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Half Year Financial Report

2026

Principality
Building Society
Cymdeithas Adeiladu

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Forward Looking Statements

This interim report contains certain forward-looking statements. These statements are made by the Directors in good faith based on the information available to them up to the time of their approval of this report. Such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Therefore, actual results may differ materially from those expressed or implied by these forward-looking statements.

The Directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Chief Executive's review

Interim Report

I am pleased to report that Principality has delivered a solid set of results in the first half of 2026, as we seek to deliver on our purpose of building a society of savers, where everyone has a place to call home.

The first half of the year has been dominated by continued geopolitical uncertainty, with conflict in the Middle East creating volatility across financial markets and influencing expectations for future Bank of England base rate changes. These external forces have contributed to a challenging operating environment for households and businesses across the globe.

Despite this backdrop, the Society delivered a robust financial performance, while maintaining a strong capital and liquidity position, all while taking deliberate decisions that strengthen the Society for the long term.

For the past 166 years, our purpose has remained the same. Throughout previous generations, we have always existed to help people save, own a home and build financial resilience, and that remains just as true today, as it always has. While the world around us continues to change, our purpose and the reason we exist remains as relevant today as it ever has been.

Our financial performance

Strong and sustainable income is what allows us to continue investing in the future of the Society, while delivering value for Members today.

The Society's net interest margin increased to 1.27% (June 2025: 1.17%), demonstrating our commitment to commerciality and ability to manage and perform positively in a challenging operating environment.

The Society has continued to stay focused on cost management, in the face of inflationary challenges. As a result, our operating expenses have remained broadly stable year-on-year at £60.2m (June 2026) v £59.0m (June 2025) while our management expense ratio has remained stable, moving from 0.84% (December 2025) to 0.86%.

Despite the increase in net interest margin and a flat cost base, our underlying profit before tax remains resilient at £22.2 million (June 2025: £22.5 million), reflecting a £5.6m impairment charge in response to a weakening economic outlook. Our core business performance remains strong, with net operating income of £86.2m up by £4.7m (June 2025: £81.5m). Statutory profit before tax was £19.6m (June 2025: £21.9m), with the difference to underlying profit before tax reflecting fair value movements on certain assets and liabilities in response to changes in market rates.

We saw an uplift in our total assets, which now sit at £14.1bn (December 2025: £13.9bn). Our retail mortgages have grown by 2.1% since December 2025, despite a difficult trading environment (June 2025: 3.9%, December 2025: 5.1%).

I am pleased to share that we have maintained a strong capital and liquidity position during the first half of 2026, with a capital ratio of 19.2% (December 2025: 18.7%) and a liquidity ratio of 13.6% (December 2025: 13.6%).

Chief Executive's review (continued)

Lending: homes within reach

For many, home ownership feels further out of reach than at any point in a generation, with high deposits, stretched affordability and rising housing costs and accessibility making it harder to get the keys to your first home.

In the face of a challenging market, we have listened to and responded to our brokers and customers feedback, which has meant that we have been able to take a more focused and distinctive approach to our lending, helping more people access finance responsibly.

We have amended our lending criteria and how we assess affordability, adding more flexibility and leading to better returns for the business. This means we can support more customers, with a broader range of needs, including those who may be underserved or overlooked by other providers. Broker experience remained strong at 83.6, reflecting the quality of service we provide to intermediary partners and the strength of our proposition in a competitive market (December 2025: 84.1).

During the first half of 2026, our mortgage balances increased by £0.2bn to £11.3bn (December 2025: £11.1bn), and we now support 89,867 homeowners (December 2025: 88,941).

While growth has been more measured than in previous years, this reflects the challenging trading environment as well as our deliberate focus on sustainable growth and supporting customers responsibly.

At a time when the average age of a first-time buyer continues to rise and affordability remains stretched; we also helped 3,195 people take their first step onto the property ladder during the first half of the year (June 2025: 4,033).

While this number is lower than in previous years, reflecting wider affordability pressures in the housing market, our focus remains on providing sustainable lending that helps people access home ownership while maintaining long-term value for the Society and its Members.

As proud winners of the What Mortgages Award 2026 for Best Building Society Customer Service, our lending goes further; adding a human touch to what is one of the biggest decisions someone can make: buying a home.

Commercial Lending

For more than 20 years, our Commercial Lending team has supported the delivery of affordable housing across Wales by funding the majority of Welsh housing associations. We are now broadening our reach by increasing our funding to housing associations based in England.

Our commercial lending book currently stands at £863.9m, alongside further commitments of nearly £300m that are expected to draw within the next 24 months. During the first half of the year, we committed £73m of new housing association lending (June 2025: £15m) and agreed funding to property developers that will fund the development of 352 new homes (June 2025: 55).

While the challenging market environment has resulted in a broadly flat commercial lending book since the beginning of 2026, our pipeline continues to demonstrate significant momentum across both England and Wales. This reflects the value of our long-standing relationships and our relationship-led model, which continue to support strong opportunities despite wider market challenges.

Earlier this year, we announced our £30 million partnership with North West-based Plus Dane Housing. This is our second housing association partnership in England and reinforces commercial lending as an important strategic growth area for the Society. Our commercial lending business continues to be award winning, taking home Lender of the Year at the Insider Media Awards.

Chief Executive’s review (continued)

Savings: made simple

Delivering value to Members is what sets the mutual sector apart. It’s fundamental to our operating model and goes hand in hand with our ability to lend. For the first 5 months of 2026, we've paid savers 3.52% versus the market average of 2.82%, resulting in the equivalent of £33m (0.70%) in additional interest paid to our Members. In the same period last year, we paid an equivalent of £37m[1].

After another busy Cash ISA season, spurred on by a competitive market and with changes to the allowance from next April, I'm delighted to share that customers continue to trust us with their long-term savings.

Overall, Members entrust us with £11.5bn of savings as of June 2026, (£11.6bn December 2025). In a highly competitive market, we have remained focused on attracting and retaining funding that supports the long-term strength of the Society, rather than purely pursuing balance growth. We continue to offer competitive rates to our Members. At the same time, our entrance into the covered bond market, provided the business with £500m of liquidity in the start of the year, allowing us optionality in how we manage our funds, allowing us to balance our liquidity with wholesale options and invest in the long term future of the business.

Against a backdrop of increasing pressures on household finances, making it simple for people to save remains a priority. Whether online, in the palm of your hand or in one of branches dotted across communities in Wales and on the borders, we want Members to be able to engage with us in the way that suits them best.

That's why, at our Annual General Meeting in April, I was delighted to announce our future intention to launch a new digital Savings App. As the financial services provider with the largest branch presence in Wales, our new app will be designed to balance our physical and online services as a trusted, digital Society, allowing us the ability to offer Members choice on how they manage their finances.

Our customer experience score rose to 73.8 (December 2025: 70.8) reinforcing the value our Members place in our human approach. Our win for Best Building Society Savings Provider at the Moneyfacts Awards, and our double gold ribbons for saving and lending at the Fairer Finance Awards are a further testament to the value we continue to deliver for our Members.

Our profit powering our purpose

The profit our business makes means we can make a meaningful and lasting impact in the communities we operate in. With the largest branch presence of any financial services provider in Wales, our presence matters.

During the first half of the year, almost £0.5m was distributed to causes that make a difference in communities across Wales, (June 2025: £0.4 million). At the same time, our partnership with Barnardo's Cymru continues to demonstrate the collective action with our colleagues, Members and communities raising over £127,000 so far, supporting the work they do for children and young people across Wales.

The Society will continue this work, with further fundraising initiatives planned for the second half of 2026 - while matching donations up to £150,000 each financial year, helping to increase the impact of every pound raised.

[1] Source: CACI’s CSDB, Stock, January – May 2026. January – June 2025 (3.98% vs. 3.17%) due to the heightened interest rate environment.

Chief Executive’s review (continued)

Our colleagues

Our achievements are underpinned by the professionalism and continued hard work of colleagues across the Society. Their commitment to serving our Members and communities remains central to the progress we have made.

Over the first half of the year, we have embarked on a significant transformation programme to modernise the Society and invest in its long-term future. These changes are laying the foundations for a stronger, more sustainable Society, better equipped to serve Members, support colleagues and succeed over the long-term.

We recognise that this period of change required colleagues to adapt at pace. Our colleague engagement score for the first half is 65 (December 2025: 78). We remain committed to listening to colleagues and acting on their feedback, ensuring they have the support they need as we continue to build the Society's future together.

Looking ahead

Thank you for your continued support and the trust you put in Principality. Our job is to ensure that this business remains competitive and relevant, for you today and for the next generation of Members.

It's a pivotal time for your Society. The first half of 2026 has been about putting the plans in place for the future while also strengthening our foundations to enable the transformation needed to ensure we remain relevant in a rapidly changing world. Looking ahead across the next 18 months, the macroeconomic environment is becoming more difficult to predict, though we'll continue to ensure we remain steadfast on delivering our purpose, creating a society of savers where everyone has a place to call home.

Iain Mansfield
Chief Executive Officer
6 August 2026

Business review
for the six months ended 30 June 2026

Key Performance Indicators

The below performance indicators, apart from statutory profit before tax, are alternative performance measures (APMs) which are used internally to inform key management decisions.

	Six months to 30 June 2026	Six months to 30 June 2025	Year ended 31 December 2025
Financial Performance Measures			
Statutory profit before tax	£19.6m	£21.9m	£60.0m
Underlying profit before tax[1]	£22.2m	£22.5m	£60.4m
Net interest margin[2]	1.27%	1.17%	1.21%
Management expense[3]	0.86%	0.84%	0.84%
Return on Assets[4]	0.21%	0.24%	0.32%
Return on Capital[5]	3.6%	4.3%	5.7%
Common Equity Tier 1	19.2%	18.9%	18.7%
Stakeholder Experience			
Colleague engagement[6]	65.0	79.0	78.0
Customer experience[7]	73.8	70.0	70.8
Broker experience[8]	83.6	82.4	84.1

[1] See below for a reconciliation of underlying profit before tax.
[2] Net interest margin is calculated as net interest income divided by average total assets. See page 7 for further details.
[3] Management expense ratio is calculated as operating expenses divided by average total assets. See page 7 for further details.
[4] Return on assets is calculated as statutory profit after tax divided by average total assets.
[5] Return on capital is calculated as statutory profit after tax divided by total reserves.
[6] Source: Based on the Peakon colleague survey. The result refers to the degree to which our employees feel connected to their work, their colleagues, and the wider business.
[7] Source: Based on Qualtrics survey customer data for June 2026.
[8] Source: Based on Qualtrics survey broker data for June 2026.

Further information on these APMs can be found within the 2025 Annual Report and Accounts within the strategic report and glossary sections.

Financial performance

Income statement

The underlying profit before tax for the six months to 30 June 2026 was £22.2m (30 June 2025: £22.5m). Statutory profit before tax was £19.6m (30 June 2025: £21.9m). Both measures reflect the continued resilient performance of the Group during a challenging period, with the decrease in underlying profit primarily due to an impairment provisioning charge, partially offset by an increase in net interest income in the first half of the year. These profits continue to enable the Group to support Members and colleagues.

	30 June 2026 £m	30 June 2025 £m	31 December 2025 £m
Statutory profit before tax	**19.6**	**21.9**	**60.0**
Adjusted for:			
Fair value losses	2.6	0.6	0.5
Underlying profit before tax	22.2	22.5	60.5

The purpose of the underlying measure is to reflect management’s view of the Group’s underlying performance, presented to aid comparability across reporting periods. This is adjusted for items which affect statutory measures but are deemed to be either uncontrollable in nature such as fair value movements, which are predominantly driven by swap prices that are outside of management's control. This aligns to measures used by management to monitor the performance of the business.

Business review (continued)
for the six months ended 30 June 2026

Net interest income

Net interest income has increased by £6.7m compared with the same period last year, reflecting growth in loans and receivables despite the downward movement in lending and savings rates in a lower interest rate environment compared to June 2025. The Group's funding mix has also changed with the issuance of our inaugural covered bond, which is reflected in the reduction in the proportion of lending funded by Members' retail savings to 94.5% (31 December 2025: 96.5%).

The above increase in net interest income and changes to our funding mix have meant that our net interest margin for the period has increased to 1.27% (30 June 2025: 1.17%).

Total net interest income is as follows:

	30 June 2026 £m	30 June 2025 £m	31 December 2025 £m
Retail financial services	75.5	68.5	142.4
Commercial lending	11.4	11.2	23.8
Secured personal lending	1.4	1.9	3.5
Total net interest income	88.3	81.6	169.7
Net interest margin[1]	1.27%	1.17%	1.21%

[1] The net interest margin measures net interest income as a proportion of mean assets.

Operating expenses

Operating expenses have increased when compared with the same period last year at £60.2m (30 June 2025: £59.0m). The main driver of this being inflationary-related increases partially offset by continued cost discipline. Focus on managing the cost base of the Society as a proportion of assets remains a key strategic priority, with third party costs flat compared with the first six months of 2025. The management expense ratio has increased through the first half of 2026 due to higher costs relative to the growth in total assets. The decrease in the cost income ratio is due primarily to the above increase in net interest income being greater than the increase in costs.

Total operating expenses are set out in the table below:

	30 June 2026 £m	30 June 2025 £m	31 December 2025 £m
Retail financial services	58.2	57.1	113.9
Commercial lending	1.5	1.5	3.0
Secured personal lending	0.5	0.4	0.7
Total operating expenses	60.2	59.0	117.6
Management expense ratio[1]	0.86%	0.84%	0.84%
Cost income ratio[2]	67.8%	71.9%	68.4%

[1] The management expense ratio measures costs as a proportion of mean assets.
[2] The cost income ratio measures cost as a proportion of net operating income excluding fair value gains and losses.

Impairment provisions for losses on loans and advances

The performance of the Group's loan portfolios continues to be strong, reflecting our prudent lending criteria, credit quality and underwriting standards. While the Group continues to have a low level of arrears, the percentage of arrears in our retail portfolio is 0.56% (31 December 2025: 0.55%). This compares favourably to the industry average of 0.91%[1].

The income statement impairment provision charge of £5.6m (30 June 2025: £0.3m charge) for retail, secured lending and commercial lending provisions brings total provisions against loans and advances to £30.1m (31 December 2025: £24.6m). The charge is primarily driven by an increase in retail mortgage and commercial lending provisions, reflecting less favourable macroeconomic forecasts, particularly lower house price growth expectations and an elevated base rate outlook. Retail provisions have also been impacted by changes in portfolio characteristics, including the balance to value mix of accounts in stages 2 and 3. The secured personal lending provisions have reduced as the book continues to run off.

Total impairment provision charge/(credit) against loans and advances is as follows:

	30 June 2026 £m	30 June 2025 £m	31 December 2025 £m
Retail mortgages	4.1	2.1	(3.0)
Secured personal lending	0.1	(0.3)	(0.4)
Commercial lending	1.4	(1.2)	(2.6)
Treasury assets	-	(0.3)	(0.7)
Total	5.6	0.3	(6.7)

Total ECL coverage as at 30 June 2026 was 0.17% (December 2025: 0.14%) in respect of retail financial services and secured personal lending and 0.86% in respect of commercial lending (December 2025: 0.78%).

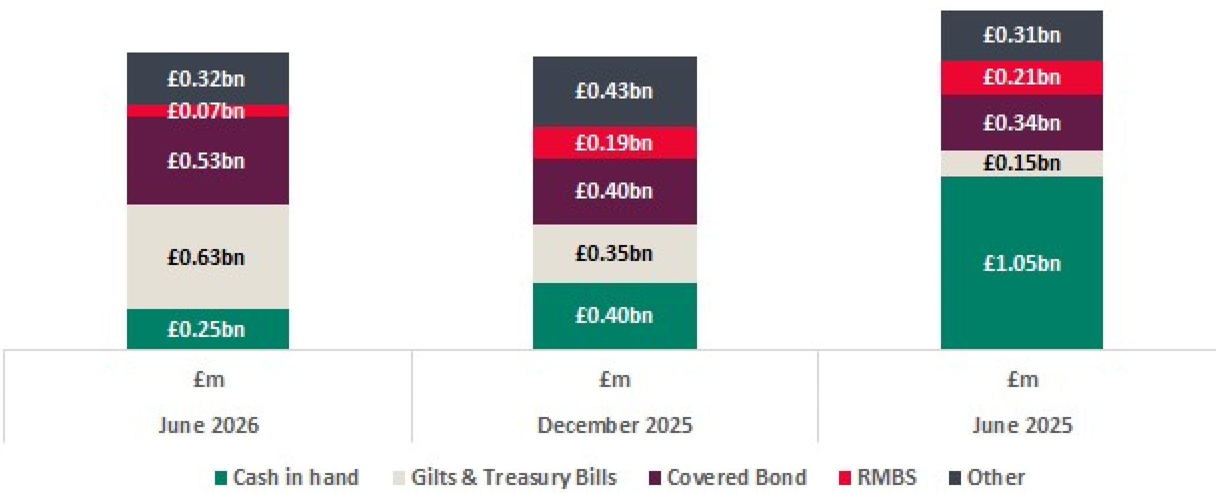
Statement of financial position

Total assets have increased to £14.1bn (31 December 2025: £13.9bn), reflecting the £0.1bn net growth in loans and advances to customers, and the Group’s strategy of optimising its balance sheet composition through converting cash and balances with the Bank of England into investments in high quality liquid assets, and on the funding side through our inaugural issuance within our covered bond programme.

[1] Source: UK Finance arrears and possession data as at May 2026, Arrears representing more than 2.5% of outstanding balance.

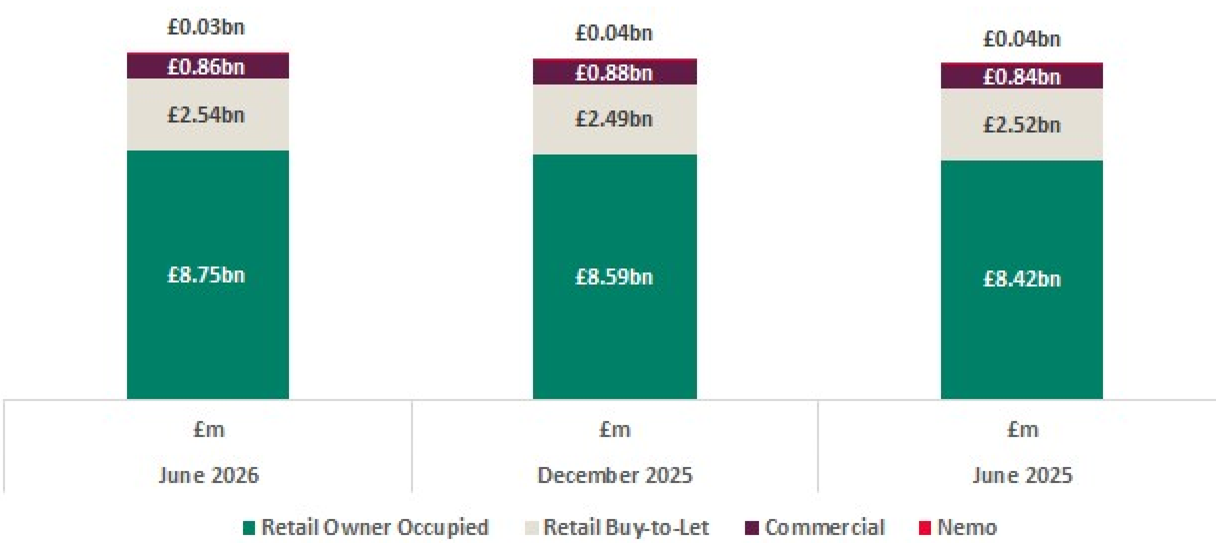
Liquidity

The business continues to hold a conservative buffer of high quality liquid assets, with a liquidity ratio of 13.6% (31 December 2025: 13.6%), and a Liquidity Coverage Ratio (LCR) of 173% at 30 June 2026 (31 December 2025: 168%). While overall liquid asset balances have remained flat, the mix of the portfolio has changed with a lower balance with the Bank of England and greater balances of gilts and other high quality liquid assets. This change in mix reflects management's intention to deliver increased returns on the liquid assets held.



Loans and advances to customers

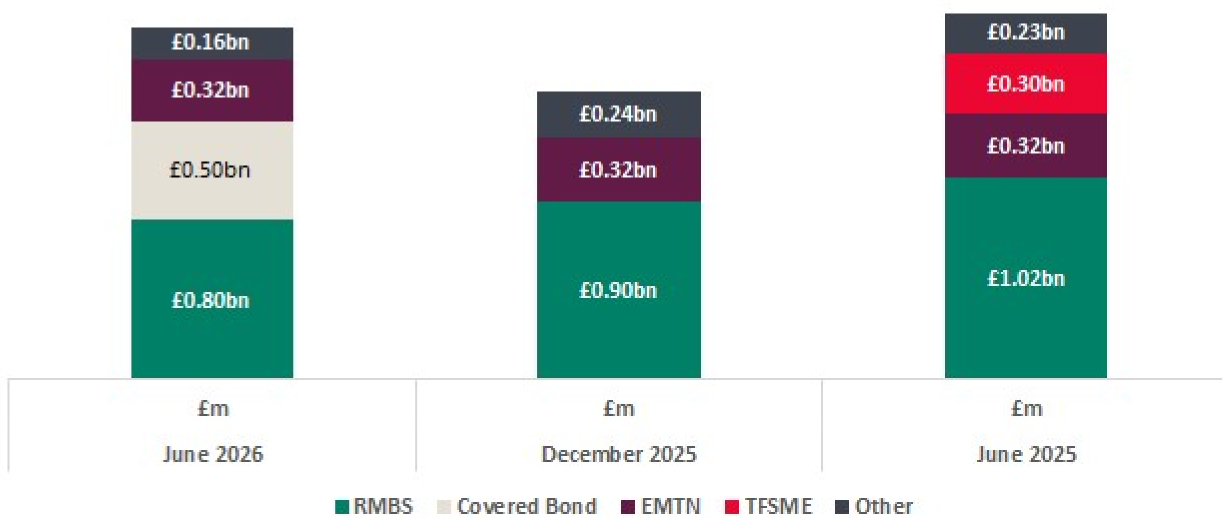
The retail mortgage portfolio increased to £11.3bn (31 December 2025: £11.1bn), with the quality of the book remaining strong with an average balance to value of 51.9% (31 December 2025: 51.7%). While the commercial lending portfolio fell by £16.6m in the first half of the year to £863.9m (31 December 2025: £880.5m), the deal pipeline has continued to grow and is expected convert into on-balance sheet growth over the next couple of years. The secured personal lending portfolio continued to run off, decreasing to £31.6m (31 December 2025: £37.4m).



Business review (continued)
for the six months ended 30 June 2026

Funding

Funding levels are closely monitored to maintain a diverse and balanced funding base. The majority of funding comes from retail savings, which remained largely stable at £11.5bn (31 December 2025: £11.6bn) However, the wholesale funding balance increased to £1.8bn (31 December 2025: £1.5bn) over the same period, driven by the £0.5bn covered bond issuance to support a more diversified, flexible and cost-effective funding profile. In turn this reduces the Group's reliance on retail deposits to fund future growth.



Capital

The Group's Common Equity Tier 1 ratio, which measures qualifying capital reserves as a proportion of risk weighted assets, is 19.2% as at 30 June 2026 (31 December 2025: 18.7%). This continues to include a post model adjustment (PMA) as a result of regulatory changes which came into effect on 1 January 2022. The model redevelopment is in an advanced stage with consultation ongoing with the PRA. The PMA applied is based on the expected capital requirement following the updated model completion. The increase in the period is as a result of the reduction in risk weighted assets relating to the Commercial and Treasury portfolio.

	30 June 2026 £m	30 June 2025 £m	31 December 2025 £m
General Reserve	812.9	769.6	798.2
Other reserves and prudential adjustment	(42.8)	(36.9)	(44.4)
Common Equity Tier 1	770.1	732.7	753.8
Loans and advances to credit institutions	30.9	36.2	33.2
Debt securities	74.6	83.3	85.7
Derivative financial instruments	20.9	30.5	27.4
Loans and advances to customers	3,539.3	3,355.8	3,522.2
Other assets	55.3	56.4	49.2
Credit valuation adjustment	22.2	46.8	35.4
Operational risk	265.1	267.8	269.2
Risk weighted assets	4,008.3	3,876.8	4,022.3
CET 1 Ratio	19.2%	18.9%	18.7%
Solvency Ratio	19.2%	18.9%	18.7%

Business review (continued)
for the six months ended 30 June 2026

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group were set out in the Risk Overview section of the Strategic Report in the Annual Report and Accounts for the year ended 31 December 2025. These risks are categorised as: credit, market, liquidity and funding, solvency, conduct, legal and regulatory, operational, business, and model risk. These categories are common to most financial services firms in the UK.

These remain the principal risks to the Group at 30 June 2026 and there have been no significant changes to the status of these risks since 31 December 2025.

Although the business is exposed to a number of potential risks and uncertainties, it is well placed to meet these challenges, with a diversified and flexible funding base, and strong levels of capital and liquidity.

Timothy Blackwell
Chief Financial Officer
6 August 2026

Condensed consolidated income statement
Group interim results for six months to 30 June 2026

	Note	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
Interest receivable and similar income	3	329.4	356.8	699.8
Interest payable and similar charges	4	(241.1)	(275.2)	(530.1)
Net interest income		88.3	81.6	169.7
Fees and commission receivable	5	0.6	1.2	1.4
Fees and commission payable		(0.7)	(1.2)	(0.9)
Net fee and commission (expense)/income		(0.1)	-	0.5
Other operating income		0.6	0.5	1.7
Other fair value losses	6	(2.6)	(0.6)	(0.5)
Net operating income		**86.2**	**81.5**	**171.4**
Administrative expenses	7	(55.0)	(53.8)	(109.6)
Depreciation and amortisation		(5.2)	(5.2)	(8.0)
Operating expenses		(60.2)	(59.0)	(117.6)
Impairment (charge)/credit for losses on loans and advances	15	(5.6)	(0.3)	6.7
Provisions for liabilities charges	11	(0.8)	(0.3)	(0.5)
Operating profit and profit before taxation		**19.6**	**21.9**	**60.0**
Taxation expense	9	(5.0)	(5.3)	(14.8)
Profit for the period/year		**14.6**	**16.6**	**45.2**

Condensed consolidated statement of other comprehensive income
Group interim results for six months to 30 June 2026

	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
Profit for the period/year	14.6	16.6	45.2
Items that will not be reclassified subsequently to profit and loss:			
Actuarial gain on retirement benefit obligations	0.1	-	-
Tax on retirement benefit obligations	-	-	-
Items that may be reclassified subsequently to profit and loss:			
Gain on assets at fair value through other comprehensive income	0.3	0.1	0.7
Tax on assets at fair value through other comprehensive income	(0.1)	-	(0.2)
Total comprehensive income for the period/year	**14.9**	**16.7**	**45.7**

Condensed consolidated statement of financial position
Group interim results as at 30 June 2026

	Note	30 June 2026 £m (Unaudited)	30 June 2025 £m (Unaudited)	31 December 2025 £m (Audited)
Assets				
Liquid assets:				
Cash in hand and balances with the Bank of England		248.4	1,050.6	403.7
Loans and advances to credit institutions		300.4	291.1	283.5
Debt securities		1,250.8	714.8	1,085.4
Total liquid assets		1,799.6	2,056.5	1,772.6
Derivative financial instruments		133.2	155.6	110.7
Loans and advances to customers:				
Loans fully secured on residential property		11,891.5	11,573.8	11,742.0
Other loans		252.2	249.7	258.6
Total loans and advances to customers	10	12,143.7	11,823.5	12,000.6
Current tax assets		-	1.3	-
Intangible fixed assets		11.8	13.4	11.9
Property, plant and equipment		31.1	24.3	26.4
Investment properties		7.0	7.8	7.4
Deferred tax assets		1.0	2.1	1.0
Retirement benefit assets		0.5	-	0.4
Other assets		1.1	3.4	0.9
Prepayments and accrued income		13.4	15.0	11.8
Total assets		**14,142.4**	**14,102.9**	**13,943.7**
Liabilities				
Shares		11,478.7	11,340.9	11,583.8
Deposits and debt securities:				
Amounts owed to credit institutions		164.1	391.6	129.3
Amounts owed to other customers		-	141.5	111.5
Debt securities in issue		1,625.4	1,347.4	1,222.3
Total deposits and debt securities		1,789.5	1,880.5	1,463.1
Derivative financial instruments		38.3	77.5	72.0
Current tax liabilities		2.0	0.4	1.0
Other liabilities		10.7	12.5	10.3
Provisions for liabilities	11	3.7	3.1	2.9
Accruals and deferred income		0.1	8.5	6.4
Deferred tax liabilities		5.1	9.0	4.8
Retirement benefit obligations	8	-	0.1	-
Total liabilities		13,328.1	13,332.5	13,144.3
General reserve		812.9	769.6	798.2
Other reserves		1.4	0.8	1.2
Total equity and liabilities		**14,142.4**	**14,102.9**	**13,943.7**

Condensed consolidated statement of changes in Members' interests
Group interim results for six months to 30 June 2026

	Six months to 30 June 2026 (Unaudited)		
	General Reserve £m	Fair Value through OCI reserve £m	Total equity attributable to Members £m
Balance at 1 January 2026	798.2	1.2	799.4
Comprehensive income for the period	14.7	0.2	14.9
At 30 June 2026	812.9	1.4	814.3

	Six months to 30 June 2025 (Unaudited)		
	General Reserve £m	Fair Value through OCI reserve £m	Total equity attributable to Members £m
At 1 January 2025	753.0	0.7	753.7
Comprehensive income for the period	16.6	0.1	16.7
At 30 June 2025	769.6	0.8	770.4

	Year to 31 December 2025 (Audited)		
	General Reserve £m	Fair Value through OCI reserve £m	Total equity attributable to Members £m
At 1 January 2025	753.0	0.7	753.7
Comprehensive income for the period	45.2	0.5	45.7
At 31 December 2025	798.2	1.2	799.4

All items dealt with in arriving at the profit for the period, and the preceding financial periods, relate to continuing operations. The accounting policies and notes on pages 16 to 30 form part of these accounts.

Condensed consolidated statement of cash flows
Group interim results for six months to 30 June 2026

	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
Net cash flows from operating activities	**(325.8)**	**(291.6)**	**(410.2)**
Cash flows from investing activities			
Purchase of intangible assets	(2.1)	-	(0.8)
Purchase of property, plant and equipment	(7.7)	(1.5)	(3.1)
Purchase of investment securities	(228.0)	(203.5)	(594.0)
Proceeds of sale from property, plant and equipment	0.9	-	-
Proceeds from sale and maturity of investment securities	65.3	18.8	41.9
Net cash flows from investing activities	**(171.6)**	**(186.2)**	**(556.0)**
Cash flows from financing activities			
Interest paid on debt securities in issue	(43.9)	(53.0)	(95.2)
Proceeds from issuance of debt securities in issue	499.2	-	-
Redemption of debt securities in issue	(95.8)	(104.5)	(228.6)
Repayments of lease liabilities	(0.5)	(0.5)	(1.0)
Net cash flows from financing activities	**359.0**	**(158.0)**	**(324.8)**
Decrease in cash and cash equivalents	(138.4)	(635.8)	(1,291.0)
Cash and cash equivalents at beginning of period/year	687.6	1,978.6	1,978.6
Cash and cash equivalents at end of period/year	**549.2**	**1,342.8**	**687.6**
Represented by:			
Cash and balances with the Bank of England	248.4	1,051.2	403.7
Loans and advances to credit institutions	300.8	291.6	283.9
	549.2	1,342.8	687.6
Operating activities			
Profit before taxation	19.6	21.9	60.0
Adjusted for:			
Depreciation and amortisation	5.2	5.2	7.7
Impairment on loans and advances to customers	5.6	0.3	(6.7)
Impairent on fixed assets	-	-	0.3
Change in fair values	54.3	(83.6)	(104.8)
Charge to other provisions	0.7	0.3	0.5
Interest on debt securities in issue	46.7	48.5	91.1
Other non-cash items included in profit before tax	(2.1)	(1.7)	(4.7)
Changes in net operating assets			
Loans and advances to customers	(211.6)	(444.9)	(595.6)
Other operating assets	(1.8)	(0.3)	5.2
Derivative financial instruments	(56.1)	100.9	140.3
Shares	(98.2)	534.6	777.9
Deposits	(78.6)	(461.8)	(754.0)
Other operating liabilities	(5.8)	(6.1)	(11.9)
Contributions paid into defined benefit scheme	-	-	(0.5)
Taxation paid	(3.7)	(4.9)	(15.0)
Net cash flows from operating activities	**(325.8)**	**(291.6)**	**(410.2)**

In the Group, interest received was £338.7m (June 2025: £367.8m) and interest paid was £267.5m (June 2025: £275.5m), excluding interest paid on debt securities within financing activities above. Remaining interest is all included within cash generated from/(used in) operations.

Notes to the accounts
for the six months ended 30 June 2026

1. Basis of preparation

The condensed consolidated set of financial statements of the Group for the half-year ended 30 June 2026 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with UK-adopted International Accounting Standard (IAS) 34 Interim Financial Reporting. The annual financial statements of the Group are prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted for use within the UK. The accounting policies adopted are consistent with those of the previous financial year, and we do not expect any changes for the remainder of the financial year to 31 December 2026.

Going concern

The Directors have assessed the viability of the Group, taking into account business strategy, principal risks and current economic conditions. The approach taken is consistent with that undertaken at the 2025 year-end.

The Directors have considered the resilience of the Group, taking account of its current position, the risks facing the business in severe but plausible scenarios and the effectiveness of any mitigating actions. The assessment has considered the potential impacts on the business model, future performance, capital adequacy and liquidity. The Group's financial forecasts have been refreshed and take consideration of the macroeconomic environment, the performance of the Group's lending portfolios and the availability of funding.

The Group's 2025 Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) have been approved by the Board. Both are completed annually and use internal scenarios aligned to the Bank of England severity benchmarks and reflect the specific nature of the Group's business. Included within these scenarios are substantial falls in residential and commercial property prices, increases in unemployment, changes to interest rates, inflation and reduced funding availability within wholesale and retail markets.

Having considered the plans and forecasts for the Group, the Directors remain satisfied that the Group has adequate resources and no material uncertainties that lead to significant doubt about the Group's ability to continue in business for the foreseeable future. Accordingly, the financial statements continue to be prepared on a going concern basis.

New and amended standards adopted by the Group

There have been no new or amended standards adopted by the Group in 2026.

Adoption of other amendments to existing standards and annual improvements applicable to date in 2026 did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Impact of standards issued but not yet applied

The UK Endorsement Board (UKEB) formally adopted IFRS 18 Presentation and Disclosure in Financial Statements for use in the UK on 10 December 2025, this will replace IAS 1 Presentation of Financial Statements. IFRS 18 introduces new presentation requirements within the statement of profit or loss, including prescribed totals and subtotals. It also requires disclosure of newly defined management defined performance measures, which represent subtotals of income and expenses. In addition, the standard sets out enhanced requirements for the aggregation and disaggregation of financial information, reflecting the distinct roles of the primary financial statements and the notes.

IFRS 18 is effective for reporting periods beginning on or after 1 January 2027. The Group is currently assessing the full impact of these amendments on its primary financial statements and accompanying notes.

Notes to the accounts
for the six months ended 30 June 2026

1. Basis of preparation (continued)

Judgements in applying accounting policies and critical accounting estimates

The critical judgements and areas of critical accounting estimates remain consistent with those disclosed in the 2025 Annual Report and Accounts. This relates to impairment provisions on loans and advances (note 15, pages 26-30), where sensitivity analysis has been performed and key judgements have been reviewed.

2. Business segments

The Group operates three business segments: retail financial services, commercial lending and secured personal lending.

Transactions between the business segments are on normal commercial terms and conditions.

	Six months to 30 June 2026 (Unaudited)			
	Retail financial services £m	Commercial lending £m	Secured personal lending £m	Total £m
Net interest income	75.5	11.4	1.4	88.3
Other income and charges	0.2	0.3	-	0.5
Fair value loss	(2.6)	-	-	(2.6)
Net operating income	73.1	11.7	1.4	86.2
Operating expenses	(58.2)	(1.5)	(0.5)	(60.2)
Impairment provision for losses on loans and advances	(4.1)	(1.4)	(0.1)	(5.6)
Provision for other liabilities and charges	(1.3)	-	0.5	(0.8)
Operating profit and profit before taxation	9.5	8.8	1.3	19.6
Taxation expense				(5.0)
Profit after taxation				14.6

	Six months to 30 June 2025 (Unaudited)			
	Retail financial services £m	Commercial lending £m	Secured personal lending £m	Total £m
Net interest income	68.5	11.2	1.9	81.6
Other income and charges	(0.3)	0.5	0.3	0.5
Fair value gain	(0.6)	-	-	(0.6)
Net operating income	67.6	11.7	2.2	81.5
Operating expenses	(57.1)	(1.5)	(0.4)	(59.0)
Impairment provision for losses on loans and advances	(1.8)	1.2	0.3	(0.3)
Provision for other liabilities and charges	-	-	(0.3)	(0.3)
Operating profit and loss before taxation	8.7	11.4	1.8	21.9
Taxation expense				(5.3)
Profit after taxation				16.6

Notes to the accounts
for the six months ended 30 June 2026

2. Business segments (continued)

	Year ended 31 December 2025 (Audited)			
	Retail financial services £m	Commercial lending £m	Secured personal lending £m	Total £m
Net interest income	142.4	23.8	3.5	169.7
Other income and charges	1.3	0.4	0.5	2.2
Fair value gain	(0.5)	-	-	(0.5)
Net operating income	143.2	24.2	4.0	171.4
Operating expenses	(113.9)	(3.0)	(0.7)	(117.6)
Impairment provision for losses on loans and advances	3.8	2.6	0.3	6.7
Provision for liabilities	(0.1)	-	(0.4)	(0.5)
Operating profit and profit before taxation	33.0	23.8	3.2	60.0
Taxation expense				(14.8)
Profit after taxation				45.2

The Group operates entirely within the UK, and therefore a geographical segment analysis is not presented.

	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
Total assets by business segments			
Retail financial services	13,259.4	13,236.9	13,061.3
Commercial lending	844.5	813.9	844.6
Secured personal lending	38.5	52.1	37.8
Total assets	14,142.4	14,102.9	13,943.7
Total liabilities and equity by business segment			
Retail financial services and Commercial lending	14,103.9	14,050.8	13,905.9
Secured personal lending	38.5	52.1	37.8
Total liabilities and equity	14,142.4	14,102.9	13,943.7

3. Interest receivable and similar income

	Group		
	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
On loans fully secured on residential property	271.9	252.9	522.7
On other loans	8.5	9.3	18.2
On debt securities	28.4	15.6	33.2
On other liquid assets	11.1	38.2	63.8
On derivative financial instruments	9.5	40.8	61.9
	329.4	356.8	699.8

Notes to the accounts
for the six months ended 30 June 2026

4. Interest payable and similar charges

	Group		
	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
On shares held by individuals	197.9	215.3	427.2
On deposits and debt securities	46.1	58.6	103.2
On lease liabilities	0.1	0.1	0.2
On derivative financial instruments	(3.0)	1.2	(0.5)
	241.1	275.2	530.1

5. Fees and commission receivable

	Group		
	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
Insurance and related financial service products	0.1	0.1	0.2
Mortgage related fees	0.5	1.1	1.2
	0.6	1.2	1.4

6. Other fair value gains and losses

	Group		
	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
Gains/(losses) on derivatives in hedging relationships	63.2	(85.3)	(109.1)
(Losses)/gains on derivatives not in hedging relationships	(0.3)	1.1	2.0
Gains/(losses) on derivatives	62.9	(84.2)	(107.1)
Gains on economic hedged items	5.4	3.2	9.4
(Losses)/gains on hedged items attributable to hedged risk	(70.9)	80.4	97.2
(Losses)/gains on hedged items	(65.5)	83.6	106.6
	(2.6)	(0.6)	(0.5)

Other fair value gains and losses represent the difference between changes in the fair values excluding interest flows of the hedging derivatives and the changes in the fair values excluding interest flows of the underlying hedged items.

Notes to the accounts
for the six months ended 30 June 2026

7. Administrative expenses

	Group		
	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
Wages and salaries	26.5	25.9	52.9
Social security costs	3.1	2.7	6.0
Other pension costs	1.7	1.7	3.4
	31.3	30.3	62.3
Other administrative expenses	23.7	23.5	47.3
	55.0	53.8	109.6

8. Retirement benefit obligations

The defined benefit pension scheme's current position, a £0.5m surplus, has not materially changed since the prior year-end (31 December 2025: £0.4m surplus). The scheme has now completed a buy-out transaction and is in the process of wind-up, with the current surplus solely relating to cash and cash equivalents as the scheme has no further liability to previous members.

9. Taxation

The effective tax rate for the Group for the 6 months to 30 June 2026 is 25.5% (30 June 2025: 24.2%), and is calculated by estimating the annual effective tax rate expected for the full financial year, before being applied to the pre-tax income of the interim period.

The effective statutory rate of corporation tax for the year ending December 2025 was 24.5%. The statutory tax rate is 25%.

The actual tax charge for the period differs from that calculated using the statutory rate of corporation tax in the UK as follows:

	Group		
	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
Profit before tax	19.6	21.9	60.0
Profit multiplied by the standard rate of corporation tax at 25% (2025: 25%)	4.9	5.5	15.0
Effects of:			
Expenses not deductible for tax purposes	0.1	0.1	0.1
Adjustments to prior years	-	(0.3)	(0.3)
Tax charge	5.0	5.3	14.8

Notes to the accounts
for the six months ended 30 June 2026

10. Loans and advances to customers

	Group		
	30 June 2026 £m (Unaudited)	30 June 2025 £m (Unaudited)	31 December 2025 £m (Audited)
Fully secured on residential property	11,938.8	11,580.2	11,719.6
Fully secured on land	259.2	256.1	265.7
	12,198.0	11,836.3	11,985.3
Provision for impairment losses	(30.2)	(31.2)	(24.6)
Unamortised loan origination fees	19.6	18.7	20.9
Fair value adjustment for hedged risk	(43.7)	(0.3)	19.0
	12,143.7	11,823.5	12,000.6

11. Provisions for liabilities

	Group		
	30 June 2026 £m (Unaudited)	30 June 2025 £m (Unaudited)	31 December 2025 £m (Audited)
At beginning of the period/year	2.9	5.1	5.1
Utilisation during the period/year	-	(2.3)	(2.7)
Addition for the period/year	0.8	0.3	0.5
At end of the period/year	3.7	3.1	2.9

At 30 June 2026, the Group holds a provision of £3.7m (30 June 2025: £3.1m), of which £1.2m relates to the restructuring provision recognised per IAS 19 for employment termination costs. The restructuring provision was first recognised in June 2026 and will be fully utilised in 2026.

The remaining £2.5m is in respect of various claims. This reflects Management's best estimate of the costs required to settle its remaining obligations and takes account of expected customer behaviour, costs incurred with associated legal claims and an updated assessment of the remaining exposure population.

Although a significant degree of uncertainty remains with regard to the ultimate cost of settling customer claims, the provision balance is expected to be sufficient to meet any remaining obligations. The provision will continue to be monitored and customer trends and behaviours analysed to ensure the provision remains appropriate.

Notes to the accounts
for the six months ended 30 June 2026

12. Notes to the consolidated Statement of Cash Flows

For the purposes of the Statements of Cash Flows, provisions for impairment losses are removed from cash and cash equivalents in order to disclose gross figures. A reconciliation is provided below for cash and cash equivalents as per the Statements of Financial Position and the Statements of Cash Flows.

	Group		
	30 June 2026 £m (Unaudited)	30 June 2025 £m (Unaudited)	31 December 2025 £m (Audited)
Cash in hand and balances with the BoE:			
As per the Statements of Financial Position	248.4	1,050.6	403.7
Provision for impairment losses	-	0.6	-
As per the Statement of Cash Flows	248.4	1,051.2	403.7
Loans and advances to credit institutions:			
As per the Statements of Financial Position	300.4	291.1	283.5
Provision for impairment losses	0.4	0.5	0.4
As per the Statement of Cash Flows	300.8	291.6	283.9

For the purposes of the Statements of Cash Flows, debt securities in issue and lease liabilities are classified as liabilities arising from financing activities. The table below provides a reconciliation of movements in liabilities arising from financing activities:

	Group		
	30 June 2026 £m (Unaudited)	30 June 2025 £m (Unaudited)	31 December 2025 £m (Audited)
Debit securities in issue:			
At beginning of the period/year	1,222.3	1,453.0	1,453.0
Cash:			
Proceeds from issuance	499.2	-	-
Redemptions	(95.8)	(104.5)	(228.6)
Interest Paid	(43.9)	(53.0)	(95.2)
Non-cash:			
Accrued interest	46.7	48.5	91.1
Other non-cash movements	0.2	0.2	0.3
Fair value movements	(3.3)	3.2	1.7
At end of the period/year	1,625.4	1,347.4	1,222.3
Lease liabilities:			
At beginning of the period/year	3.6	3.7	3.7
Cash:			
Repayment of lease liabilities	(0.5)	(0.5)	(1.0)
Non-cash:			
Accrued interest	0.1	0.1	0.2
New leases	0.3	0.1	0.7
At end of the period/year	3.5	3.4	3.6

Notes to the accounts
for the six months ended 30 June 2026

13. Related party transactions

The Group had no related party transactions outside the normal course of the business during the six months to 30 June 2026. Transactions for this period are similar to those for the year to 31 December 2025, details of which can be found in note 35 of the 2025 Annual Report and Accounts.

14. Financial instruments

Carrying values and fair values

The table below compares carrying values and fair values of the Group's financial instruments by category.

	30 June 2026		31 December 2025	
	Carrying Value £m (Unaudited)	Fair Value £m (Unaudited)	Carrying Value £m (Audited)	Fair Value £m (Audited)
Total assets				
Cash in hand and balances with Bank of England	248.4	248.4	403.7	403.7
Loans and advances to credit institutions	300.4	300.4	283.5	283.5
Debt securities	1,250.8	1,250.8	1,085.4	1,085.4
Derivative financial instruments	133.2	133.2	110.7	110.7
Loans and advances to customers	12,143.7	12,405.2	12,000.6	12,360.0
	14,076.5	14,338.0	13,883.9	14,243.3
Total liabilities				
Shares	11,478.7	11,465.0	11,583.8	11,552.7
Amounts owed to credit institutions	164.1	164.1	129.3	129.3
Amounts owed to other customers	-	-	111.5	111.5
Debt securities in issue	1,625.4	1,648.3	1,222.3	1,254.3
Derivative financial instruments	38.3	38.3	72.0	72.0
	13,306.5	13,315.7	13,118.9	13,119.8

Further details on the methods and assumptions which have been applied in determining fair value are set out in note 31 of the 2025 Annual Report and Accounts.

Assets and liabilities measured at fair value

	30 June 2026 (Unaudited)			
	£m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets at fair value through profit or loss:				
Derivative financial instruments	133.2	-	118.8	14.4
Financial assets at fair value through other comprehensive income:				
Debt securities	1,250.8	1,250.8	-	-
Total	1,384.0	1,250.8	118.8	14.4
Financial liabilities at fair value through profit or loss:				
Amounts owed to credit institutions	-	-	-	-
Debt securities in issue	6.8	6.8	-	-
Derivative financial instruments	38.3	-	23.9	14.4
Total	45.1	6.8	23.9	14.4

Notes to the accounts
for the six months ended 30 June 2026

14. Financial instruments (continued)

	30 June 2025 (Unaudited)			
	£m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets at fair value through profit or loss:				
Derivative financial instruments	155.6	-	134.6	21.0
Financial assets at fair value through other comprehensive income:				
Debt securities	714.8	714.8	-	-
Total	870.4	714.8	134.6	21.0
Financial liabilities at fair value through profit or loss:				
Amounts owed to credit institutions	1.8	-	1.8	-
Debt securities in issue	11.7	11.7	-	-
Derivative financial instruments	77.5	-	56.5	21.0
Total	91.0	11.7	58.3	21.0

	31 December 2025 (Audited)			
	£m	Level 1 £m	Level 2 £m	Level 3 £m
Financial assets at fair value through profit or loss:				
Derivative financial instruments	110.7	-	97.6	13.1
Financial assets at fair value through other comprehensive income:				
Debt securities	1,085.4	1,085.4	-	-
Total	1,196.1	1,085.4	97.6	13.1
Financial liabilities at fair value through profit or loss:				
Amounts owed to credit institutions	1.9	-	1.9	-
Debt securities in issue	10.1	10.1	-	-
Derivative financial instruments	72.0	-	58.9	13.1
Total	84.0	10.1	60.8	13.1

The tables above provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Hierarchy for fair value disclosures

Level	
1.	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
2.	Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly (i.e. derived from prices).
3.	Inputs for the asset or liability that are not based on observable market data.

The items included within level 3 are interest rate swaps, the notional amounts for which track the amortisation profile of the mortgage assets within the RMBS structures. The valuations are calculated by Bloomberg, using present value calculations based on market interest rate curves and projected mortgage prepayment amounts. The unobservable inputs relate to the projection of the notional amounts of the swaps, which change over time to match the balance of the underlying mortgage portfolio. There were no significant inter-relationships between unobservable inputs that materially affect fair values. There have been no additions within this category during the year, therefore total movements in 2026 are due to changes in market rates.

The costs to replace derivatives contracts in the event that a counterparty was unable to honour their contractual obligation are materially equal to the fair value of the derivatives disclosed above.

14. Financial instruments (continued)

The fair value of the level 3 derivatives is shown in the table below.

	Group		
	30 June 2026 £m (Unaudited)	30 June 2025 £m (Unaudited)	31 December 2025 £m (Audited)
Financial assets at fair value through profit or loss:			
At beginning of the period/year	13.1	41.6	41.6
Fair value gains	2.3	(18.4)	(24.2)
Fair value additions	-	-	-
Interest received/(paid)	(1.0)	(2.2)	(4.3)
At end of the period/year	14.4	21.0	13.1
Financial liabilities at fair value through profit or loss:			
At beginning of the period/year	(13.1)	(41.6)	(41.6)
Fair value gains	(2.3)	18.4	24.2
Fair value additions	-	-	-
Interest (received)/paid	1.0	2.2	4.3
At end of the period/year	(14.4)	(21.0)	(13.1)

15. Credit risk

The table below shows the Group’s estimated maximum exposure to credit risk for all financial assets.

i) Loans and advances to customers

The Group's loans and advances to customers can be broken down by security as follows:

	Group		
	30 June 2026 £m (Unaudited)	30 June 2025 £m (Unaudited)	31 December 2025 £m (Audited)
In respect of loans and advances to customers:			
Secured by a first charge on residential property	11,906.7	11,536.8	11,682.2
Secured by a first charge on land	259.2	256.1	265.7
Secured by a second charge on residential property	32.1	43.4	37.4
	12,198.0	11,836.3	11,985.3
Provisions for impairment losses	(30.2)	(31.2)	(24.6)
Effective interest rate adjustments	19.6	18.7	20.9
Fair value adjustments	(43.7)	(0.3)	19.0
	12,143.7	11,823.5	12,000.6

15. Credit risk (continued)

The Group's exposure to credit risk relating to loans and advances to customers by business segment split by stage in accordance with IFRS 9 is as follows:

	Retail Financial Services		Commercial Lending		Secured Personal Lending	
Stage	30 June 2026 £m (Unaudited)	31 December 2025 £m (Audited)	30 June 2026 £m (Unaudited)	31 December 2025 £m (Audited)	30 June 2026 £m (Unaudited)	31 December 2025 £m (Audited)
1	9,570.0	9,468.1	1,076.3	961.1	13.0	20.1
2	2,172.9	2,141.4	55.4	68.3	14.5	12.4
3	103.7	89.9	19.6	19.4	4.4	4.7
	11,846.6	11,699.4	1,151.3	1,048.8	31.9	37.2

Exposures differ to loans and advances per the statement of financial position, as commitments and undrawn balances are included.

The Group's expected credit losses split by stage in accordance with IFRS 9 and by business segment is as follows:

	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
Retail financial services	19.6	20.7	15.5
Secured personal lending	0.7	1.0	0.9
Commercial lending	9.9	9.5	8.2
	30.2	31.2	24.6

The Group's split of loans by stage in accordance with IFRS 9 and by business segment is as follows:

Retail Financial Services and Secured Personal Lending

Stage	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
1	80.7%	80.8%	80.8%
2	18.4%	18.4%	18.4%
3	0.9%	0.8%	0.8%
	100.0%	100.0%	100.0%

Commercial Lending

Stage	6 months to 30 June 2026 £m (Unaudited)	6 months to 30 June 2025 £m (Unaudited)	Year ended 31 December 2025 £m (Audited)
1	93.5%	88.6%	91.6%
2	4.8%	9.4%	6.5%
3	1.7%	2.0%	1.9%
	100.0%	100.0%	100.0%

15. Credit risk (continued)

The average index-linked loan balance to value (BTV), in respect of the Group's loans secured on residential property, is 51.9% (31 December 2025: 51.7%).

The percentage of retail lending cases fully secured by a first charge currently with arrears greater than three months by number is 0.63% (31 December 2025: 0.51%). Residential lending cases fully secured by a first charge which were six months or more in arrears by number is 0.32% (31 December 2025: 0.31%).

The percentage of secured personal loans currently with arrears greater than three months by number is 7.85% (31 December 2025: 7.38%) which by value is 11.17% (31 December 2025: 11.54%).

The significant judgements applied in determining expected credit loss provisions are:

- determining criteria for identifying a significant increase in credit risk;
- choosing appropriate models and assumptions for the measurement of expected credit losses; and
- establishing the number and relative weightings of forward-looking economic scenarios.

Sensitivity analysis has been performed on the staging criteria. A 10% variance has been selected as this is deemed to be a reasonable variation which could occur over a 12 month period in the current economic environment. The impact of a 10% increase or reduction in the volume of loans in stage 2 is as follows:

Stage	Retail financial services £m	Commercial lending £m
Stage 1 to Stage 2	5.3	2.0
Stage 2 to Stage 1	(0.7)	(0.2)

Secured Personal Lending provisions no longer materially sensitive from a Group reporting perspective.

Forward looking economic scenarios

Forecasts of economic variables together with probability weightings are supplied by an external provider. Economic scenarios have been selected which take account of a range of possible economic outcomes.

Scenario	Weighting at 30 June 2026 %	2026 Scenario					Weighting at 31 Dec 2025 %	2025 Scenario			
		2026 %	2027 %	2028 %	2029 %			2026 %	2027 %	2028 %	2029 %
HPI (Growth)											
Base	50	1.2	1.9	1.4	1.9		50	2.1	2.3	1.6	1.9
Upside	20	7.6	11.9	1.3	(2.0)		20	16.5	5.4	(1.0)	(2.1)
Downside	23	(3.7)	(10.4)	(3.2)	3.4		23	(9.1)	(7.0)	0.8	4.7
Severe Downside	7	(5.6)	(17.5)	(4.0)	2.5		7	(15.3)	(11.0)	1.2	3.4

Scenario	Weighting at 30 June 2026 %	2026 Scenario					Weighting at 31 Dec 2025 %	2025 Scenario			
		2026 %	2027 %	2028 %	2029 %			2026 %	2027 %	2028 %	2029 %
Unemployment (Absolute)											
Base	50	5.4	5.0	4.9	4.9		50	5.1	5.0	4.9	4.9
Upside	20	5.0	4.2	4.1	4.2		20	4.5	4.1	4.1	4.3
Downside	23	6.3	7.7	7.7	7.4		23	7.0	7.7	7.6	7.1
Severe Downside	7	6.5	9.0	8.6	8.4		7	8.2	8.8	8.5	8.2

Notes to the accounts
for the six months ended 30 June 2026

15. Credit risk (continued)

Scenario	Weighting at 30 June 2026 %	2026 Scenario 2026 %	2027 %	2028 %	2029 %	Weighting at 31 Dec 2025 %	2025 Scenario 2026 %	2027 %	2028 %	2029 %
Base rate (Absolute)										
Base	50	3.8	3.1	2.8	2.5	50	3.2	2.8	2.8	2.5
Upside	20	3.8	3.3	3.1	2.6	20	3.5	3.2	2.9	2.5
Downside	23	3.8	2.1	1.0	1.2	23	1.9	1.0	1.3	1.6
Severe Downside	7	3.6	1.6	0.7	0.7	7	1.4	0.7	0.7	0.8

In 2026, four (2025: four) scenarios have been applied. The scenarios, economic variables and weightings are provided by an external data provider. These are reviewed bi-annually through analysis and benchmarking of third-party published economic data and forecasts to ensure they represent a reasonable range of possible outcomes. The scenarios and weightings applied are outlined below:

Scenario	30 June 2026 %	31 December 2025 %
Base scenario Base scenario reflects slowing but positive U.K. economic growth. Higher energy prices and global uncertainty weigh on activity in the near term, but inflation is expected to return to target by mid-2027. The labour market remains subdued, interest rates are expected to stay higher for longer before declining, and house price growth remains modest.	50	50
Upside scenario Geopolitical tensions ease more quickly than expected, including resolution of the Middle East conflict and improvement in global trade conditions. Improved confidence, stronger productivity growth and increased investment support above trend economic growth, lower unemployment and stronger house price growth.	20	20
Downside scenario Escalating geopolitical and trade tensions weaken confidence and investment, resulting in a moderate recession. Unemployment rises, house prices and other asset values weaken, and inflation falls below target as economic activity slows. The Bank of England responds with faster interest rate cuts.	23	23
Severe downside scenario A significant worsening of global trade disputes and geopolitical conflicts triggers a severe recession. Financial markets experience a sharp selloff, unemployment rises significantly, house prices decline materially and economic recovery is slower as the downturn has lasting effects on employment, investment and economic growth.	7	7

15. Credit risk (continued)

Post model adjustment - probability of possession given default (PPGD)

A PMA was introduced in December 2025 to reduce the PPGD assumptions within the base and upside scenario and apply downturn assumptions to the downside scenarios. This was driven by recent data which shows that, over an observation period of 2012 to 2019, actual repossession rates are lower than the assumptions used within the retail model, particularly in the base and upside scenario. Actual possession rates have been low since the global financial crisis due to comparatively favourable economic conditions and the moratorium of possessions following the onset of the pandemic. Therefore, there is a risk that modelled provisions are inflated. This PMA has been retained at June 2026 and results in a reduction in retail ECL of £4.0m (Dec-25 £2.9m).

The IFRS 9 models calculate expected credit losses for each scenario and then apply the weightings to generate the weighted output for each model. Sensitivity analysis has been performed on the impact of each economic scenario. The table below shows the range of ECL impact between the most optimistic and the most severe scenario. The ECL range is the difference between applying a 100% weighting to the most severe downturn scenario and the upside scenario.

Portfolio	Upside £m	Severe Downside £m	ECL Range £m
Retail financial services	3.3	61.0	57.7
Secured personal lending	0.4	1.0	0.6
Commercial lending	6.4	9.1	2.7
Total	**10.1**	**71.1**	**61.0**

The tables below set out information on movements in impairment loss provisions on loans and advances to customers:

	Group			
	Stage 1 12 month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total £m
At 1 January 2026	**4.4**	**12.5**	**7.7**	**24.6**
Transfers:				
Stage 1 transfers	(3.4)	-	-	(3.4)
Stage 2 transfers	-	1.4	-	1.4
Stage 3 transfers	-	-	2.0	2.0
New loans	0.9	0.3	-	1.2
Settled loans	(0.3)	(0.4)	(0.4)	(1.1)
Changes in measurement of impairment loss provision	3.9	0.2	1.4	5.5
Changes in model assumptions	-	-	-	-
Loss allowance at 30 June 2026	**5.5**	**14.0**	**10.7**	**30.2**

15. Credit risk (continued)

	Group			
	Stage 1 12 month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total £m
At 1 January 2025	6.6	15.2	8.8	30.6
Transfers:				
Stage 1 transfers	(3.9)	-	-	(3.9)
Stage 2 transfers	-	1.9	-	1.9
Stage 3 transfers	-	-	2.0	2.0
New loans	1.2	1.5	0.1	2.8
Settled loans	(1.2)	(1.2)	(1.1)	(3.5)
Changes in measurement of impairment loss provision	2.8	(3.4)	(1.0)	(1.6)
Changes in model assumptions	(1.1)	(1.5)	(1.1)	(3.7)
Loss allowance at 31 December 2025	**4.4**	**12.5**	**7.7**	**24.6**

ii) Commercial

Loans secured on commercial property are diversified by industry type with the largest exposure to one counterparty amounting to £58.0m (31 December 2025: £61.3m) or 6.7% (31 December 2025: 7.0%) of gross balances.

Asset quality remains strong with a reduction in impaired balances to £19.6m (31 December 2025: £15.4m), or 2.3% of gross balances (31 December 2025: 1.7%).

There are four commercial cases (31 December 2025: five) three months or more in arrears with balances of £4.3m (31 December 2025: £3.9m).

The number of accounts in forbearance has decreased to 10 with balances of £23.3m (31 December 2025: 13 accounts with balances of £31.5m).

iii) Treasury

The treasury risk function monitors exposure concentrations against a variety of criteria including counterparty and country limits, and all exposures are well spread across this risk assessment framework. Provisions for expected credit losses in relation to treasury instruments of £0.7m were held at 30 June 2026 (31 December 2025: £0.7m).

Responsibility statement

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the UK;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7 (indication of important events and their impact during the first six months and the description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8 (indication of any related party transactions that have taken place or any changes in the related party transactions described in the last annual report).

By order of the Board,

Iain Mansfield
Chief Executive Officer
6 August 2026

Independent review report to Principality Building Society

We have been engaged by the Principality Building Society to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2026 which comprises the condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of financial position, condensed statement of changes in Member's interests, condensed consolidated statement of cash flows and related notes 1 to 15.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2026 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 1, the annual financial statements of the Society are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the Society a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Independent review report to Principality Building Society (continued)

Use of our report

This report is made solely to the Society in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the Society those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Deloitte LLP
Statutory Auditor
Manchester, UK
6 August 2026

Other information

The information for the period ended 30 June 2026 is unaudited and does not constitute accounts within the meaning of section 73 of the Building Societies Act 1986. The financial information for the year ended 31 December 2025 has been extracted from the Annual Report and Accounts for that year. The annual accounts for the year ended 31 December 2025 have been filed with the Financial Conduct Authority.

The auditor's report on the 2025 Annual Report and Accounts was not qualified and did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report.

A copy of this Half Year Financial Report is placed on Principality Building Society's website. The Directors are responsible for the maintenance and integrity of the information on the website. Information published on the internet is accessible in many countries with different legal requirements. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Glossary

Arrears	A customer is in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan payment is overdue. Such a customer can also be said to be in a state of delinquency.
Balance to Value ratio (BTV)	A ratio showing outstanding loan balance as a percentage of the value of the security.
Carbon net zero	Net zero means that we will reduce all of our Scope 1 and 2 emissions to as little as possible by 2030 as well as a 50% reduction in Scope 3 emissions, and we will achieve net zero in all Scopes by 2040. Scope 1 emissions - generated by directly owned or controlled sources i.e. fuel combustion and company-owned vehicles. Scope 2 emissions - purchased electricity. Scope 3 emissions - other indirect operational emissions that occur in the supply chain, both upstream and downstream.
Commercial lending	Loans to a commercial borrower.
Contractual maturity	The final payment date of a loan or other financial instrument, at which point the entire remaining outstanding principal and interest is due to be repaid.
Common Equity Tier 1 capital	The highest quality form of capital as defined in the Capital Requirements Directive IV, comprising accumulated reserves and qualifying instruments after regulatory deductions.
Common Equity Tier 1 capital ratio	Common Equity Tier 1 capital as a proportion of risk-weighted assets.
Cost income ratio	A ratio that represents the proportion of management expenses (i.e. administrative expenses, depreciation and amortisation) to total income.
Credit risk	The risk of financial loss arising from a failure of a customer or counterparty to settle their financial and contractual obligations as they fall due.
Debt securities in issue	Transferable certificates of indebtedness including Residential Mortgage Backed Securities and Euro Medium Term Notes.
Defined benefit pension scheme	A scheme that defines the benefit an employee will receive on retirement, depending on such factors as age, length of service and salary.
Euro Medium Term Note (EMTN)	Medium term flexible debt instrument.
Financial Conduct Authority (FCA)	The statutory body responsible for conduct of business regulation and supervision of UK authorised firms from 1 April 2013. The FCA also has responsibility for protecting consumers and promoting healthy competition.
Internal Capital Adequacy Assessment Process (ICAAP)	The Group's internal assessment of the levels of capital that need to be held by the Society to meet its regulatory capital requirements.
Internal Liquidity Adequacy Assessment Process (ILAAP)	The Group's internal assessment of the levels of liquidity that need to be held by the Society to meet its regulatory liquidity requirements.
Leverage ratio	A ratio which measures Tier 1 capital against total on and off balance sheet assets.

Glossary (continued)

Liquid assets	Cash or other assets that can be readily converted to cash without loss of value.
Liquidity Coverage Ratio (LCR)	A liquidity metric which aims to ensure that a firm maintains an adequate level of liquidity to meet its needs for a 30 calendar day time horizon under a severe stress scenario.
Loan To Value ratio (LTV)	A ratio showing initial loan balance as a percentage of the value of the security.
Management expense ratio	A ratio that measures management expenses (i.e. administrative expenses, depreciation and amortisation) as a proportion of mean assets.
Member	A person who has a share investment or a mortgage loan with the Society.
Net interest income	The difference between the interest received on assets and the interest paid on liabilities.
Net interest margin	This ratio calculates the net interest income as a percentage of mean total assets.
Net retail mortgage lending	Total movements in the retail mortgage book; includes all inflows and outflows in respect of retail lending.
Net retail savings growth	Total movements in the retail savings portfolio; includes all inflows and outflows in relation to retail savings.
Regulatory capital	Capital allowable under regulatory rules, less certain required regulatory adjustments and deductions.
Residential Mortgage Backed Securities (RMBS)	A category of asset backed security that represents interests in a group of residential mortgages. Investors in these securities have the right to cash received from future mortgage payments (interest and/or principal).
Retail loans	Loans to individuals rather than institutions, including residential mortgage lending.
Shares	Money deposited by Members in a retail savings account with the Society and held as a liability in the statement of financial position.
Term Funding Scheme with additional incentives for SMEs (TFSME)	A Bank of England scheme designed to support households and businesses during the period of economic disruption caused by the Covid-19 pandemic. TFSME allowed eligible banks and building societies to access four-year funding at rates very close to Bank rate.

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Have your say by joining our online community at **principalitypulse.co.uk**

• To help us maintain our service and security standards, telephone calls may be monitored and recorded.

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