-------------------------------------------|-------------------------------|-----------------------------------------------------------|----------------------------------------------------|-------------------------------------|---------------------------------------------------|
| <b>31 December 2025</b>                 |                                           |                               |                                                           |                                                    |                                     |                                                   |
| <b>Derivative financial assets</b>      |                                           |                               |                                                           |                                                    |                                     |                                                   |
| Interest rate derivatives               | 8.5                                       | (8.3)                         | 0.2                                                       | (0.1)                                              | (0.1)                               | -                                                 |
|                                         | <b>8.5</b>                                | <b>(8.3)</b>                  | <b>0.2</b>                                                | <b>(0.1)</b>                                       | <b>(0.1)</b>                        | <b>-</b>                                          |
| <b>Derivative financial liabilities</b> |                                           |                               |                                                           |                                                    |                                     |                                                   |
| Interest rate derivatives               | (10.7)                                    | 10.6                          | (0.1)                                                     | 0.1                                                | -                                   | -                                                 |
|                                         | <b>(10.7)</b>                             | <b>10.6</b>                   | <b>(0.1)</b>                                              | <b>0.1</b>                                         | <b>-</b>                            | <b>-</b>                                          |

Amounts offset for derivative financial assets of £8.3 million include variation margin netted of £2.3 million at 31 December 2025.

|                                         | Gross<br>amount<br>reported on<br>balance<br>sheet<br>£million | Master<br>netting<br>arrange-<br>ments<br>£million | Financial<br>collateral<br>£million | Net<br>amounts<br>after<br>offsetting<br>£million |
|-----------------------------------------|----------------------------------------------------------------|----------------------------------------------------|-------------------------------------|---------------------------------------------------|
| <b>31 December 2024</b>                 |                                                                |                                                    |                                     |                                                   |
| <b>Derivative financial assets</b>      |                                                                |                                                    |                                     |                                                   |
| Interest rate derivatives               | 14.3                                                           | (9.8)                                              | (4.1)                               | 0.4                                               |
|                                         | <b>14.3</b>                                                    | <b>(9.8)</b>                                       | <b>(4.1)</b>                        | <b>0.4</b>                                        |
| <b>Derivative financial liabilities</b> |                                                                |                                                    |                                     |                                                   |
| Interest rate derivatives               | (9.8)                                                          | 9.8                                                | -                                   | -                                                 |
| Foreign exchange derivatives            | (0.2)                                                          | -                                                  | -                                   | (0.2)                                             |
|                                         | <b>(10.0)</b>                                                  | <b>9.8</b>                                         | <b>-</b>                            | <b>(0.2)</b>                                      |

## 19. Assets held for sale

Under IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, assets and liabilities are required to be reclassified as 'Held for Sale' on the face of the statement of financial position if they are expected to be sold within 12 months of the balance sheet date.

As at 31 December 2025, the Group's Consumer Vehicle Finance business met the criteria to be classified as Held for Sale. Accordingly, the business's loans and advances to customers was reclassified in the Consolidated and Company statement of financial position at its carrying amount (amortised cost) of £390.8 million to Assets held for sale. This sale was completed in February 2026.

## 20. Investment property

|                                               | Group<br>£million | Company<br>£million |
|-----------------------------------------------|-------------------|---------------------|
| <b>At 1 January 2024 and 31 December 2024</b> | -                 | 0.9                 |
| Additions                                     | 24.1              | -                   |
| <b>At 31 December 2025</b>                    | <b>24.1</b>       | <b>0.9</b>          |

The Group's investment property comprises 100 Violet Road, London E3 3QH, which was purchased in December 2025. The fair value of the property is £22.5 million.

The Company's investment property comprises 25 and 26 Neptune Court, Vanguard Way, Cardiff CF24 5PJ, which is occupied by one of the Company's subsidiaries.

The Company's investment property was stated at fair value as at 31 December 2025, based on external valuations performed by professionally qualified valuers Knight Frank LLP in December 2024.

These valuations were undertaken in accordance with the current editions of RICS Valuation - Global Standards, which incorporate the International Valuations Standards, and the RICS UK National Supplement. The valuations were carried out using the comparative and investment methods, and were arrived at by reference to market evidence of the transaction prices paid for similar properties, together with evidence of demand within the vicinity of the subject properties. In estimating the fair value of the properties, the valuers consider the highest and best use of the properties. Knight Frank LLP were paid a fixed fee for the valuations. Knight Frank LLP also undertakes some professional work in respect of the Group's Real Estate Finance business, although this is limited in relation to the activities of the Group as a whole. The Directors assessed the value of the investment property at the year-end, and concluded the valuation remains appropriate.

### *Investment property accounting policy*

Investment property, which is property held to earn rentals and for capital appreciation, is measured initially at cost, including transaction costs. Subsequent to initial recognition, for the Group, investment property is measured at cost. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, which are subject to regular review (see property, plant and equipment accounting policy for estimated useful lives). This represents a change in accounting policy for the Group, noting the Group held no investment properties in the prior year. For the Company investment property is measured at fair value. External valuations are performed on a triennial basis. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the period in which the property is derecognised.

## 21. Property, plant and equipment

|                            | Group                                         |                                                |                   | Company                                       |                                                |                   |
|----------------------------|-----------------------------------------------|------------------------------------------------|-------------------|-----------------------------------------------|------------------------------------------------|-------------------|
|                            | Freehold<br>land and<br>buildings<br>£million | Computer<br>and other<br>equipment<br>£million | Total<br>£million | Freehold<br>land and<br>buildings<br>£million | Computer<br>and other<br>equipment<br>£million | Total<br>£million |
| <b>Cost or valuation</b>   |                                               |                                                |                   |                                               |                                                |                   |
| At 1 January 2024          | 10.1                                          | 7.7                                            | 17.8              | 3.8                                           | 7.1                                            | 10.9              |
| Additions                  | -                                             | 0.5                                            | 0.5               | -                                             | 0.3                                            | 0.3               |
| Impairment                 | (0.4)                                         | -                                              | (0.4)             | -                                             | -                                              | -                 |
| <b>At 31 December 2024</b> | <b>9.7</b>                                    | <b>8.2</b>                                     | <b>17.9</b>       | <b>3.8</b>                                    | <b>7.4</b>                                     | <b>11.2</b>       |
| Additions                  | -                                             | 0.3                                            | 0.3               | 0.2                                           | 0.2                                            | 0.4               |
| Disposals                  | (4.2)                                         | (0.3)                                          | (4.5)             | -                                             | (0.2)                                          | (0.2)             |
| <b>At 31 December 2025</b> | <b>5.5</b>                                    | <b>8.2</b>                                     | <b>13.7</b>       | <b>4.0</b>                                    | <b>7.4</b>                                     | <b>11.4</b>       |

### **Accumulated depreciation**

|                            |              |              |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| At 1 January 2024          | (2.5)        | (4.5)        | (7.0)        | (0.2)        | (4.4)        | (4.6)        |
| Depreciation charge        | (0.2)        | (0.8)        | (1.0)        | (0.1)        | (0.5)        | (0.6)        |
| <b>At 31 December 2024</b> | <b>(2.7)</b> | <b>(5.3)</b> | <b>(8.0)</b> | <b>(0.3)</b> | <b>(4.9)</b> | <b>(5.2)</b> |
| Depreciation charge        | (0.1)        | (0.7)        | (0.8)        | (0.1)        | (0.4)        | (0.5)        |
| <b>At 31 December 2025</b> | <b>(2.8)</b> | <b>(6.0)</b> | <b>(8.8)</b> | <b>(0.4)</b> | <b>(5.3)</b> | <b>(5.7)</b> |

|                            |              |              |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Disposals                  | 2.2          | 0.3          | 2.5          | -            | 0.2          | 0.2          |
| <b>At 31 December 2025</b> | <b>(0.6)</b> | <b>(5.7)</b> | <b>(6.3)</b> | <b>(0.4)</b> | <b>(5.1)</b> | <b>(5.5)</b> |

#### Net book amount

|                            |            |            |            |            |            |            |
|----------------------------|------------|------------|------------|------------|------------|------------|
| <b>At 31 December 2024</b> | <b>7.0</b> | <b>2.9</b> | <b>9.9</b> | <b>3.5</b> | <b>2.5</b> | <b>6.0</b> |
| <b>At 31 December 2025</b> | <b>4.9</b> | <b>2.5</b> | <b>7.4</b> | <b>3.6</b> | <b>2.3</b> | <b>5.9</b> |

The Group's freehold properties, which are occupied by the Group, comprise:

- the Registered Office of the Company;
- 25 and 26 Neptune Court, Vanguard Way, Cardiff CF24 5PJ; and
- One Arleston Way, Solihull B90 4LH, which was sold during 2025.

The Company's freehold property comprises the Registered Office of the Company.

The carrying value of freehold land, which is included in the total carrying value of freehold land and buildings, and which is not depreciated at 31 December 2025 was £1.2 million (2024: £1.5 million) for the Group and £1.0 million (2024: £0.8 million) for the Company.

#### Property, plant and equipment accounting policy

Property, plant and equipment is stated at historical cost less any accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Pre-installed computer software licences are capitalised as part of the computer hardware it is installed on. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, which are subject to regular review.

|                        |                                         |
|------------------------|-----------------------------------------|
| Land                   | not depreciated                         |
| Freehold buildings     | 50 years                                |
| Leasehold improvements | shorter of life of lease or seven years |
| Computer equipment     | three to five years                     |
| Other equipment        | five to ten years                       |

The above useful economic lives have not changed since the prior year.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

The Group applies IAS 36 to determine whether property, plant and equipment is impaired.

## 22. Right-of-use assets

|                            | Group                          |                                   |                   | Company                        |                                   |                   |
|----------------------------|--------------------------------|-----------------------------------|-------------------|--------------------------------|-----------------------------------|-------------------|
|                            | Leasehold property<br>£million | Leased motor vehicles<br>£million | Total<br>£million | Leasehold property<br>£million | Leased motor vehicles<br>£million | Total<br>£million |
| <b>Cost</b>                |                                |                                   |                   |                                |                                   |                   |
| At 1 January 2024          | 3.9                            | 0.8                               | 4.7               | 3.9                            | 0.3                               | 4.2               |
| Additions                  | -                              | 0.8                               | 0.8               | -                              | 0.6                               | 0.6               |
| <b>At 31 December 2024</b> | <b>3.9</b>                     | <b>1.6</b>                        | <b>5.5</b>        | <b>3.9</b>                     | <b>0.9</b>                        | <b>4.8</b>        |
| Additions                  | 3.4                            | 0.5                               | 3.9               | 3.5                            | 0.3                               | 3.8               |
| Disposals                  | -                              | (0.5)                             | (0.5)             | -                              | (0.1)                             | (0.1)             |
| <b>At 31 December 2025</b> | <b>7.3</b>                     | <b>1.6</b>                        | <b>8.9</b>        | <b>7.4</b>                     | <b>1.1</b>                        | <b>8.5</b>        |

#### Accumulated depreciation

|                            |              |              |              |              |              |              |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| At 1 January 2024          | (2.5)        | (0.4)        | (2.9)        | (2.5)        | (0.1)        | (2.6)        |
| Depreciation charge        | (0.5)        | (0.5)        | (1.0)        | (0.5)        | (0.3)        | (0.8)        |
| <b>At 31 December 2024</b> | <b>(3.0)</b> | <b>(0.9)</b> | <b>(3.9)</b> | <b>(3.0)</b> | <b>(0.4)</b> | <b>(3.4)</b> |
| Depreciation charge        | (0.6)        | (0.5)        | (1.1)        | (0.6)        | (0.4)        | (1.0)        |
| Disposals                  | -            | 0.5          | 0.5          | -            | 0.1          | 0.1          |
| <b>At 31 December 2025</b> | <b>(3.6)</b> | <b>(0.9)</b> | <b>(4.5)</b> | <b>(3.6)</b> | <b>(0.7)</b> | <b>(4.3)</b> |

**Net book amount**

|                            |            |            |            |            |            |            |
|----------------------------|------------|------------|------------|------------|------------|------------|
| <b>At 31 December 2024</b> | <b>0.9</b> | <b>0.7</b> | <b>1.6</b> | <b>0.9</b> | <b>0.5</b> | <b>1.4</b> |
| <b>At 31 December 2025</b> | <b>3.7</b> | <b>0.7</b> | <b>4.4</b> | <b>3.8</b> | <b>0.4</b> | <b>4.2</b> |

**Lessee accounting policy**

The Group assesses whether a contract is, or contains, a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the future lease payments, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect the lease payments made, and is presented as a separate line in the consolidated statement of financial position.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at, or before, the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment charges and are depreciated over the shorter of the lease term and useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' policy.

Rentals made under operating leases for less than 12 months in duration, and operating leases on low-value items, are recognised in the income statement on a straight-line basis over the term of the lease.

**23. Intangible assets**

| <b>Group</b>               | <b>Goodwill<br/>£million</b> | <b>Computer<br/>software<br/>£million</b> | <b>Other<br/>intangible<br/>assets<br/>£million</b> | <b>Total<br/>£million</b> |
|----------------------------|------------------------------|-------------------------------------------|-----------------------------------------------------|---------------------------|
| <b>Cost or valuation</b>   |                              |                                           |                                                     |                           |
| At 1 January 2024          | 1.0                          | 17.7                                      | 2.2                                                 | 20.9                      |
| Additions                  | -                            | 0.5                                       | -                                                   | 0.5                       |
| Disposals                  | -                            | (0.1)                                     | -                                                   | (0.1)                     |
| <b>At 31 December 2024</b> | <b>1.0</b>                   | <b>18.1</b>                               | <b>2.2</b>                                          | <b>21.3</b>               |
| Additions                  | -                            | 1.3                                       | -                                                   | 1.3                       |
| <b>At 31 December 2025</b> | <b>1.0</b>                   | <b>19.4</b>                               | <b>2.2</b>                                          | <b>22.6</b>               |

**Accumulated depreciation**

|                            |          |               |              |               |
|----------------------------|----------|---------------|--------------|---------------|
| At 1 January 2024          | -        | (12.8)        | (2.2)        | (15.0)        |
| Amortisation charge        | -        | (1.4)         | -            | (1.4)         |
| Disposals                  | -        | 0.1           | -            | 0.1           |
| <b>At 31 December 2024</b> | <b>-</b> | <b>(14.1)</b> | <b>(2.2)</b> | <b>(16.3)</b> |
| Amortisation charge        | -        | (1.2)         | -            | (1.2)         |
| <b>At 31 December 2025</b> | <b>-</b> | <b>(15.3)</b> | <b>(2.2)</b> | <b>(17.5)</b> |

**Net book amount**

|                            |            |            |          |            |
|----------------------------|------------|------------|----------|------------|
| <b>At 31 December 2024</b> | <b>1.0</b> | <b>4.0</b> | <b>-</b> | <b>5.0</b> |
| <b>At 31 December 2025</b> | <b>1.0</b> | <b>4.1</b> | <b>-</b> | <b>5.1</b> |

Goodwill above relates to the V12 cash-generating unit, which is part of the Retail Finance operating segment.

The recoverable amount of these cash-generating units are determined on a value-in-use calculation, which uses cash flow projections based on financial forecasts covering a three-year period, and a discount rate of 8% (2024: 8%).

Cash flow projections during the forecast period are based on the expected rate of new business. A zero growth-

based scenario is also considered. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. Hence no impairment has been recognised.

Other intangible assets were recognised as part of the V12 Finance Group acquisition, which are now fully amortised.

#### Company

|                                 | Goodwill<br>£million | Computer<br>software<br>£million | Total<br>£million |
|---------------------------------|----------------------|----------------------------------|-------------------|
| <b>Cost or valuation</b>        |                      |                                  |                   |
| At 1 January 2024               | 0.3                  | 12.6                             | 12.9              |
| Additions                       | -                    | 0.5                              | 0.5               |
| <b>At 31 December 2024</b>      | <b>0.3</b>           | <b>13.1</b>                      | <b>13.4</b>       |
| Additions                       | -                    | 1.2                              | 1.2               |
| <b>At 31 December 2025</b>      | <b>0.3</b>           | <b>14.3</b>                      | <b>14.6</b>       |
| <b>Accumulated depreciation</b> |                      |                                  |                   |
| At 1 January 2024               | -                    | (9.4)                            | (9.4)             |
| Amortisation charge             |                      | (1.1)                            | (1.1)             |
| <b>At 31 December 2024</b>      | <b>-</b>             | <b>(10.5)</b>                    | <b>(10.5)</b>     |
| Amortisation charge             | -                    | (0.9)                            | (0.9)             |
| <b>At 31 December 2025</b>      | <b>-</b>             | <b>(11.4)</b>                    | <b>(11.4)</b>     |
| <b>Net book amount</b>          |                      |                                  |                   |
| <b>At 31 December 2024</b>      | <b>0.3</b>           | <b>2.6</b>                       | <b>2.9</b>        |
| <b>At 31 December 2025</b>      | <b>0.3</b>           | <b>2.9</b>                       | <b>3.2</b>        |

Goodwill above relates to the Retail Finance operating segment. The recoverable amount is determined on the same basis as for the Group.

#### Intangible assets accounting policy

##### (a) Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired at the date of acquisition. Goodwill is held at cost less accumulated impairment charge and is deemed to have an infinite life.

The Group reviews the goodwill for impairment at least annually or when events or changes in economic circumstances indicate that impairment may have taken place. An impairment charge is recognised in the income statement if the carrying amount exceeds the recoverable amounts.

##### (b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred unless the technical feasibility of the development has been demonstrated, and it is probable that the expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance, in which case they are capitalised.

These costs are amortised on a straight-line basis over their expected useful lives, which are between three to 10 years.

##### (c) Other intangible assets

The acquisition of subsidiaries has been accounted for in accordance with IFRS 3 'Business Combinations', which requires the recognition of the identifiable assets acquired and liabilities assumed at their acquisition date fair values. As part of this process, it was necessary to recognise certain intangible assets that are separately identifiable and are not included on the acquiree's balance sheet, which are amortised over their expected useful lives, as set out above.

The Group applies IAS 36 to determine whether an intangible asset is impaired

## 24. Investments in Group undertakings

#### Company

| <b>Cost and net book value</b>                                   | <b>2025</b>     | <b>2024</b>     |
|------------------------------------------------------------------|-----------------|-----------------|
|                                                                  | <b>£million</b> | <b>£million</b> |
| At 1 January                                                     | 6.1             | 5.9             |
| Equity contributions to subsidiaries in respect of share options | 0.2             | 0.2             |
| <b>At 31 December</b>                                            | <b>6.3</b>      | <b>6.1</b>      |

Shares in subsidiary undertakings of Secure Trust Bank PLC are stated at cost less any provision for impairment. All subsidiary undertakings are unlisted and none are banking institutions. The share capital of the subsidiary undertakings comprises solely of ordinary shares and all are 100% owned by the Company. The subsidiary undertakings were all incorporated in the UK and wholly owned via ordinary shares. All subsidiary undertakings are included in the consolidated financial statements and have an accounting reference date of 31 December.

Details are as follows:

|                                                             | <b>Company number</b> | <b>Principal activity</b>                 |
|-------------------------------------------------------------|-----------------------|-------------------------------------------|
| <b>Owned directly</b>                                       |                       |                                           |
| AppToPay Ltd                                                | 11204449              | Non-trading                               |
| Debt Managers (Services) Limited                            | 08092808              | Non-trading                               |
| Secure Homes Services Limited                               | 01404439              | Property rental                           |
| STB Leasing Limited                                         | 01648384              | Non-trading                               |
| V12 Finance Group Limited                                   | 07498951              | Holding company                           |
| <b>Owned indirectly via an intermediate holding company</b> |                       |                                           |
| V12 Personal Finance Limited                                | 05418233              | Dormant                                   |
| V12 Retail Finance Limited                                  | 04585692              | Sourcing and servicing of unsecured loans |

The registered office of the Company, and all subsidiary undertakings, is Yorke House, Arleston Way, Solihull B90 4LH.

AppToPay Ltd, Debt Managers (Services) Limited, Secure Homes Services Limited, STB Leasing Limited, V12 Finance Group Limited and V12 Personal Finance Limited are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of s479A, and the Company has given guarantees accordingly under s479C in respect of the year ended 31 December 2025.

## 25. Deferred taxation

|                                          | <b>Group 2025</b> | <b>Group 2024</b> | <b>Company 2025</b> | <b>Company 2024</b> |
|------------------------------------------|-------------------|-------------------|---------------------|---------------------|
|                                          | <b>£million</b>   | <b>£million</b>   | <b>£million</b>     | <b>£million</b>     |
| <b>Deferred tax assets:</b>              |                   |                   |                     |                     |
| Other short-term timing differences      | 3.6               | 3.3               | 3.3                 | 3.3                 |
| <b>At 31 December</b>                    | <b>3.6</b>        | <b>3.3</b>        | <b>3.3</b>          | <b>3.3</b>          |
| <b>Deferred tax liabilities:</b>         |                   |                   |                     |                     |
| At 1 January                             | 3.3               | 4.3               | 3.3                 | 4.3                 |
| Income statement                         | (0.2)             | (0.8)             | (0.5)               | (0.8)               |
| Cash flow hedge reserve                  | -                 | (0.2)             | -                   | (0.2)               |
| Retained earnings - Share-based payments | 0.5               | -                 | 0.5                 | -                   |
| <b>At 31 December</b>                    | <b>3.6</b>        | <b>3.3</b>        | <b>3.3</b>          | <b>3.3</b>          |

### **Deferred tax accounting policy**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, when they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised where it is probable that future taxable profits will be available, against which the temporary differences can be utilised. The short-term timing differences relate primarily to deferred tax on IFRS 9 transitional arrangements and on the movement in share options during the year. Deferred tax has not been recognised on capital losses arising from the disposal of property during the year (£2.0 million) or in respect of deductible temporary differences arising on investment properties held by the Company (£0.1 million).

## 26. Other assets

|                                                                       | Group<br>2025<br>£million | Group<br>2024<br>£million | Company<br>2025<br>£million | Company<br>2024<br>£million |
|-----------------------------------------------------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Gross amounts due from related companies                              | -                         | -                         | 27.2                        | 4.2                         |
| Less: allowances for impairment of amounts due from related companies | -                         | -                         | (1.9)                       | (1.9)                       |
| Amounts due from related companies                                    | -                         | -                         | 25.3                        | 2.3                         |
| Other receivables                                                     | 1.7                       | 2.0                       | 1.4                         | 1.7                         |
| Cloud software development prepayment                                 | 0.6                       | 3.6                       | 0.6                         | 3.6                         |
| Other prepayments and accrued income                                  | 6.5                       | 6.1                       | 6.1                         | 5.4                         |
|                                                                       | <b>8.8</b>                | <b>11.7</b>               | <b>33.4</b>                 | <b>13.0</b>                 |

Cloud software development costs, principally relating to the Group's Motor Transformation Programme, do not meet the intangible asset recognition criteria and are, therefore, classified as a prepayment, which is expensed to the income statement over the useful economic life of the software.

## 27. Due to banks

### Group and Company

|                                                                      | 2025<br>£million | 2024<br>£million |
|----------------------------------------------------------------------|------------------|------------------|
| Amounts due under the Bank of England's liquidity support operations |                  |                  |
| Term Funding Scheme with additional incentives for SMEs ('TFSME')    | -                | 230.0            |
| Sale and repurchase agreements                                       | 200.0            | 125.0            |
| Amounts due to other credit institutions                             | 4.7              | 6.9              |
| TFSME accrued interest                                               | -                | 3.2              |
| Sale and repurchase agreements accrued interest                      | 1.2              | 0.7              |
|                                                                      | <b>205.9</b>     | <b>365.8</b>     |

Amounts due under sale and repurchase agreements are due for repayment during 2026. Secure Trust Bank maintains access to the Bank of England's Sterling Monetary Framework, including a reserves account.

The accounting policy for amounts due to banks is included in Note 1.4 Financial assets and financial liabilities accounting policy.

## 28. Deposits from customers

### Group and Company

|                  | 2025<br>£million | 2024<br>£million |
|------------------|------------------|------------------|
| Access accounts  | 770.2            | 805.2            |
| Fixed term bonds | 1,518.9          | 1,510.0          |
| Notice accounts  | 39.3             | 72.4             |
| ISAs             | 1,181.2          | 857.3            |
|                  | <b>3,509.6</b>   | <b>3,244.9</b>   |

The accounting policy for deposits from customers is included in Note 1.4 Financial assets and financial liabilities accounting policy.

## 29. Lease liabilities

|                   | Group<br>2025<br>£million | Group<br>2024<br>£million | Company<br>2025<br>£million | Company<br>2024<br>£million |
|-------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| At 1 January      | 1.8                       | 2.3                       | 1.6                         | 2.1                         |
| New leases        | 3.9                       | 0.8                       | 3.8                         | 0.6                         |
| Lease termination | (0.1)                     | -                         | (0.1)                       | -                           |
| Payments          | (1.3)                     | (1.4)                     | (1.2)                       | (1.2)                       |
| At 31 December    | <b>4.3</b>                | <b>2.7</b>                | <b>4.1</b>                  | <b>1.5</b>                  |

|                                                    |            |            |            |            |
|----------------------------------------------------|------------|------------|------------|------------|
| Interest expense                                   | 0.1        | 0.1        | 0.1        | 0.1        |
| <b>At 31 December</b>                              | <b>4.4</b> | <b>1.8</b> | <b>4.2</b> | <b>1.6</b> |
| Lease liabilities - Gross                          |            |            |            |            |
| - No later than one year                           | 1.1        | 1.1        | 0.9        | 1.0        |
| - Later than one year and no later than five years | 2.2        | 0.8        | 2.2        | 0.7        |
| - More than five years                             | 1.8        | -          | 1.8        | -          |
|                                                    | 5.1        | 1.9        | 4.9        | 1.7        |
| Less: Future finance expense                       | (0.7)      | (0.1)      | (0.7)      | (0.1)      |
| Lease liabilities - Net                            | <b>4.4</b> | <b>1.8</b> | <b>4.2</b> | <b>1.6</b> |
| Lease liabilities - Gross                          |            |            |            |            |
| - No later than one year                           | 0.9        | 1.1        | 0.8        | 0.9        |
| - Later than one year and no later than five years | 1.9        | 0.7        | 1.8        | 0.7        |
| - More than five years                             | 1.6        | -          | 1.6        | -          |
|                                                    | <b>4.4</b> | <b>1.8</b> | <b>4.2</b> | <b>1.6</b> |

The accounting policy for lease liabilities is included in Note 22 Lessee accounting policy.

### 30. Other liabilities

|                                  | <b>Group<br/>2025<br/>£million</b> | <b>Group<br/>2024<br/>£million</b> | <b>Company<br/>2025<br/>£million</b> | <b>Company<br/>2024<br/>£million</b> |
|----------------------------------|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Other payables                   | 87.0                               | 23.1                               | 85.1                                 | 21.1                                 |
| Amounts due to related companies | -                                  | -                                  | 15.7                                 | 12.5                                 |
| Accruals and deferred income     | 11.0                               | 9.4                                | 9.5                                  | 7.5                                  |
|                                  | <b>98.0</b>                        | <b>32.5</b>                        | <b>110.3</b>                         | <b>41.1</b>                          |

### 31. Provisions for liabilities and charges

#### Group

|                                    | <b>Group</b>                                                      |                           |                           |
|------------------------------------|-------------------------------------------------------------------|---------------------------|---------------------------|
|                                    | <b>ECL<br/>allowance<br/>on loan<br/>commitments<br/>£million</b> | <b>Other<br/>£million</b> | <b>Total<br/>£million</b> |
| <b>Balance at 1 January 2024</b>   | 0.8                                                               | 5.2                       | 6.0                       |
| Charge to income statement         | 0.1                                                               | 9.8                       | 9.9                       |
| Utilised                           | -                                                                 | (4.6)                     | (4.6)                     |
| <b>Balance at 31 December 2024</b> | <b>0.9</b>                                                        | <b>10.4</b>               | <b>11.3</b>               |
| Charge to income statement         | 0.1                                                               | 21.7                      | 21.8                      |
| Utilised                           | -                                                                 | (7.6)                     | (7.6)                     |
| <b>Balance at 31 December 2025</b> | <b>1.0</b>                                                        | <b>24.5</b>               | <b>25.5</b>               |

#### Company

|                                  | <b>Company</b>                                                    |                           |                           |
|----------------------------------|-------------------------------------------------------------------|---------------------------|---------------------------|
|                                  | <b>ECL<br/>allowance<br/>on loan<br/>commitments<br/>£million</b> | <b>Other<br/>£million</b> | <b>Total<br/>£million</b> |
| <b>Balance at 1 January 2024</b> | 0.8                                                               | 4.8                       | 5.6                       |
| Charge to income statement       | 0.1                                                               | 10.1                      | 10.2                      |
| Utilised                         | -                                                                 | (4.5)                     | (4.5)                     |

|                                    |            |             |             |
|------------------------------------|------------|-------------|-------------|
| <b>Balance at 31 December 2024</b> | <b>0.9</b> | <b>10.4</b> | <b>11.3</b> |
| Charge to income statement         | 0.1        | 21.7        | 21.8        |
| Utilised                           | -          | (7.6)       | (7.6)       |
| <b>Balance at 31 December 2025</b> | <b>1.0</b> | <b>24.5</b> | <b>25.5</b> |

#### **ECL allowance on loan commitments**

In accordance with the requirements of IFRS 9, the Group holds an ECL allowance against loans it has committed to lend, but have not yet been drawn. For the Real Estate Finance and Commercial Finance portfolios, where a loan facility is agreed that includes both drawn and undrawn elements and the Group cannot identify the ECL on the loan commitment separately, a combined loss allowance for both drawn and undrawn components of the loan is presented as a deduction from the gross carrying amount of the drawn component, with any excess of the loss allowance over the gross drawn amount presented as a provision. At 31 December 2025 and 31 December 2024, no provision was held for losses in excess of drawn amounts.

#### **Other**

Other includes:

- costs and redress relating to the BiFD Vehicle Finance collections review (see Note 8 for further details) and historical motor commissions (see below for further details);
- provision for redundancy;
- provision for fraud, which relates to cases where the Group has reasonable evidence of suspected fraud, but further investigation is required before the cases can be dealt with appropriately;
- s75 Consumer Credit Act 1974 provision.

The Directors expect these provisions to be fully utilised within the next one to two years.

#### **Provisions for liabilities and charges accounting policy**

A provision is recognised where there is a present obligation as a result of a past event, it is probable that the obligation will be settled and it can be reliably estimated.

#### **31.1. Key sources of estimation uncertainty**

In January 2024, the FCA launched a review of the historical use of discretionary commission arrangements ('DCAs') in the motor finance industry. The Vehicle Finance business sometimes operated these arrangements until June 2017, but stopped doing so well ahead of the FCA banning their use in January 2021.

In October 2024, the Court of Appeal gave judgment in the cases of Hopcraft, Wrench and Johnson, which had wider implications for the legality of both fixed and DCA historical motor commissions. These were then appealed to the Supreme Court where, in August 2025, the Hopcraft and Wrench cases were overturned, however the Johnson case was upheld on the facts of that case.

At 31 December 2024, we undertook scenario analysis using different assumptions, which were probability weighted to estimate a potential exposure. In October 2025, the FCA issued a consultation paper providing further detail on its proposed redress approach, including significantly broadening the scope of the overall redress scheme, how unfairness would be assessed, the scheme's period and proposed redress methodology. Based on the FCA proposals in their current form, the potential impact is towards the extreme end of the range of previously expected outcomes. As a result, the Group recognised a further provision of £16.4 million. This comprises further potential goodwill/redress payments of £11.3 million (2024: £5.2 million), and £5.1 million (2024: £1.2 million) of associated costs. As at 31 December 2025, the Group held a provision of £21.5 million (2024: £6.4 million). If the FCA scheme was implemented entirely in its current form, the Group would expect to increase the provision for redress by a further £6.0 million.

## **32. Subordinated liabilities**

#### **Group and Company**

|                         | <b>2025</b>     | <b>2024</b>     |
|-------------------------|-----------------|-----------------|
|                         | <b>£million</b> | <b>£million</b> |
| Notes at par value      | 90.0            | 90.0            |
| Unamortised issue costs | (0.5)           | (0.7)           |
| Accrued interest        | 4.0             | 4.0             |
|                         | <b>93.5</b>     | <b>93.3</b>     |

The Fixed Rate Reset Callable Subordinated Notes due August 2033 are listed on the International Securities Market of the London Stock Exchange. This issuance is in line with the Group's funding strategy and supports the Group's stated medium-term growth ambitions.

- The notes are redeemable for cash at their principal amount on fixed dates.
- The Company has a call option to redeem the notes early in the event of a 'tax event' or a 'capital disqualification event', which is at the full discretion of the Company.
- Interest payments are paid at six-monthly intervals and are mandatory.
- The notes give the holders' rights to the principal amount on the notes, plus any unpaid interest, on liquidation. Any such claims are subordinated to senior creditors, but rank pari passu with holders of other subordinated obligations and in priority to holders of share capital.

The above features provide the issuer with a contractual obligation to deliver cash or another financial asset to the holders, and, therefore, the notes are classified as financial liabilities.

Transaction costs that are directly attributable to the issue of the notes and are deducted from the financial liability and expensed to the income statement on an effective interest rate basis over the expected life of the notes.

The notes are treated as Tier 2 regulatory capital, which is used to support the continuing growth of the business taking into account increases in regulatory capital buffers. The issue of the notes is part of an ongoing programme to diversify and expand the capital base of the Group.

The Group paid interest of £11.7 million on subordinated liabilities during the period (2024: £11.7 million), which is included in net cash inflow from operating activities in the consolidated and company statement of cash flows.

The accounting policy for subordinated liabilities is included in Note 1.4 - Financial assets and financial liabilities accounting policy.

### 33. Contingent liabilities and commitments

#### 33.1. Contingent liabilities

##### 31.1.1. Laws and regulations

As a financial services business, the Group must comply with numerous laws and regulations that significantly affect the way it does business. Whilst the Group believes there are no material unidentified areas of failure to comply with these laws and regulations, there can be no guarantee that all issues have been identified.

#### 33.2. Capital commitments

At 31 December 2025, the Group and Company had no capital commitments (2024: £nil).

#### 33.3. Credit commitments

##### Group and Company

Commitments to extend credit to customers were as follows:

|                     | 2025<br>£million | 2024<br>£million |
|---------------------|------------------|------------------|
| Consumer Finance    |                  |                  |
| Retail Finance      | 115.8            | 112.2            |
| Vehicle Finance     | -                | 1.2              |
| Business Finance    |                  |                  |
| Real Estate Finance | 40.4             | 39.5             |
| Commercial Finance  | 241.6            | 110.3            |
|                     | <b>397.8</b>     | <b>263.2</b>     |

### 34. Share capital

|                            | Number            | £million   |
|----------------------------|-------------------|------------|
| At 1 January 2024          | 19,017,795        | 7.6        |
| Issued during 2024         | 53,613            | -          |
| <b>At 31 December 2024</b> | <b>19,071,408</b> | <b>7.6</b> |
| Issued during 2025         | 25,848            | -          |
| <b>At 31 December 2025</b> | <b>19,097,256</b> | <b>7.6</b> |

Share capital comprises ordinary shares with a par value of 40 pence each.

##### Equity instruments accounting policy

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs. Any amounts received over nominal value are recorded in the share premium account, net of direct issuance costs. Costs associated with the listing of shares are expensed immediately.

### 35. Other reserves

|            | Group<br>2025<br>£million | Group<br>2024<br>£million | Company<br>2025<br>£million | Company<br>2024<br>£million |
|------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Own shares | (1.9)                     | (2.2)                     | (1.9)                       | (2.2)                       |
|            | <b>(1.9)</b>              | <b>(2.2)</b>              | <b>(1.9)</b>                | <b>(2.2)</b>                |

#### 35.1. Own shares

|                                              | 2025<br>Number | Nominal<br>value<br>2025<br>£million | 2024<br>Number | Nominal<br>value<br>2024<br>£million |
|----------------------------------------------|----------------|--------------------------------------|----------------|--------------------------------------|
| Employee Benefit Trust ('EBT')               |                |                                      |                |                                      |
| At 1 January                                 | 434,809        | 0.2                                  | 216,472        | 0.1                                  |
| Shares acquired                              | 47,475         | -                                    | 312,718        | 0.1                                  |
| Shares disposed                              | (100,801)      | -                                    | (94,381)       | -                                    |
| <b>At 31 December</b>                        | <b>381,483</b> | <b>0.2</b>                           | <b>434,809</b> | <b>0.2</b>                           |
| <b>Market value (£million)</b>               | <b>4.7</b>     |                                      | <b>1.6</b>     |                                      |
| <b>Accounting value (£million)</b>           | <b>1.9</b>     |                                      | <b>2.2</b>     |                                      |
| <b>Percentage of called up share capital</b> | <b>2.0%</b>    |                                      | <b>2.3%</b>    |                                      |

These shares are held in trust for the benefit of employees, who will be exercising their options under the Group's share options schemes. The trustee's expenses are included in the operating expenses of the Group. The maximum number of shares held by the EBT during the year was 480,382 (2024: 434,809), which had a nominal value of £192,000 (2024: £174,000). Shares were disposed of during the year for consideration of £40,000 (2024: £37,000).

#### Own shares accounting policy

The EBT qualifies for 'look-through' accounting, under which the EBT is treated as, in substance, an extension of the sponsoring entity, which is Secure Trust Bank PLC. Own shares represent the shares of the parent Company, Secure Trust Bank PLC, that are held by the EBT. Own shares are recorded at cost and deducted from equity.

### 36. Share-based payments

At 31 December 2025 and 31 December 2024, the Group had four share-based payment schemes in operation:

- 2017 Long-Term Incentive Plan;
- 2017 Sharesave Plan;
- 2017 Deferred Bonus Plan; and
- 'Phantom' Share Option Scheme.

A summary of the movements in share options during the year is set out below:

|                               | Outstanding<br>at<br>1 January<br>2025<br>Number | Granted<br>during<br>the year<br>Number | Forfeited,<br>lapsed<br>and<br>cancelled<br>during<br>the year<br>Number | Exercised<br>during<br>the year<br>Number | Outstanding<br>at<br>31<br>December<br>2025<br>Number | Vested and<br>at<br>exercisable<br>at 31<br>December<br>2025<br>Number | Weighted<br>average<br>remaining<br>contractual<br>life of<br>options<br>at 31<br>December<br>2025<br>Years | Weighted<br>average<br>exercise<br>price of<br>options<br>at 31<br>December<br>2025<br>£ | Weighted<br>average<br>exercise<br>price of<br>options<br>at<br>31<br>December<br>2024<br>£ |
|-------------------------------|--------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------|-------------------------------------------|-------------------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|
| <b>Equity settled</b>         |                                                  |                                         |                                                                          |                                           |                                                       |                                                                        |                                                                                                             |                                                                                          |                                                                                             |
| 2017 Long-Term Incentive Plan | 892,621                                          | 685,332                                 | (283,660)                                                                | (60,373)                                  | <b>1,233,920</b>                                      | <b>7,236</b>                                                           | 2026-2030                                                                                                   | <b>2.4</b>                                                                               | <b>0.21</b>                                                                                 |
| 2017 Sharesave Plan           | 416,500                                          | 73,931                                  | (94,069)                                                                 | (22,452)                                  | <b>373,910</b>                                        | <b>33,980</b>                                                          | 2026-2028                                                                                                   | <b>1.4</b>                                                                               | <b>6.61</b>                                                                                 |
| 2017 Deferred Bonus Plan      | 85,924                                           | 24,714                                  | -                                                                        | (43,644)                                  | <b>66,994</b>                                         | <b>180</b>                                                             | 2026-2028                                                                                                   | <b>1.4</b>                                                                               | <b>0.25</b>                                                                                 |

|                                 |           |         |           |           |           |        |      |      |    |
|---------------------------------|-----------|---------|-----------|-----------|-----------|--------|------|------|----|
|                                 | 1,395,045 | 783,977 | (377,729) | (126,469) | 1,674,824 | 41,396 | 2.1  | 1.64 | 2  |
| Weighted average exercise price | 2.15      | 0.86    | 1.92      | 1.67      | 1.64      | 5.72   |      |      |    |
| <b>Cash settled</b>             |           |         |           |           |           |        |      |      |    |
| 'Phantom' share option scheme   | 38,000    | -       | (38,000)  | -         | -         | -      | 2019 | -    | -  |
|                                 |           |         |           |           |           |        |      |      | 25 |

|                                                      | Group<br>2025<br>£million | Group<br>2024<br>£million | Company<br>2025<br>£million | Company<br>2024<br>£million |
|------------------------------------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Expense incurred in relation to share-based payments | 2.1                       | 2.3                       | 1.8                         | 2.3                         |

### 36.1. Long-Term Incentive Plan ('LTIP')

The LTIP was established on 3 May 2017. During the year, a number of awards were made to participants, as set out below.

#### 36.1.1. LTIP Restricted share award

During the year, 46,483 (2024: 114,281) options were awarded that were not subject to any performance conditions. The awards will vest three years from the date of grant. The original grant date valuation was determined using a Black-Scholes model. Measurement inputs and assumptions used for the grant date valuation were as follows:

|                                      | Awarded<br>during 2025 | Awarded<br>during 2024 |
|--------------------------------------|------------------------|------------------------|
| Share price at grant date            | £6.00                  | £6.90                  |
| Exercise price                       | -                      | £0.40                  |
| Expected dividend yield              | 6.68%                  | 5.10%                  |
| Expected stock price volatility      | 47.86%                 | 36.72%                 |
| Risk free interest rate              | 4.22%                  | 4.35%                  |
| Average expected life (years)        | 3.00                   | 3.00                   |
| <b>Original grant date valuation</b> | <b>£4.91</b>           | <b>£5.57</b>           |

#### 36.1.2. LTIP

During the year, 638,849 (2024: 308,830) options were awarded that are subject to four performance conditions. Details of the performance conditions can be found on pages 107 and 108 of the 2025 Annual Report and Accounts.

The awards have a performance term of three years. The awards will vest on the date on which the Board determines that these conditions have been met.

The original grant date valuation was determined using a Black-Scholes model for the return on average equity, earnings per share and risk management tranches (modified for probability of outturn), and a Monte Carlo model for the total shareholder return tranche. Measurement inputs and assumptions used for the grant date valuation were as follows:

|                                 | Awarded<br>during 2025<br>No holding<br>period | Awarded<br>during 2025<br>Two year<br>holding<br>period | Awarded<br>during 2025<br>Two year<br>holding<br>period | Awarded<br>during 2024<br>No holding<br>period | Awarded<br>during 2024<br>Two year<br>holding period |
|---------------------------------|------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|------------------------------------------------|------------------------------------------------------|
| Number of shares                | 131,226                                        | 215,776                                                 | 66,141                                                  | 136,895                                        | 171,935                                              |
| Share price at grant date       | £6.00                                          | £6.00                                                   | £10.35                                                  | £6.90                                          | £6.90                                                |
| Exercise price                  | £0.40                                          | £0.40                                                   | £0.40                                                   | £0.40                                          | £0.40                                                |
| Expected dividend yield         | 5.10%                                          | 5.10%                                                   | 5.10%                                                   | 5.10%                                          | 5.10%                                                |
| Expected stock price volatility | 45.00%                                         | 45.00%                                                  | 45.00%                                                  | 35.00%                                         | 35.00%                                               |
| Risk free interest rate         | 4.30%                                          | 4.28%                                                   | 3.97%                                                   | 4.51%                                          | 4.19%                                                |
| Average expected life (years)   | 3.00                                           | 5.00                                                    | 5.00                                                    | 3.00                                           | 5.00                                                 |

|                                      |              |              |              |              |              |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Original grant date valuation</b> | <b>£4.04</b> | <b>£4.47</b> | <b>£7.72</b> | <b>£4.40</b> | <b>£3.95</b> |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|

### 36.2. Sharesave Plan

The Sharesave Plan was established on 3 May 2017. This plan allows all employees to save for three years, subject to a maximum monthly amount of £250 (2024: £250), with a maximum savings amount across all schemes of £500, and the option to buy shares in Secure Trust Bank PLC when the plan matures. Participants cannot change the amount that they have agreed to save each month, but they can suspend payments for up to twelve months. Participants can withdraw their savings at any time but, if they do this before the completion date, they lose the option to buy shares at the Option Price, and in most circumstances if participants cease to hold plan-related employment before the third anniversary of the grant date, then the options are also lost. The options ordinarily vest approximately three years after grant date and are exercisable for a period of six months following vesting.

The original grant date valuation was determined using a Black-Scholes model. Measurement inputs and assumptions used were as follows:

|                                      | <b>Awarded during 2025</b> | <b>Awarded during 2024</b> |
|--------------------------------------|----------------------------|----------------------------|
| Share price at grant date            | £11.00                     | £8.14                      |
| Exercise price                       | £9.08                      | £6.99                      |
| Expected stock price volatility      | 47.62%                     | 37.22%                     |
| Expected dividend yield              | 6.68%                      | 5.10%                      |
| Risk free interest rate              | 4.02%                      | 3.75%                      |
| Average expected life (years)        | 3.00                       | 3.00                       |
| <b>Original grant date valuation</b> | <b>£3.23</b>               | <b>£2.07</b>               |

### 36.3. Deferred Bonus Plan

The Deferred Bonus Plan was established on 3 May 2017. In 2025 and 2024, awards were granted to certain senior managers of the Group. The awards vest in three equal tranches after one, two and three years following deferral. Accordingly, the following awards remain outstanding under the plan, entitling the members of the scheme to purchase shares in the Company:

|                            | <b>Awards granted Vesting after one year Number</b> | <b>Awards granted Vesting after two years Number</b> | <b>Awards granted Vesting after three years Number</b> | <b>Awards granted Total</b> |
|----------------------------|-----------------------------------------------------|------------------------------------------------------|--------------------------------------------------------|-----------------------------|
| At 1 January 2024          | <b>25,693</b>                                       | <b>30,434</b>                                        | <b>32,406</b>                                          | <b>88,533</b>               |
| Granted                    | 14,385                                              | 14,385                                               | 14,392                                                 | 43,162                      |
| Exercised                  | (23,295)                                            | (16,179)                                             | (6,297)                                                | (45,771)                    |
| <b>At 31 December 2024</b> | <b>16,783</b>                                       | <b>28,640</b>                                        | <b>40,501</b>                                          | <b>85,924</b>               |
| Granted                    | 8,236                                               | 8,236                                                | 8,242                                                  | 24,714                      |
| Exercised                  | (16,603)                                            | (14,255)                                             | (12,786)                                               | (43,644)                    |
| <b>At 31 December 2025</b> | <b>8,416</b>                                        | <b>22,621</b>                                        | <b>35,957</b>                                          | <b>66,994</b>               |
| Vested and exercisable     | 180                                                 | -                                                    | -                                                      | 180                         |

The original grant date valuation was determined using a Black-Scholes model. Measurement inputs and assumptions used were as follows:

|                                      | <b>Granted in 2025 Awards vesting after one year</b> | <b>Granted in 2025 Awards vesting after two years</b> | <b>Granted in 2025 Awards vesting after three years</b> |
|--------------------------------------|------------------------------------------------------|-------------------------------------------------------|---------------------------------------------------------|
| Share price at grant date            | £6.00                                                | £6.00                                                 | £6.00                                                   |
| Exercise price                       | -                                                    | -                                                     | -                                                       |
| Expected dividend yield              | 9.34%                                                | 7.01%                                                 | 6.68%                                                   |
| Expected stock price volatility      | 62.33%                                               | 49.36%                                                | 47.86%                                                  |
| Risk free interest rate              | 4.11%                                                | 4.23%                                                 | 4.22%                                                   |
| Average expected life (years)        | 1.00                                                 | 2.00                                                  | 3.00                                                    |
| <b>Original grant date valuation</b> | <b>£5.46</b>                                         | <b>£5.22</b>                                          | <b>£4.91</b>                                            |

|                                      | Granted in<br>2024<br>Awards vesting<br>after one years | Granted in<br>2024<br>Awards vesting<br>after two years | Granted in<br>2024<br>Awards vesting<br>after three<br>years |
|--------------------------------------|---------------------------------------------------------|---------------------------------------------------------|--------------------------------------------------------------|
| Share price at grant date            | £6.90                                                   | £6.90                                                   | £6.90                                                        |
| Exercise price                       | £0.40                                                   | £0.40                                                   | £0.40                                                        |
| Expected dividend yield              | 5.10%                                                   | 5.10%                                                   | 5.10%                                                        |
| Expected stock price volatility      | 32.51%                                                  | 38.89%                                                  | 36.72%                                                       |
| Risk free interest rate              | 4.78%                                                   | 4.52%                                                   | 4.35%                                                        |
| Average expected life (years)        | 1.00                                                    | 2.00                                                    | 3.00                                                         |
| <b>Original grant date valuation</b> | <b>£6.18</b>                                            | <b>£5.87</b>                                            | <b>£5.57</b>                                                 |

#### 36.4. Cash settled share-based payments

On 16 March 2015, a four-year 'phantom' share option scheme was established in order to provide effective long-term incentive to senior management of the Group. Under the scheme, no actual shares would be issued by the Company, but those granted awards under the scheme would be entitled to a cash payment. The amount of the award is calculated by reference to the increase in the value of an ordinary share in the Company over an initial value set at £25 per ordinary share, being the price at which the shares resulting from the exercise of the first tranche of share options under the share option scheme were sold in the market in November 2014. The options vested during 2019 and are exercisable for a period of 10 years after grant date, after which the options lapse.

As at 31 December 2024, using any reasonable range of inputs and assumptions, the fair value of the 'phantom' options is £nil. Accordingly, no liability was recognised in the consolidated financial statements at 31 December 2024. As at 31 December 2025 the shares had lapsed.

For each award granted during the year, expected volatility was determined by calculating the historical volatility of the Group's share price over the period equivalent to the expected term of the options being granted. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

#### *Share-based compensation accounting policy*

The fair value of equity settled share-based payment awards are calculated at grant date and recognised over the period in which the employees become unconditionally entitled to the awards (the vesting period). The amount is recognised in operating expenses in the income statement, with a corresponding increase in equity. Further details of the valuation methodology are set out above.

The fair value of cash settled share-based payments is recognised in operating expenses in the income statement with a corresponding increase in liabilities over the vesting period. The liability is remeasured at each reporting date and at the settlement date based on the fair value of the options granted, with a corresponding adjustment to operating expenses.

### 37. Cash flow statement

#### 37.1. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following balances with less than three months' maturity from the date of acquisition.

|                                          | <b>Group<br/>2025<br/>£million</b> | <b>Group<br/>2024<br/>£million</b> | <b>Company<br/>2025<br/>£million</b> | <b>Company<br/>2024<br/>£million</b> |
|------------------------------------------|------------------------------------|------------------------------------|--------------------------------------|--------------------------------------|
| Cash and Bank of England reserve account | 528.1                              | 445.0                              | 528.1                                | 445.0                                |
| Loans and advances to banks              | 36.8                               | 24.0                               | 36.1                                 | 23.6                                 |
| Less:                                    |                                    |                                    |                                      |                                      |
| Initial margin account                   | (5.1)                              | -                                  | (5.1)                                | -                                    |
|                                          | <b>559.8</b>                       | <b>469.0</b>                       | <b>559.1</b>                         | <b>468.6</b>                         |

The Group and Company has no access to the initial margin account, so this amount does not meet the definition of cash and cash equivalents, and accordingly, is excluded from cash and cash equivalents.

#### 37.2. Changes in liabilities arising from financing activities

All changes in liabilities arising from financing activities arise from changes in cash flows, apart from £0.1 million (2024: £0.1 million) of lease liabilities interest expense, as shown in Note 29, and £0.2 million (2024: £0.2 million) amortisation of issue costs on subordinated liabilities, as shown in Note 32.

### **Cash and cash equivalents accounting policy**

For the purpose of the statement of cash flows, cash and cash equivalents comprise cash in hand and demand deposits, and cash equivalents, being highly liquid investments, which are convertible into cash with an insignificant risk of changes in value with a maturity of three months or less at the date of acquisition, including certain loans and advances to banks and short-term highly liquid debt securities.

## **38. Financial risk management strategy**

By their nature, the Group's activities are principally related to the use of financial instruments. The Directors and senior management of the Group have formally adopted a Group risk appetite statement that sets out the Board's attitude to risk and internal controls. Key risks identified by the Directors are formally reviewed and assessed at least once a year by the Board. In addition, key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures, such as physical controls, credit and other authorisation limits and segregation of duties. The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. There are budgeting procedures in place and reports are presented regularly to the Board detailing the results of each principal business unit, variances against budget and prior year, and other performance data.

A more detailed description of the risk governance structure is contained in the Principal risks and uncertainties section.

Included within the principal financial risks inherent in the Group's business are credit risk (Note 39), market risk (Note 40), liquidity risk (Note 41), and capital risk (Note 42).

## **39. Credit risk**

The Company and Group take on exposure to credit risk, which is the risk that a counterparty will be unable to satisfy their debt servicing commitments when due. Counterparties include the consumers to whom the Group lends on a secured and unsecured basis and Small and Medium size Enterprises ('SMEs') to whom the Group primarily lends on a secured basis, as well as the market counterparties with whom the Group deals.

Impairment provisions are provided for expected credit losses at the statement of financial position date. Significant changes in the economy could result in losses that are different from those provided for at the statement of financial position date. Management, therefore, carefully manages the Group's exposures to credit risk as it considers this to be the most significant risk to the business. Disclosures relating to collateral on loans and advances to customers are disclosed in Note 15.

The Board monitors the ratings of the counterparties in relation to the Group's loans and advances to banks. Disclosures of these at the year-end are contained in Note 13. There is no direct exposure to the Eurozone and peripheral Eurozone countries.

See Principal risks and uncertainties section for further details on the mitigation and change during the year of credit risk.

### **Group and Company**

With the exception of loans and advances to customers, the carrying amount of financial assets represents the maximum exposure to credit risk. The maximum exposure to credit risk for loans and advances to customers by portfolio and IFRS 9 stage without taking account of any collateral held or other credit enhancements attached was as follows:

|                             | Stage 1        | Stage 2             |                    | Stage 3      |              | Total gross loans and advances to customers |
|-----------------------------|----------------|---------------------|--------------------|--------------|--------------|---------------------------------------------|
|                             |                | <= 30 days past due | > 30 days past due | Total        |              |                                             |
| 31 December 2025            | £million       | £million            | £million           | £million     | £million     | £million                                    |
| Consumer Finance            |                |                     |                    |              |              |                                             |
| Retail Finance              | 1,419.1        | 62.3                | 4.9                | 67.2         | 13.3         | 1,499.6                                     |
| Business Finance            |                |                     |                    |              |              |                                             |
| Real Estate Finance         | 1,277.9        | 85.4                | -                  | 85.4         | 112.0        | 1,475.3                                     |
| Commercial Finance          | 321.8          | 43.3                | -                  | 43.3         | 1.3          | 366.4                                       |
| <b>Total drawn exposure</b> | <b>3,018.8</b> | <b>191.0</b>        | <b>4.9</b>         | <b>195.9</b> | <b>126.6</b> | <b>3,341.3</b>                              |
| Off balance sheet           |                |                     |                    |              |              |                                             |
| Loan commitments            | 386.9          | 10.9                | -                  | 10.9         | -            | 397.8                                       |
| <b>Total gross exposure</b> | <b>3,405.7</b> | <b>201.9</b>        | <b>4.9</b>         | <b>206.8</b> | <b>126.6</b> | <b>3,739.1</b>                              |

Less:

|                                |                |              |            |              |              |                |
|--------------------------------|----------------|--------------|------------|--------------|--------------|----------------|
| Impairment allowance           | (14.5)         | (8.7)        | (2.5)      | (11.2)       | (19.8)       | (45.5)         |
| Provision for loan commitments | (1.0)          | -            | -          | -            | -            | (1.0)          |
| <b>Total net exposure</b>      | <b>3,390.2</b> | <b>193.2</b> | <b>2.4</b> | <b>195.6</b> | <b>106.8</b> | <b>3,692.6</b> |

|                              | Stage 1      | Stage 2             |                    | Stage 3     |             | Total gross loans and advances to customers |
|------------------------------|--------------|---------------------|--------------------|-------------|-------------|---------------------------------------------|
|                              |              | <= 30 days past due | > 30 days past due | Total       |             |                                             |
| 31 December 2025             | £million     | £million            | £million           | £million    | £million    | £million                                    |
| <b>Assets held for sale:</b> |              |                     |                    |             |             |                                             |
| <b>Vehicle Finance</b>       |              |                     |                    |             |             |                                             |
| Gross exposure               | 328.4        | 53.1                | 18.5               | 71.6        | 34.8        | 434.8                                       |
| Less: Impairment allowance   | (10.7)       | (5.3)               | (4.8)              | (10.1)      | (23.2)      | (44.0)                                      |
| <b>Total net exposure</b>    | <b>317.7</b> | <b>47.8</b>         | <b>13.7</b>        | <b>61.5</b> | <b>11.6</b> | <b>390.8</b>                                |

Of collateral in the form of property, £156.1 million (2024: £110.1 million) has been pledged as security for Real Estate Finance Stage 3 balances of £104.0 million (2024: £86.1 million). Of collateral in the form of vehicles, £21.5 million (2024: £37.4 million) has been pledged as security for Vehicle Finance Stage 3 balances of £11.6 million (2024: £20.7 million).

|                                | Stage 1        | Stage 2             |                    | Stage 3      |              | Total gross loans and advances to customers |
|--------------------------------|----------------|---------------------|--------------------|--------------|--------------|---------------------------------------------|
|                                |                | <= 30 days past due | > 30 days past due | Total        |              |                                             |
| 31 December 2024               | £million       | £million            | £million           | £million     | £million     | £million                                    |
| <b>Consumer Finance</b>        |                |                     |                    |              |              |                                             |
| Retail Finance                 | 1,324.1        | 48.1                | 4.1                | 52.2         | 11.6         | 1,387.9                                     |
| Vehicle Finance                | 500.7          | 40.0                | 21.0               | 61.0         | 65.0         | 626.7                                       |
| <b>Business Finance</b>        |                |                     |                    |              |              |                                             |
| Real Estate Finance            | 1,046.9        | 209.0               | 0.1                | 209.1        | 97.9         | 1,353.9                                     |
| Commercial Finance             | 332.9          | 6.7                 | -                  | 6.7          | 12.2         | 351.8                                       |
| <b>Total drawn exposure</b>    | <b>3,204.6</b> | <b>303.8</b>        | <b>25.2</b>        | <b>329.0</b> | <b>186.7</b> | <b>3,720.3</b>                              |
| <b>Off balance sheet</b>       |                |                     |                    |              |              |                                             |
| Loan commitments               | 262.4          | 0.8                 | -                  | 0.8          | -            | 263.2                                       |
| <b>Total gross exposure</b>    | <b>3,467.0</b> | <b>304.6</b>        | <b>25.2</b>        | <b>329.8</b> | <b>186.7</b> | <b>3,983.5</b>                              |
| Less:                          |                |                     |                    |              |              |                                             |
| Impairment allowance           | (29.6)         | (8.6)               | (7.3)              | (15.9)       | (66.3)       | (111.8)                                     |
| Provision for loan commitments | (0.9)          | -                   | -                  | -            | -            | (0.9)                                       |
| <b>Total net exposure</b>      | <b>3,436.5</b> | <b>296.0</b>        | <b>17.9</b>        | <b>313.9</b> | <b>120.4</b> | <b>3,870.8</b>                              |

A reconciliation of opening to closing allowance for impairment of loans and advances to customers is presented in Note 17.

#### Company

In addition to the previous tables, counterparties to the Company include subsidiary undertakings. For the ECL on amounts due from related companies, see Note 26.

#### 39.1. Concentration risk

Management assesses the potential concentration risk from geographic, product and individual loan concentration. Due to the nature of the Group's lending operations, the Directors consider the lending operations of the Group as a whole to be well diversified. Details of the Group's loans and advances to customers and loan commitments by

where to be well diversified. Details of the Group's loans and advances to customers and loan commitments by product is provided in Notes 3 and 33, respectively.

#### **Geographical concentration**

The Group's Real Estate Finance loan book is secured against UK property only. The geographical concentration of these business loans and advances to customers, by location of the security, is as follows:

#### **Group and Company**

|                                           | <b>2025</b>     | <b>2024</b>     |
|-------------------------------------------|-----------------|-----------------|
|                                           | <b>£million</b> | <b>£million</b> |
| Central England                           | 134.2           | 113.2           |
| Greater London                            | 711.2           | 691.5           |
| Northern England                          | 176.0           | 124.8           |
| South East England (excl. Greater London) | 251.9           | 273.5           |
| South West England                        | 107.4           | 54.4            |
| Scotland, Wales and Northern Ireland      | 94.6            | 96.5            |
| Gross loans and receivables               | 1,475.3         | 1,353.9         |
| Allowance for impairment                  | (8.4)           | (12.5)          |
| <b>Total</b>                              | <b>1,466.9</b>  | <b>1,341.4</b>  |

### **39.2. Forbearance**

#### **Consumer Finance**

Throughout the year, the Group did not routinely reschedule contractual arrangements where customers default on their repayments. In cases where it offered the customer the option to reduce or defer payments for a short period, in line with our responsibilities from a conduct perspective, the loans retained the normal contractual payment due dates and were treated the same as any other defaulting cases for impairment purposes. Arrears tracking would continue on the account, with any impairment charge being based on the original contractual due dates for all products.

All forbearance arrangements are formally discussed and agreed with the customer in accordance with regulatory guidance on the support of customers. By offering customers in financial difficulty the option of forbearance, the Group potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment. All forbearance arrangements are reviewed and monitored regularly to assess the ongoing potential risk, suitability and sustainability to the Group. As at the year end, the Consumer Finance business approximately had the following cases (by volume) in forbearance:

- Retail Finance 0.10% (2024: 0.14%); and
- Vehicle Finance: 0.70% (2024: 0.59%).

In respect of Vehicle Finance, where forbearance measures are not possible or are considered not to be in the customer's best interests, or where such measures have been tried and the customer has not adhered to the forbearance terms that have been agreed, the Group will consider realising its security and taking possession of the vehicle in order to sell it and clear the outstanding debt. Where the sale of the vehicle does not cover all of the remaining loan, normal credit collection procedures may be carried out in order to recover the outstanding debt, or the debt may be sold to a third party debt recovery agent, or in certain circumstances, the debt may be written off.

#### **Real Estate Finance**

Where clients provided evidence of payment difficulties, they were supported by the provision of extensions to loan maturity dates. A small number of clients, who experienced difficulties in meeting their financial commitments, were offered concessions (facility restructures or amendments) that Real Estate Finance would not have provided under normal circumstances. As at 31 December 2025, 3.0% of accounts were classed as forbome (2024: 4.9%). Where forbearance measures are not possible, or are considered not to be in the client's best interests, or where such measures have been tried and the customer has not adhered to the forbearance terms that have been agreed, the Group will consider realising its security.

### **40. Market risk**

The Group's market risk is primarily linked to interest rate risk. Interest rate risk refers to the exposure of the Group's financial position to adverse movements in interest rates.

When interest rates change, the present value and timing of future cash flows change. This, in turn, changes the underlying value of the Group's assets, liabilities and off-balance sheet instruments, and hence, its economic value. Changes in interest rates also affect the Group's earnings by altering interest-sensitive income and expenses, affecting its net interest income.

The principal currency in which the Group operates is Sterling, although a small number of transactions are completed in US dollars, Euros and other currencies in the Commercial Finance business. The Group has no significant exposures to foreign currencies and hedges any residual currency risks to Sterling. The Group does not operate a trading book.

See Principal risks and uncertainties section for further details on the mitigation and change during the year of market risk.

#### Interest rate risk

##### Group and Company

The Group seeks to 'match' interest rate risk between its assets and liabilities in the first instance and hedges any material residual risks using interest rate derivatives in accordance with the Group's risk appetite.

The Group monitors its exposure to interest rate risk on at least a weekly basis, using market value sensitivity and earnings at risk, which were as follows at 31 December:

|                                      | 2025<br>£million | 2024<br>£million |
|--------------------------------------|------------------|------------------|
| Market value sensitivity             |                  |                  |
| +200bp parallel shift in yield curve | 2.9              | 1.5              |
| -200bp parallel shift in yield curve | (3.1)            | (1.6)            |
| Earnings at risk sensitivity         |                  |                  |
| +100bp parallel shift in yield curve | 0.4              | 1.5              |
| -100bp parallel shift in yield curve | (0.6)            | (1.5)            |

The Directors consider that 200bps in the case of market value sensitivity and 100bps in the case of earnings at risk are a reasonable approximation of possible changes.

During the year, the methodology for earnings at risk sensitivity was updated to a more appropriate calculation based on a constant balance sheet approach compared to a run off balance sheet approach at 31 December 2024.

#### 41. Liquidity and funding risk

Liquidity and funding risk is the risk that the Group is unable to meet its obligations as they fall due or can only do so at excessive cost. The Group maintains adequate liquidity resources and a prudent, stable funding profile at all times to cover liabilities as they fall due in normal and stressed conditions.

The Group manages its liquidity in line with internal and regulatory requirements, and at least annually assesses the robustness of the liquidity requirements as part of the Group's Internal Liquidity Adequacy Assessment Process ('ILAAP').

See Principal risks and uncertainties section for further details on the mitigation and change during the year of liquidity and funding risk.

The tables below analyse the contractual undiscounted cash flows for financial liabilities into relevant maturity groupings:

|                                     |                                |                                      | Not more<br>than three<br>months<br>£million | More<br>than<br>three<br>months<br>but less<br>than one<br>year<br>£million | More<br>than<br>one<br>year<br>but<br>less than<br>five<br>years<br>£million | More<br>than<br>five<br>years<br>£million |
|-------------------------------------|--------------------------------|--------------------------------------|----------------------------------------------|-----------------------------------------------------------------------------|------------------------------------------------------------------------------|-------------------------------------------|
| At 31 December 2025                 | Carrying<br>amount<br>£million | Gross nominal<br>outflow<br>£million |                                              |                                                                             |                                                                              |                                           |
| Due to banks                        | 205.9                          | 208.6                                | 30.2                                         | 178.4                                                                       | -                                                                            | -                                         |
| Deposits from<br>customers          | 3,509.6                        | 3,624.3                              | 2,379.8                                      | 473.4                                                                       | 767.7                                                                        | 3.4                                       |
| Subordinated liabilities            | 93.5                           | 125.1                                | 5.9                                          | 5.9                                                                         | 113.3                                                                        | -                                         |
| Lease liabilities                   | 4.4                            | 5.1                                  | 0.3                                          | 0.8                                                                         | 2.2                                                                          | 1.8                                       |
| Other financial liabilities         | 87.0                           | 87.0                                 | 87.0                                         | -                                                                           | -                                                                            | -                                         |
|                                     | <b>3,900.4</b>                 | <b>4,050.1</b>                       | <b>2,503.2</b>                               | <b>658.5</b>                                                                | <b>883.2</b>                                                                 | <b>5.2</b>                                |
| Derivative financial<br>liabilities | 0.1                            | 0.1                                  | 0.1                                          | -                                                                           | -                                                                            | -                                         |
|                                     | <b>3,900.5</b>                 | <b>4,050.2</b>                       | <b>2,503.3</b>                               | <b>658.5</b>                                                                | <b>883.2</b>                                                                 | <b>5.2</b>                                |

More  
than  
three  
years

|                                  | Carrying<br>amount<br>£million | Gross nominal<br>outflow<br>£million | Not more<br>than three<br>months<br>£million | but less<br>than one year<br>£million | less<br>than five<br>years<br>£million | More<br>than<br>five<br>years<br>£million |
|----------------------------------|--------------------------------|--------------------------------------|----------------------------------------------|---------------------------------------|----------------------------------------|-------------------------------------------|
| At 31 December 2024              |                                |                                      |                                              |                                       |                                        |                                           |
| Due to banks                     | 365.8                          | 374.1                                | 52.6                                         | 321.5                                 | -                                      | -                                         |
| Deposits from customers          | 3,244.9                        | 3,336.5                              | 2,058.0                                      | 674.8                                 | 601.0                                  | 2.7                                       |
| Subordinated liabilities         | 93.3                           | 136.8                                | -                                            | 11.7                                  | 125.1                                  | -                                         |
| Lease liabilities                | 1.8                            | 1.9                                  | 0.3                                          | 0.8                                   | 0.8                                    | -                                         |
| Other financial liabilities      | 23.1                           | 23.1                                 | 23.1                                         | -                                     | -                                      | -                                         |
|                                  | <b>3,728.9</b>                 | <b>3,872.4</b>                       | <b>2,134.0</b>                               | <b>1,008.8</b>                        | <b>726.9</b>                           | <b>2.7</b>                                |
| Derivative financial liabilities | 10.0                           | 10.2                                 | 2.0                                          | 3.4                                   | 4.8                                    | -                                         |
|                                  | <b>3,738.9</b>                 | <b>3,882.6</b>                       | <b>2,136.0</b>                               | <b>1,012.2</b>                        | <b>731.7</b>                           | <b>2.7</b>                                |

#### Company

The contractual undiscounted cash flows for financial liabilities of the Company are the same as above except for the following:

|                                             | Carrying<br>amount<br>£million | Gross<br>nominal<br>outflow<br>£million | Not more<br>than three<br>months<br>£million | More than<br>three<br>months<br>but less<br>than one year<br>£million | More than<br>one year but<br>less than<br>five<br>years<br>£million | More than<br>five years<br>£million |
|---------------------------------------------|--------------------------------|-----------------------------------------|----------------------------------------------|-----------------------------------------------------------------------|---------------------------------------------------------------------|-------------------------------------|
| At 31 December 2025                         |                                |                                         |                                              |                                                                       |                                                                     |                                     |
| Lease liabilities                           | 4.2                            | 4.9                                     | 0.3                                          | 0.6                                                                   | 2.2                                                                 | 1.8                                 |
| Other financial liabilities                 | 100.8                          | 100.8                                   | 100.8                                        | -                                                                     | -                                                                   | -                                   |
| <b>Non-derivative financial liabilities</b> | <b>3,914.0</b>                 | <b>4,063.7</b>                          | <b>2,517.0</b>                               | <b>658.3</b>                                                          | <b>883.2</b>                                                        | <b>5.2</b>                          |
| <b>Total</b>                                | <b>3,914.1</b>                 | <b>4,063.8</b>                          | <b>2,517.1</b>                               | <b>658.3</b>                                                          | <b>883.2</b>                                                        | <b>5.2</b>                          |

|                                             | Carrying<br>amount<br>£million | Gross<br>nominal<br>outflow<br>£million | Not more<br>than three<br>months<br>£million | More than<br>three months<br>but less than<br>one year<br>£million | More than<br>one year but<br>less than five<br>years<br>£million | More than<br>five years<br>£million |
|---------------------------------------------|--------------------------------|-----------------------------------------|----------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------|
| At 31 December 2024                         |                                |                                         |                                              |                                                                    |                                                                  |                                     |
| Lease liabilities                           | 1.6                            | 1.7                                     | 0.3                                          | 0.7                                                                | 0.7                                                              | -                                   |
| Other financial liabilities                 | 33.6                           | 33.6                                    | 33.6                                         | -                                                                  | -                                                                | -                                   |
| <b>Non-derivative financial liabilities</b> | <b>3,739.2</b>                 | <b>3,882.7</b>                          | <b>2,144.5</b>                               | <b>1,008.7</b>                                                     | <b>726.8</b>                                                     | <b>2.7</b>                          |
| <b>Total</b>                                | <b>3,749.2</b>                 | <b>3,892.9</b>                          | <b>2,146.5</b>                               | <b>1,012.1</b>                                                     | <b>731.6</b>                                                     | <b>2.7</b>                          |

## 42. Capital risk (unaudited)

Capital risk is the risk that the Group will have insufficient capital resources to absorb potential losses. The Group adopts a conservative approach to managing its capital and at least annually assesses the robustness of the capital requirements as part of the Group's Internal Capital Adequacy Assessment Process ('ICAAP'). The Group has Tier 1 and Tier 2 capital resources, noting the regulatory adjustments required in the table below.

The following table, which is unaudited and, therefore, not in scope of the Independent Auditor's Report, shows the regulatory capital resources for the Group.

|                   | 2025<br>£million<br>(unaudited) | 2024<br>£million<br>(unaudited) |
|-------------------|---------------------------------|---------------------------------|
| <b>CET 1</b>      |                                 |                                 |
| Share capital     | 7.6                             | 7.6                             |
| Share premium     | 84.2                            | 84.0                            |
| Retained earnings | 284.4                           | 271.1                           |
| Own shares        | (1.9)                           | (2.2)                           |

|                                                    |              |              |
|----------------------------------------------------|--------------|--------------|
| IFRS 9 transition adjustments                      | -            | 0.1          |
| Goodwill                                           | (1.0)        | (1.0)        |
| Intangible assets net of attributable deferred tax | (4.1)        | (4.0)        |
| <b>CET 1 capital before foreseeable dividend</b>   | <b>369.2</b> | <b>355.6</b> |
| Foreseeable dividend                               | (4.4)        | (4.2)        |
| <b>CET 1 and Tier 1 capital</b>                    | <b>364.8</b> | <b>351.4</b> |

## Tier 2

|                                         |             |             |
|-----------------------------------------|-------------|-------------|
| Subordinated liabilities                | 89.5        | 89.3        |
| Less ineligible portion                 | (25.9)      | (25.0)      |
| <b>Total Tier 2 capital<sup>1</sup></b> | <b>63.6</b> | <b>64.3</b> |

|                  |              |              |
|------------------|--------------|--------------|
| <b>Own funds</b> | <b>428.4</b> | <b>415.7</b> |
|------------------|--------------|--------------|

## Reconciliation to total equity:

|                                                                       |              |              |
|-----------------------------------------------------------------------|--------------|--------------|
| IFRS 9 transition adjustments                                         | -            | (0.1)        |
| Eligible subordinated liabilities                                     | (63.6)       | (64.3)       |
| Cash flow hedge reserve                                               | -            | -            |
| Goodwill and other intangible assets net of attributable deferred tax | 5.1          | 5.0          |
| Foreseeable dividend                                                  | 4.4          | 4.2          |
| <b>Total equity</b>                                                   | <b>374.3</b> | <b>360.5</b> |

Note:

1. Tier 2 capital comprises solely subordinated debt, excluding accrued interest, capped at 25% of the Pillar 1 and 2A requirements as set by the PRA.

The Group elected to adopt the IFRS 9 transitional rules. The initial IFRS 9 transitional adjustment ended in 2022. The 'quick fix' part of the relief, for increases in provisions since 1 January 2020, except where these provisions relate to defaulted accounts, were added back to eligible capital (net of attributable deferred tax) at 25% in 2024. This relief ended on 1 January 2025.

The Group's regulatory capital is divided into:

- CET 1 capital, which comprises shareholders' funds (excluding employee benefit trust own shares), after adding back the IFRS 9 transition adjustment and deducting qualifying intangible assets and prudent valuation adjustments. IFRS 9 transition adjustment and intangible assets are both net of attributable deferred tax; and
- Tier 2 capital, which is solely subordinated debt net of unamortised issue costs, capped at 25% of the capital requirement.

The Group operates the standardised approach to credit risk, whereby risk weightings are applied to the Group's on and off balance sheet exposures. The weightings applied are those stipulated in the UK Capital Requirements Regulation.

Further information on capital is included within our Pillar 3 disclosures, which can be found on the Group's website ([www.securetrustbank.com/pillar3](http://www.securetrustbank.com/pillar3)). See Principal risks and uncertainties section for further details on the mitigation and change during the year of capital risk.

The Group is subject to capital requirements imposed by the PRA on all financial services firms. During the year, the Group complied with these requirements.

## 43. Classification of financial assets and liabilities

All financial assets and liabilities at 31 December 2025 and 31 December 2024 were carried at amortised cost, except for derivative financial instruments that are at fair value through profit and loss. Therefore, for these assets and liabilities, the fair value hierarchy noted below relates to the disclosure in this note only.

### Group

|                                          | Total<br>carrying<br>amount<br>2025<br>£million | Fair<br>value<br>2025<br>£million | Fair<br>Value<br>hierarchy<br>level<br>2025 | Total<br>carrying<br>amount<br>2024<br>£million | Fair<br>value<br>2024<br>£million | Fair Value<br>hierarchy<br>level<br>2024 |
|------------------------------------------|-------------------------------------------------|-----------------------------------|---------------------------------------------|-------------------------------------------------|-----------------------------------|------------------------------------------|
| Cash and Bank of England reserve account | 528.1                                           | 528.1                             | Level 1                                     | 445.0                                           | 445.0                             | Level 1                                  |

|                                  |                |                |         |                |                |         |
|----------------------------------|----------------|----------------|---------|----------------|----------------|---------|
| Loans and advances to banks      | 36.8           | 36.8           | Level 2 | 24.0           | 24.0           | Level 2 |
| Debt securities                  | 1.0            | 1.0            | Level 1 | -              | -              | -       |
| Loans and advances to customers  | 3,295.8        | 3,289.0        | Level 3 | 3,608.5        | 3,612.3        | Level 3 |
| Derivative financial instruments | 0.2            | 0.2            | Level 2 | 14.3           | 14.3           | Level 2 |
| Other financial assets           | 1.7            | 1.7            | Level 3 | 2.0            | 2.0            | Level 3 |
|                                  | <b>3,863.6</b> | <b>3,856.8</b> |         | <b>4,093.8</b> | <b>4,097.6</b> |         |
| Due to banks                     | 205.9          | 205.9          | Level 2 | 365.8          | 365.8          | Level 2 |
| Deposits from customers          | 3,509.6        | 3,530.7        | Level 3 | 3,244.9        | 3,254.0        | Level 3 |
| Derivative financial instruments | 0.1            | 0.1            | Level 2 | 10.0           | 10.0           | Level 2 |
| Lease liabilities                | 4.4            | 4.4            | Level 3 | 1.8            | 1.8            | Level 3 |
| Other financial liabilities      | 87.0           | 87.0           | Level 3 | 23.1           | 23.1           | Level 3 |
| Subordinated liabilities         | 93.5           | 104.2          | Level 2 | 93.3           | 90.2           | Level 2 |
|                                  | <b>3,900.5</b> | <b>3,932.3</b> |         | <b>3,738.9</b> | <b>3,744.9</b> |         |

#### Company

|                                          | <b>Total<br/>carrying<br/>amount<br/>2025<br/>£million</b> | <b>Fair<br/>value<br/>2025<br/>£million</b> | <b>Fair<br/>Value<br/>hierarchy<br/>level<br/>2025</b> | <b>Total<br/>carrying<br/>amount<br/>2024<br/>£million</b> | <b>Fair<br/>value<br/>2024<br/>£million</b> | <b>Fair Value<br/>hierarchy<br/>level<br/>2024</b> |
|------------------------------------------|------------------------------------------------------------|---------------------------------------------|--------------------------------------------------------|------------------------------------------------------------|---------------------------------------------|----------------------------------------------------|
| Cash and Bank of England reserve account | 528.1                                                      | 528.1                                       | Level 1                                                | 445.0                                                      | 445.0                                       | Level 1                                            |
| Loans and advances to banks              | 36.1                                                       | 36.1                                        | Level 2                                                | 23.6                                                       | 23.6                                        | Level 2                                            |
| Debt securities                          | 1.0                                                        | 1.0                                         | Level 1                                                | -                                                          | -                                           | -                                                  |
| Loans and advances to customers          | 3,295.8                                                    | 3,289.0                                     | Level 3                                                | 3,608.5                                                    | 3,612.3                                     | Level 3                                            |
| Derivative financial instruments         | 0.2                                                        | 0.2                                         | Level 2                                                | 14.3                                                       | 14.3                                        | Level 2                                            |
| Other financial assets                   | 26.7                                                       | 26.7                                        | Level 3                                                | 4.0                                                        | 4.0                                         | Level 3                                            |
|                                          | <b>3,887.9</b>                                             | <b>3,881.1</b>                              |                                                        | <b>4,095.4</b>                                             | <b>4,099.2</b>                              |                                                    |
| Due to banks                             | 205.9                                                      | 205.9                                       | Level 2                                                | 365.8                                                      | 365.8                                       | Level 2                                            |
| Deposits from customers                  | 3,509.6                                                    | 3,530.7                                     | Level 3                                                | 3,244.9                                                    | 3,254.0                                     | Level 3                                            |
| Derivative financial instruments         | 0.1                                                        | 0.1                                         | Level 2                                                | 10.0                                                       | 10.0                                        | Level 2                                            |
| Lease liabilities                        | 4.2                                                        | 4.2                                         | Level 3                                                | 1.6                                                        | 1.6                                         | Level 3                                            |
| Other financial liabilities              | 100.8                                                      | 100.8                                       | Level 3                                                | 33.6                                                       | 33.6                                        | Level 3                                            |
| Subordinated liabilities                 | 93.5                                                       | 104.2                                       | Level 2                                                | 93.3                                                       | 90.2                                        | Level 2                                            |
|                                          | <b>3,914.1</b>                                             | <b>3,945.9</b>                              |                                                        | <b>3,749.2</b>                                             | <b>3,755.2</b>                              |                                                    |

#### Fair value classification

The tables above include the fair values and fair value hierarchies of the Group and Company's financial assets and liabilities. The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements.

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

#### Debt securities

The fair value of debt securities is based on the quoted price where available.

#### Loans and advances to customers and Deposits from customers

The fair value of the financial assets and liabilities is calculated based upon the present value of the expected future principal and interest cash flows. The rate used to discount the cash flows was a market rate of interest at the balance sheet date. For loans and advances to customers, the same assumptions regarding the risk of default were applied as those used to derive the carrying value.

#### Derivative financial instruments

The fair value of derivative financial instruments is calculated based on the present value of the expected future cash flows of the instruments. The rate used to discount the cash flows was the SONIA forward curve at the balance sheet

flows of the instruments. The rate used to discount the cash flows was the SONIA forward curve at the balance sheet date.

#### **Subordinated liabilities**

The fair value of subordinated liabilities is calculated based on quoted market prices where available, or where an active market quote is not available, it is calculated based on the present value of the expected future cash flows of the instruments. The rate used to discount the cash flows was the UK Government five year bond plus the initial spread on the instruments.

For all remaining financial assets and liabilities, the fair value of financial assets and liabilities is calculated to be equivalent to their carrying value due to their short maturity dates.

#### **44. Related party transactions**

Related parties of the Company and Group include subsidiaries, key management personnel, close family members of key management personnel and entities that are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by key management personnel or their close family members.

At 31 December 2025, £0.3 million (2024: £0.1 million) deposits were outstanding in relation to key management personnel.

The Company undertook the following transactions with other companies in the Secure Trust Bank Group:

|                                                                 | <b>2025</b>     | <b>2024</b>     |
|-----------------------------------------------------------------|-----------------|-----------------|
|                                                                 | <b>£million</b> | <b>£million</b> |
| Interest income and similar income                              | (30.4)          | (30.3)          |
| Operating expenses                                              | (0.1)           | (0.4)           |
| Allowances for impairment of amounts due from related companies | -               | 0.2             |
| Investment income                                               | 10.8            | 9.5             |
|                                                                 | <b>(19.7)</b>   | <b>(21.0)</b>   |
| Equity contribution to subsidiaries re. share-based payments    | <b>0.2</b>      | <b>0.2</b>      |

The loans and advances with, and amounts receivable and payable to, related companies are noted below:

|                                                 | <b>Company</b>  | <b>Company</b>  |
|-------------------------------------------------|-----------------|-----------------|
|                                                 | <b>2025</b>     | <b>2024</b>     |
|                                                 | <b>£million</b> | <b>£million</b> |
| Amounts receivable from subsidiary undertakings | 25.3            | 2.3             |
| Amounts due to subsidiary undertakings          | (15.7)          | (12.5)          |
|                                                 | <b>9.6</b>      | <b>(10.2)</b>   |

All amounts above are repayable on demand and the Company charged interest at a variable rate on amounts outstanding.

#### **Directors' remuneration**

The Directors' emoluments (including pension contributions and benefits in kind) for the year are disclosed in the Directors' Remuneration Report in the 2025 Annual Report and Accounts.

At the year-end the ordinary shares held by the Directors, holdings of share options, as well as details of those share options exercised during the year are disclosed in the Directors' Remuneration Report in the 2025 Annual Report and Accounts.

#### **45. Immediate parent company and ultimate controlling party**

The Company has no immediate parent company or ultimate controlling party.

#### **46. Country-by-Country reporting**

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 introduced reporting obligations for institutions within the scope of CRD V. The requirements aim to give increased transparency regarding the activities of institutions. The Country-by-Country information is set out below:

|                         | Name                  | Nature of activity | Location | Turnover<br>£million | Average number of FTE employees | Profit before tax<br>£million | Tax paid on profit<br>£million |
|-------------------------|-----------------------|--------------------|----------|----------------------|---------------------------------|-------------------------------|--------------------------------|
| <b>31 December 2025</b> | Secure Trust Bank PLC | Banking services   | UK       | 387.1                | 860                             | 27.5                          | 12.0                           |
| <b>31 December 2024</b> | Secure Trust Bank PLC | Banking services   | UK       | 385.2                | 915                             | 29.2                          | 8.8                            |

## 47. Post balance sheet events

There have been no significant events between 31 December 2025 and the date of approval of these Financial Statements, which would require a change to or additional disclosure in the financial statements.

The sale of the Consumer Vehicle Finance business completed on 25 February 2026. The Group will undertake servicing of the loan portfolio on behalf of the purchaser post completion until a target migration date of 30 May 2026. The Group will remain responsible for administering, and retain liability for, payments due to customers under the FCA's motor finance commission redress scheme (when concluded) for any relevant loans in the portfolio.

Further information will be included in the Group's Interim Report for the six months ended 30 June 2026.

## Five-year summary (unaudited)

|                                                              | 2025<br>£million | 2024<br>£million | 2023<br>£million | 2022<br>£million | 2021<br>£million |
|--------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Profit for the year</b>                                   |                  |                  |                  |                  |                  |
| <b>Continuing operations</b>                                 |                  |                  |                  |                  |                  |
| Interest and similar income                                  | 301.8            | 296.8            | 244.9            | 156.4            | 125.9            |
| Interest expense and similar charges                         | (150.7)          | (159.5)          | (121.5)          | (42.7)           | (21.9)           |
| <b>Net interest income</b>                                   | <b>151.1</b>     | <b>137.3</b>     | <b>123.4</b>     | <b>113.7</b>     | <b>104.0</b>     |
| <b>Net fee and commission income</b>                         | <b>14.1</b>      | <b>18.2</b>      | <b>15.4</b>      | <b>15.6</b>      | <b>11.6</b>      |
| <b>Operating income</b>                                      | <b>165.2</b>     | <b>155.5</b>     | <b>138.8</b>     | <b>129.3</b>     | <b>115.6</b>     |
| Net impairment charge on loans and advances to customers     | (31.4)           | (23.2)           | (28.4)           | (16.9)           | (4.9)            |
| Other gains/(losses)                                         | 0.1              | (0.4)            | -                | 1.1              | 1.5              |
| Fair value and other gains/(losses) on financial instruments | 0.1              | 1.2              | 0.5              | (0.3)            | (0.1)            |
| Operating expenses <sup>1</sup>                              | (74.7)           | (72.2)           | (71.5)           | (74.6)           | (72.7)           |
| <b>Profit before income tax before exceptional items</b>     | <b>59.3</b>      | <b>60.9</b>      | <b>39.4</b>      | <b>38.6</b>      | <b>39.4</b>      |
| Exceptional items                                            | -                | (1.5)            | (1.8)            | -                | -                |
| <b>Profit before income tax</b>                              | <b>59.3</b>      | <b>59.4</b>      | <b>37.6</b>      | <b>38.6</b>      | <b>39.4</b>      |
| <b>Discontinued operations</b>                               |                  |                  |                  |                  |                  |
| (Loss)/profit before income tax before exceptional items     | (7.7)            | (21.8)           | 0.5              | 5.4              | 16.6             |
| Exceptional items                                            | (24.1)           | (8.4)            | (4.7)            | -                | -                |
| <b>(Loss)/profit before income tax</b>                       | <b>(31.8)</b>    | <b>(30.2)</b>    | <b>(4.2)</b>     | <b>5.4</b>       | <b>16.6</b>      |
| <b>Total profit before income tax</b>                        | <b>27.5</b>      | <b>29.2</b>      | <b>33.4</b>      | <b>44.0</b>      | <b>56.0</b>      |

|                                                                                                                          | Continuing<br>2025<br>£million | Continuing<br>2024<br>£million | Continuing<br>2023<br>£million | Continuing<br>2022<br>£million | Continuing<br>2021<br>£million |
|--------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| <b>Earnings per share for profit attributable to the equity holders of the Company during the year (pence per share)</b> |                                |                                |                                |                                |                                |

|                                   |       |       |       |       |       |
|-----------------------------------|-------|-------|-------|-------|-------|
| Basic earnings per ordinary share | 238.8 | 227.7 | 149.9 | 156.9 | 172.2 |
|-----------------------------------|-------|-------|-------|-------|-------|

<sup>1</sup> Group transfer pricing changed after 2022, therefore 2022 and 2021 operating expenses represents management accounts at that time and are prepared under a different basis.

|                                                 | 2025<br>£million | 2024<br>£million | 2023<br>£million | 2022<br>£million | 2021<br>£million |
|-------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Financial position</b>                       |                  |                  |                  |                  |                  |
| Cash and Bank of England reserve account        | 528.1            | 445.0            | 351.6            | 370.1            | 234.0            |
| Loans and advances to banks                     | 36.8             | 24.0             | 53.7             | 50.5             | 52.0             |
| Debt securities                                 | 1.0              | -                | -                | -                | 25.0             |
| Loans and advances to customers                 | 3,295.8          | 3,608.5          | 3,315.3          | 2,919.5          | 2,530.6          |
| Fair value adjustment for portfolio hedged risk | 7.3              | (6.8)            | (3.9)            | (32.0)           | (3.5)            |
| Derivative financial instruments                | 0.2              | 14.3             | 25.5             | 34.9             | 3.8              |

|                                                   |                |                |                |                |                |
|---------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Assets held for sale                              | 390.8          | -              | -              | -              | 1.3            |
| Other assets                                      | 56.0           | 31.7           | 35.8           | 36.6           | 42.7           |
| <b>Total assets</b>                               | <b>4,316.0</b> | <b>4,116.7</b> | <b>3,778.0</b> | <b>3,379.6</b> | <b>2,885.9</b> |
| Due to banks                                      | 205.9          | 365.8          | 402.0          | 400.5          | 390.8          |
| Deposits from customers                           | 3,509.6        | 3,244.9        | 2,871.8        | 2,514.6        | 2,103.2        |
| Fair value adjustment for portfolio hedged risk   | 4.7            | (3.4)          | (1.4)          | (23.0)         | (5.3)          |
| Derivative financial instruments                  | 0.1            | 10.0           | 22.0           | 26.7           | 6.2            |
| Subordinated liabilities                          | 93.5           | 93.3           | 93.1           | 51.1           | 50.9           |
| Other liabilities                                 | 127.9          | 45.6           | 46.0           | 83.5           | 37.7           |
| Total shareholders' equity                        | 374.3          | 360.5          | 344.5          | 326.2          | 302.4          |
| <b>Total liabilities and shareholders' equity</b> | <b>4,316.0</b> | <b>4,116.7</b> | <b>3,778.0</b> | <b>3,379.6</b> | <b>2,885.9</b> |

## Appendix to the Annual Report (unaudited)

### Key performance indicators and other alternative performance measures

All key performance indicators are based on continuing operations and continuing loans and advances to customers, unless otherwise stated.

#### (i) Continuing loans and advances to customers

A reconciliation of total loans and advances to customers to continuing operations loans and advances to customers is set out below:

|                                                    | <b>2025</b>     | 2024           | 2023           |
|----------------------------------------------------|-----------------|----------------|----------------|
|                                                    | <b>£million</b> | £million       | £million       |
| Loans and advances to customers                    | 3,295.8         | 3,608.5        | 3,315.3        |
| Assets held for sale - Vehicle Finance             | 390.8           | -              | -              |
| <b>Total loans and advances to customers</b>       | <b>3,686.6</b>  | <b>3,608.5</b> | <b>2,315.3</b> |
| Less discontinued loans and advances to customers: |                 |                |                |
| Vehicle Finance (Held for sale in 2026)            | (390.8)         | (558.3)        | (467.2)        |
| <b>Continuing loans and advances to customers</b>  | <b>3,295.8</b>  | <b>3,050.2</b> | <b>2,848.1</b> |

#### (ii) Continuing average equity

Continuing average equity is calculated by multiplying the percentage of the average of the monthly total Group equity balances over the total Group average risk-weighted assets ('RWAs'), by the continuing average RWAs.

|                                  | <b>2025</b>     | 2024         | 2023         |
|----------------------------------|-----------------|--------------|--------------|
|                                  | <b>£million</b> | £million     | £million     |
| Total Group average equity       | 371.7           | 355.3        | 334.9        |
| Total Group average RWAs         | 2,857.9         | 2,732.9      | 2,500.0      |
|                                  | 13.0%           | 13.0%        | 13.4%        |
| Continuing average RWAs          | 2,399.6         | 2,279.7      | 2,100.2      |
| <b>Continuing average equity</b> | <b>312.1</b>    | <b>296.4</b> | <b>281.3</b> |

#### (iii) Net interest margin, net revenue margin and risk adjusted margin ratios

Net interest margin is calculated as net interest income for the financial year as a percentage of the average loan book. Risk adjusted margin is calculated as risk adjusted income for the financial year as a percentage of the average loan book. Net revenue margin is calculated as operating income for the financial year as a percentage of the average loan book. The calculation of the average loan book is the average of the monthly balance of loans and advances to customers, net of provisions, over 13 months.

|                               | <b>2025</b>     | 2024     | 2023     |
|-------------------------------|-----------------|----------|----------|
|                               | <b>£million</b> | £million | £million |
| Continuing operations         |                 |          |          |
| Net interest income           | 151.1           | 137.3    | 123.4    |
| Net fee and commission income | 14.1            | 18.2     | 15.4     |
| Operating income              | 165.2           | 155.5    | 138.8    |

|                            |             |             |             |
|----------------------------|-------------|-------------|-------------|
| Average loan book          | 3,184.3     | 2,908.4     | 2,669.9     |
| <b>Net revenue margin</b>  | <b>5.2%</b> | <b>5.3%</b> | <b>5.2%</b> |
| <b>Net interest margin</b> | <b>4.7%</b> | <b>4.7%</b> | <b>4.6%</b> |

|                                                          | <b>2025</b>     | 2024        | 2023        |
|----------------------------------------------------------|-----------------|-------------|-------------|
|                                                          | <b>£million</b> | £million    | £million    |
| <b>Retail Finance</b>                                    |                 |             |             |
| Net interest income                                      | 97.5            | 86.8        | 73.1        |
| Average loan book                                        | 1,405.6         | 1,285.9     | 1,143.4     |
| <b>Net interest margin</b>                               | <b>6.9%</b>     | <b>6.8%</b> | <b>6.4%</b> |
| Net interest income                                      | 97.5            | 86.8        | 73.1        |
| Net fee and commission income                            | 3.7             | 3.2         | 3.2         |
| Net impairment charge on loans and advances to customers | (19.2)          | (13.3)      | (15.9)      |
| Risk adjusted income                                     | 82.0            | 76.7        | 60.4        |
| <b>Risk adjusted margin</b>                              | <b>5.8%</b>     | <b>6.0%</b> | <b>5.3%</b> |

|                                                          | <b>2025</b>     | 2024        | 2023        |
|----------------------------------------------------------|-----------------|-------------|-------------|
|                                                          | <b>£million</b> | £million    | £million    |
| <b>Real Estate Finance</b>                               |                 |             |             |
| Net interest income                                      | 34.2            | 32.6        | 29.7        |
| Net fee and commission income                            | 0.3             | 0.4         | 0.9         |
| Operating income                                         | 34.5            | 33.0        | 30.6        |
| Net impairment charge on loans and advances to customers | (8.8)           | (4.0)       | (4.5)       |
| Risk adjusted income                                     | 25.7            | 29.0        | 26.1        |
| Average loan book                                        | 1,417.2         | 1,269.5     | 1,177.7     |
| <b>Net revenue margin</b>                                | <b>2.4%</b>     | <b>2.6%</b> | <b>2.6%</b> |
| <b>Risk adjusted margin</b>                              | <b>1.8%</b>     | <b>2.3%</b> | <b>2.2%</b> |

|                                                          | <b>2025</b>     | 2024        | 2023        |
|----------------------------------------------------------|-----------------|-------------|-------------|
|                                                          | <b>£million</b> | £million    | £million    |
| <b>Commercial Finance</b>                                |                 |             |             |
| Net interest income                                      | 12.1            | 12.2        | 13.2        |
| Net fee and commission income                            | 10.1            | 14.5        | 11.3        |
| Operating income                                         | 22.2            | 26.7        | 24.5        |
| Net impairment charge on loans and advances to customers | (3.4)           | (5.9)       | (8.0)       |
| Risk adjusted income                                     | 18.8            | 20.8        | 16.5        |
| Average loan book                                        | 361.5           | 353.0       | 348.8       |
| <b>Net revenue margin</b>                                | <b>6.1%</b>     | <b>7.6%</b> | <b>7.0%</b> |
| <b>Risk adjusted margin</b>                              | <b>5.2%</b>     | <b>5.9%</b> | <b>4.7%</b> |

|                                                                 | <b>2025</b>     | 2024        | 2023         |
|-----------------------------------------------------------------|-----------------|-------------|--------------|
|                                                                 | <b>£million</b> | £million    | £million     |
| <b>Discontinued: Vehicle Finance</b>                            |                 |             |              |
| Net interest income                                             | 47.5            | 47.6        | 44.1         |
| Average loan book                                               | 519.5           | 505.4       | 429.6        |
| <b>Net interest margin</b>                                      | <b>9.1%</b>     | <b>9.4%</b> | <b>10.3%</b> |
| Net interest income                                             | 47.5            | 47.6        | 44.1         |
| Net fee and commission income                                   | 0.8             | 0.8         | 1.8          |
| Net impairment charge on loans and advances to customers        | (26.6)          | (38.7)      | (14.8)       |
| Other (losses)/gains: gains on modification of financial assets | 0.1             | 0.1         | 0.3          |
| Risk adjusted income                                            | 21.8            | 9.8         | 31.4         |
| <b>Risk adjusted margin</b>                                     | <b>4.2%</b>     | <b>1.9%</b> | <b>7.3%</b>  |

These ratios show the net return on our lending assets, with and without adjusting for cost of risk.

**(iv) Return on average equity**

Total return on average equity is calculated as the total profit after tax for the previous 12 months as a percentage of average equity. Total adjusted return on average equity is calculated as the total adjusted profit after tax for the previous 12 months as a percentage of average equity. Average equity is calculated as the average of the monthly equity balances.

|                                                | 2025<br>£million | 2024<br>£million | 2023<br>£million |
|------------------------------------------------|------------------|------------------|------------------|
| Total profit after tax                         | 17.6             | 19.7             | 24.3             |
| Less: total exceptional items after tax        | 21.2             | 8.9              | 5.9              |
| Total adjusted profit after tax                | 38.8             | 28.6             | 30.2             |
| Average equity                                 | 371.7            | 355.3            | 334.9            |
| <b>Total return on average equity</b>          | <b>4.7%</b>      | <b>5.5%</b>      | <b>7.3%</b>      |
| <b>Total adjusted return on average equity</b> | <b>10.4%</b>     | <b>8.0%</b>      | <b>9.0%</b>      |

Continuing return on average equity is calculated as the continuing profit after tax from the previous 12 months as a percentage of average continuing equity. Continuing adjusted return on average equity is calculated as the continuing adjusted profit after tax for the previous 12 months as a percentage of average continuing equity. Average equity is calculated as the average of the monthly equity balances.

|                                                     | 2025<br>£million | 2024<br>£million | 2023<br>£million |
|-----------------------------------------------------|------------------|------------------|------------------|
| Continuing profit after tax                         | 44.6             | 43.4             | 28.1             |
| Less: continuing exceptional items after tax        | -                | 1.1              | 1.8              |
| Continuing adjusted profit after tax                | 44.6             | 44.5             | 29.9             |
| Average continuing equity                           | 312.1            | 296.4            | 281.3            |
| <b>Continuing return on average equity</b>          | <b>14.3%</b>     | <b>14.6%</b>     | <b>10.0%</b>     |
| <b>Continuing adjusted return on average equity</b> | <b>14.3%</b>     | <b>15.0%</b>     | <b>10.6%</b>     |

Return on average equity is a measure of the Group's ability to generate profit from the equity available to it.

**(v) Cost to income ratio**

Total cost to income is calculated as total operating expenses for the financial year as a percentage of total operating income for the financial year. Adjusted cost to income is calculated as adjusted operating expenses for the financial year as a percentage of total operating income for the financial year.

|                                      | 2025<br>£million | 2024<br>£million | 2023<br>£million |
|--------------------------------------|------------------|------------------|------------------|
| Total operating expenses             | 128.3            | 113.7            | 106.2            |
| Less: exceptional items              | (24.1)           | (9.9)            | (6.5)            |
| Total adjusted operating expenses    | 104.2            | 103.8            | 99.7             |
| Total operating income               | 213.5            | 203.9            | 184.7            |
| <b>Total cost to income ratio</b>    | <b>60.1%</b>     | <b>55.8%</b>     | <b>57.5%</b>     |
| <b>Adjusted cost to income ratio</b> | <b>48.8%</b>     | <b>50.9%</b>     | <b>54.0%</b>     |

Continuing cost to income is calculated as continuing operating expenses for the financial year as a percentage of continuing operating income for the financial year. Continuing adjusted cost to income is calculated as continuing adjusted operating expenses for the financial year as a percentage of continuing operating income for the financial year.

|                                                 | 2025<br>£million | 2024<br>£million | 2023<br>£million |
|-------------------------------------------------|------------------|------------------|------------------|
| Continuing operating expenses                   | 74.7             | 73.7             | 73.3             |
| Less: continuing exceptional items              | -                | (1.5)            | (1.8)            |
| Continuing adjusted operating expenses          | 74.7             | 72.2             | 71.5             |
| Continuing operating income                     | 165.2            | 155.5            | 138.8            |
| <b>Continuing cost to income ratio</b>          | <b>45.2%</b>     | <b>47.4%</b>     | <b>52.9%</b>     |
| <b>Continuing adjusted cost to income ratio</b> | <b>45.2%</b>     | <b>46.4%</b>     | <b>51.5%</b>     |

|                                                 |              |              |              |
|-------------------------------------------------|--------------|--------------|--------------|
| <b>Continuing cost to income ratio</b>          | <b>45.2%</b> | <b>47.4%</b> | <b>52.8%</b> |
| <b>Continuing adjusted cost to income ratio</b> | <b>45.2%</b> | <b>46.4%</b> | <b>51.5%</b> |

The cost to income ratio measures how efficiently the Group is utilising its cost base to produce income.

**(vi) Continuing cost of risk**

Continuing cost of risk is calculated as the total of the net impairment charge on continuing loans and advances to customers for the financial year as a percentage of the average continuing loan book.

|                                                          | <b>2025</b>     | 2024        | 2023        |
|----------------------------------------------------------|-----------------|-------------|-------------|
| <b>Continuing</b>                                        | <b>£million</b> | £million    | £million    |
| Net impairment charge on loans and advances to customers | 31.4            | 23.2        | 28.4        |
| Average loan book                                        | 3,184.3         | 2,908.4     | 2,669.9     |
| <b>Continuing cost of risk</b>                           | <b>1.0%</b>     | <b>0.8%</b> | <b>1.1%</b> |

The cost of risk measures how effective the Group has been in managing the credit risk of its lending portfolios.

**(vii) Continuing cost of funds**

Cost of funds is calculated as the interest expense for the financial year expressed as a percentage of average loan book.

|                                      | <b>2025</b>     | 2024        | 2023        |
|--------------------------------------|-----------------|-------------|-------------|
| <b>Continuing</b>                    | <b>£million</b> | £million    | £million    |
| Interest expense and similar charges | 150.7           | 159.5       | 121.5       |
| Average loan book                    | 3,184.3         | 2,908.4     | 2,669.9     |
| <b>Continuing cost of funds</b>      | <b>4.7%</b>     | <b>5.5%</b> | <b>4.6%</b> |

The cost of funds measures the cost of money being lent to customers.

**(viii) Funding ratio and loan to deposit ratio**

The funding ratio is calculated as the total funding at the year-end divided by total loans and advances to customers at the year-end. The loans to deposit ratio is calculated as total loans and advances to customers at the year-end divided by deposits from customers at the year end:

|                                                                                                                         | <b>2025</b>     | 2024           | 2023           |
|-------------------------------------------------------------------------------------------------------------------------|-----------------|----------------|----------------|
|                                                                                                                         | <b>£million</b> | £million       | £million       |
| Deposits from customers                                                                                                 | 3,509.6         | 3,244.9        | 2,871.8        |
| Term Funding Scheme with additional incentives for SMEs and sale and repurchase agreements (including accrued interest) | 201.2           | 358.9          | 395.1          |
| Tier 2 capital (including accrued interest)                                                                             | 93.5            | 93.3           | 93.1           |
| Equity                                                                                                                  | 374.3           | 360.5          | 344.5          |
| <b>Total funding</b>                                                                                                    | <b>4,178.6</b>  | <b>4,057.6</b> | <b>3,704.5</b> |
| <b>Total loans and advances to customers</b>                                                                            | <b>3,686.6</b>  | <b>3,608.5</b> | <b>3,315.3</b> |
| <b>Funding ratio</b>                                                                                                    | <b>113.3%</b>   | <b>112.4%</b>  | <b>111.7%</b>  |
| <b>Loan to deposit ratio</b>                                                                                            | <b>105.0%</b>   | <b>111.2%</b>  | <b>115.4%</b>  |

The funding ratio and loan to deposit ratio measure the Group's excess of funding that provides liquidity.

**(ix) Tangible book value per share**

Tangible book value per share is calculated as the total equity less intangible assets divided by the number of shares in issue at the end of the year less own shares.

|                                      | <b>2025</b>     | 2024          |
|--------------------------------------|-----------------|---------------|
|                                      | <b>£million</b> | £million      |
| Total equity                         | 374.3           | 360.5         |
| Less: Intangible assets              | (5.1)           | (5.0)         |
| Tangible book value                  | 369.2           | 355.5         |
| Shares                               | 18,715,773      | 19,071,408    |
| <b>Tangible book value per share</b> | <b>£19.72</b>   | <b>£18.64</b> |

Tangible book value per share is a measure of the Group's value per share.



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