



Accord Mortgages Limited

Registered Number: 02139881

Annual Report and Financial Statements
for the year ended 31 December 2025

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Directors and Company Information

Company number	02139881
Directors	J Duncombe S Martin T Ranger C Irwin (Appointed 10 December 2025) B Merritt (Appointed 14 August 2025, Resigned 30 November 2025) P Connolly (Resigned 14 August 2025) N Young (Resigned 14 November 2025)
Secretary	D Colley
Registered office	Yorkshire House Yorkshire Drive Bradford BD5 8LJ
Bankers	National Westminster Bank PLC PO Box 90 1 Market Street Bradford BD1 1EG
Independent auditors	PricewaterhouseCoopers LLP Central Square 29 Wellington St Leeds LS1 4DL

Strategic report

Overview of the Business

Accord Mortgages Limited (“the Company” or “Accord”) is a dedicated intermediary lender that originates loans secured on residential and buy-to-let (“BTL”) property.

The Company's strategy is to work in partnership with intermediaries to meet customers' needs through competitive products and service excellence, which in turn provides long-term profitable growth to the Company. The Company offers various types of lending for first time buyers, home movers, re-mortgaging and buy-to-let property, on either a fixed, variable or tracker product.

Business structure

The Company is a private company, limited by shares, and is a wholly owned subsidiary of Yorkshire Building Society (“YBS” or “the Society”) and is therefore consolidated into the YBS Group of controlled entities (“the Group”).

The Company funds its mortgage lending via funding from YBS. The Company uses tranches of its mortgage assets to back *residential mortgage-backed securities* (“RMBS”) for additional Group funding. This is facilitated via special purpose securitisation vehicles, into which the Company sells its mortgages, and out of which RMBS are issued to wholesale investors. The sale of the loans by Accord does not meet the accounting standards criteria for derecognition for such transactions; as a result, Accord continues to recognise these loans in its Statement of Financial Position.

The Company is a member of Yorkshire Building Society Covered Bonds LLP (“LLP”). As a member of LLP, Accord provides a portion of its mortgages to be part of a mortgage pool, which is then used as collateral by the LLP, which allows the LLP to provide a guarantee of the covered bonds issued by the Society. At the year end, the Company had sold £3,171 million (2024: £2,389 million) of loans into the covered bond mortgage pool.

In this transaction, Accord is legally treated as having made a capital contribution to the LLP in an amount equal to the difference between the current balance of the mortgage loans sold at the date of transfer, and the cash payment made by the LLP for the mortgage loans and relevant security on that transfer date. The Society administers the mortgage loans on behalf of the LLP. The LLP guarantees the obligations of YBS as the issuer under a covered bond programme (“the programme”). The assets available to meet the LLP's obligations under this guarantee are limited to the mortgage loans and their related security (“the cover pool”) that the LLP has acquired from YBS and Accord.

The risks and rewards of ownership of the mortgage loans substantially remain with Accord, due to the fact that the sale of the mortgage loans includes an element of capital contribution from Accord for over-collateralisation and give Accord the entitlement to receive deferred consideration. As a result, the transfer of ownership of the beneficial interest in the mortgage loans fails the derecognition criteria of IFRS 9 *Financial Instruments* and the transfer is instead accounted for by Accord and the LLP as a financing transaction.

External environment

Factors beyond the Company's control have the potential to impact upon our operations and therefore our ability to deliver sustainable value to our membership over the long term. For this reason, the external environment in which we operate is monitored closely and continuously. Identifying and understanding risks and opportunities as they emerge is how we can best prepare for, and adapt to, the changing external context.

Economic and political overview

The UK economy continued to show resilience through 2025 as inflationary pressures eased from the peaks of recent years, though costs for households remained elevated. CPI inflation rose mid-year and peaked at 3.8% in the autumn before easing towards the year end, with wage growth running slightly ahead of inflation and offering some support to real incomes. Labour market conditions softened compared to 2024, with unemployment edging higher and vacancies decreasing.

Monetary policy moved gradually to a less restrictive stance. Following reductions in late 2024, the Bank Rate was cut four times during 2025 by a cumulative 1.00 percentage point from 4.75% to 3.75% by year end. Market sentiment towards the close of the period suggested the rate cutting cycle is nearing its end, with only modest further reductions expected.

Strategic report (continued)

External environment (continued)

Economic and political overview (continued)

Fiscal developments and wider policy signals also shaped conditions for households and savers. Speculation around personal tax measures and ISA reforms influenced saving behaviour during the year, while the Government progressed elements of housing reform.

The UK mortgage market

The mortgage market was highly competitive in 2025. Larger lenders pursued aggressive pricing at various points, compressing front book margins across the market. Swap rates fell over the year in line with shifting interest rate expectations, but volatility at times fed through to product pricing and hedging costs. Affordability pressures persisted for some households despite easing rates, and lenders maintained a disciplined approach to responsible lending.

Market activity was influenced by policy and rate dynamics. Changes to Stamp Duty Land Tax in April 2025 brought forward some transactions ahead of implementation, with a subsequent moderation in activity thereafter. Gradual reductions in Bank Rate supported buyer sentiment through the second half, and average UK house prices ended the year modestly higher, around 2.5% year on year, compared to 2024. Nevertheless, competitive intensity remained elevated and lenders continued to balance volume ambitions with margin and risk considerations.

We will continue to monitor these factors closely, including geopolitical developments and the cybersecurity threat environment, given their potential to affect inflation, supply chains and overall market confidence.

Principal risks and uncertainties

Details of the principal risk and uncertainties facing the Company are provided in detail in the Risk management report on pages 11 to 15.

Financial performance

Mortgage performance

The Company achieved growth in mortgage balances and number of customers during 2025. The number of mortgage accounts held with the Company increased to 216,478 (2024: 209,815). The gross volume of mortgage lending in the year was £8,542 million (2024: £8,352 million). This resulted in net lending of £2,471 million (2024: £3,250 million) once repayments and redemptions are accounted for.

The buy-to-let mortgage book has increased to £7,168 million (2024: £7,164 million), now representing 17.3% (2024: 18.3%) of the total Accord book.

The proportion of the Company's new lending that is over 90% LTV is 11.5% as at 31 December 2025 (2024: 7.8%).

Profit before tax

Profit before tax for the year was £103.7 million (2024: £141.8 million). This figure can be analysed into the following key areas:

	2025	2024
	£m	£m
Net interest income	233.1	243.5
Net fee and commission income	1.1	1.4
Total income	234.2	244.9
Administrative expenses	(119.5)	(101.1)
Impairment of financial assets	(11.0)	(2.0)
Profit before tax	103.7	141.8

Strategic report (continued)

Financial performance (continued)

Profit before tax (continued)

Profit before tax has decreased in the year, mostly due to the lower net interest income, an increase in administrative expenses and impairment of financial assets.

Administrative expenses have increased to £119.5 million (2024: £101.1 million) primarily due to a year-on-year increase in staff costs as a result of increased salaries and a higher number of FTE's. All costs included in administrative expenses are incurred by the Society and recharged to Accord.

Impairment has increased in the year, driven primarily by higher arrears and associated stage deterioration, with economic scenario weightings remaining unchanged.

Dividend

In 2025, an interim dividend of £78.0 million to the shareholder was approved and paid (2024: £75.0 million). No final dividend has been proposed for the year (2024: £nil).

Financial position

Capital management

The Company's capital includes called up share capital and retained earnings. Capital is managed centrally by the Group and for capital adequacy purposes the Company is consolidated within the Group. The Group's Executive Risk Committee and the Accord Board of directors ("the Board") believe that the current level of capital is appropriate for the Company's activities. The Company's parent Yorkshire Building Society provides all external funding to the Company.

Key performance indicators

The key performance indicators used by the Board to assess the performance of the Company are set out below.

Profit before tax

The Company's financial performance is monitored by our Board who look at profit before tax. Our Board considers profit before tax to be an appropriate measure of the underlying performance of the business.

	2025	2024	2023	2022
	£m	£m	£m	£m
Profit before tax	103.7	141.8	78.1	172.6

Other financial performance metrics

	2025	2024	2023	2022
	£m	£m	£m	£m
Net interest income	233.1	243.5	166.7	256.1
Net fee and commission income	1.1	1.4	3.2	3.1
Administrative expenses	(119.5)	(101.1)	(87.6)	(79.9)
Impairment of financial assets	(11.0)	(2.0)	(4.0)	(6.7)
Provisions	-	-	(0.2)	-

	2025	2024	2023	2022
	%	%	%	%
Net interest margin	0.47	0.51	0.36	0.58

Net interest income

Net interest income was £233.1 million in 2025 (2024: £243.5 million). Net interest income has decreased as a result of the run-off of higher margin loans and their replacement with new lending at lower margins, despite the increase in mortgage book. Further information on the Company's interest expense can be found in Note 4 of the financial statements.

Strategic report (continued)

Key performance indicators (continued)

Impairment of financial assets

A total net impairment charge of £11.0 million (2024: £2.0 million charge) was recorded in the period. With the year-on-year increase driven by stage deterioration. Further information can be found in Note 15 of the financial statements.

Net mortgage lending

The Board monitors mortgage lending performance in a number of ways. A key measure is net lending, this covers all portfolios, and measures effectiveness in new lending and borrower retention.

Due to an increase in the competitive landscape of the wider mortgage market completion volumes were harder to attain in 2025 than in the prior year. Additionally, increased repayments compared to the prior year has resulted overall, in lower net lending.

	2025	2024	2023	2022
	£m	£m	£m	£m
Net mortgage lending	2,471	3,250	1,949	3,514

Asset quality - mortgage arrears

The Board monitors arrears performance using a range of measures including current arrears levels and underlying trends, to indicate how well borrowers are coping with current economic conditions, and therefore how exposed the Company may be to defaults and subsequent loan losses. The key measure used by the Board is the number of borrowers whose loans are in arrears by three monthly payments or more. The current percentage of borrowers whose loans are in arrears by three months or more is 0.43% (2024: 0.40%). This is lower than the market average of 0.88% (2024: 0.96%). The value of the current portfolio currently \geq 3 months in arrears is 0.41% (2024: 0.35%). The \geq 3 month in arrears rate remains low with an increase of 6bp year on year when looking at value and 3bp on a borrower basis. The UK Finance Industry average has continued to reduce throughout the year and the Company continues to remain below the industry average.

	2025	2024	2023	2022
	%	%	%	%
Mortgage arrears by value (\geq 3months)	0.41	0.35	0.31	0.24

Net Promoter Score

The Company uses Net Promoter Score (NPS)* as a means of measuring how satisfied our customers and brokers are with the service the Company provides. NPS measures how willing our customers are to recommend us to friends and family. The score can range from -100 if all customers are 'detractors' to +100 if all customers are 'promoters'.

NPS results have continued to achieve relatively high levels throughout the year, broker servicing remains a key strength of our proposition. Feedback generally continues to be positive, with 89% of all comments carrying positive sentiment, demonstrating high levels of satisfaction and ease. Communication, response times and application processes and our application portal are all well regarded. Accord continues to monitor and improve our broker servicing offering.

Broker Residential		Broker Buy-to-Let	
2025	2024	2025	2024
84	86	75	81

* Net Promoter Score and NPS are trademarks of Bain & Company, Inc., Fred Reichheld and Satmetrix Systems, Inc.

Strategic Report (continued)

Section 172(1) Companies Act 2006 Directors statement

The Board of Directors of Accord Mortgages Limited consider, both individually and together, they have acted in the way that, in good faith, would be most likely to promote the success of the Company for the benefit of its members (shareholders) as a whole having regard (amongst other matters) to those matters set out in Section 172 of Companies Act 2006.

The following provides a summary of ways in which the Directors of Accord have fulfilled their duties during 2025, taking into account those matters which are considered at Group level and / or led by the parent, Yorkshire Building Society (YBS). Where relevant, further details on the Group's approach in relation to these areas can be found in the YBS Annual Report and Accounts for 2025.

Promoting the success of the Company for the benefit of members

Accord is a wholly owned subsidiary of YBS and as the Society's intermediary lending subsidiary, it supports and promotes the Group's wider strategy and purpose.

Fostering business relationships with stakeholders

<p>Yorkshire Building Society</p>	<p>Whilst Accord is a subsidiary of YBS, it is a separate solo regulated entity. YBS performs all processing activities on behalf of Accord and, as such, there is an Intragroup Outsourcing Agreement in place which is reviewed on at least an annual basis to ensure that the relationship with YBS as a key stakeholder is managed appropriately.</p> <p>The Intragroup Outsourcing Agreement outlines details of the services provided and agreed level of service expected by Accord from its supplier relationship with YBS and any associated suppliers. The Accord Board retains oversight of the performance measures set out in the Agreement.</p>
<p>Brokers</p>	<p>As an intermediary business our brokers are key stakeholders for Accord and the Board recognises the importance of ensuring that effective business relationships are maintained with Accord's brokers.</p> <p>Accord is committed to supporting brokers to build the best possible relationships with customers and to get the best results. This includes always looking for innovative ways to support intermediaries and reviewing our products and offerings to ensure Accord is providing the best possible service.</p> <p>The Board monitors the ongoing effectiveness of broker relationships through the Management Information provided at each meeting, including the Net Promotor Scores (NPS), ending the year at for broker residential and for broker buy to let.</p> <p>Further detail on customer experience is provided in Directors Report on pages 16 to 21.</p>
<p>Customers</p>	<p>Customers are key stakeholders for Accord and the support we provide for our brokers is important in helping them strengthen their relationship with their clients who are ultimately the customers of Accord.</p> <p>Service and customer experience are closely monitored and actively managed across all operational areas. The Intragroup Outsourcing Agreement sets out service levels which are reviewed by the Accord Board at each meeting.</p> <p>Through 2025, the customer experience offered by Accord has remained positive within the context of the external marketplace and has continued to be monitored through the NPS as set out above.</p>

Strategic Report (continued)

Section 172(1) Companies Act 2006 Directors statement (continued)

Fostering business relationships with stakeholders (continued)

Suppliers	<p>Accord does not have its own employees, however, the YBS Procurement Team, together with the subject matter experts from within the Group, work to ensure that the relationship with Accord suppliers is managed in accordance with an agreed Supplier Relationship Management Framework. Where Accord has services provided by an external third party in addition to those provided by YBS, appropriate Service Level Agreements are included in the Intra Group Outsourcing Agreement.</p>						
Other Key Stakeholders	<p>The Accord Board is committed to fostering and monitoring the effectiveness of the Company's wider business relationships with its key stakeholders which also include:</p> <table data-bbox="352 613 1031 719"> <tr> <td>Policy makers</td> <td>Media</td> </tr> <tr> <td>Investors in the Group's securitisation transactions</td> <td>Regulators</td> </tr> <tr> <td></td> <td>Sector groups</td> </tr> </table> <p>Whilst a number of the relationships are managed and maintained at Group level, the Accord Board receives updates where appropriate, including on the progress of initiatives and future proposals which will ensure that the relationships with our key stakeholders continue to be effective, such as future digital developments to improve the stakeholder experience for our brokers and our customers.</p> <p>Further information on the key stakeholders for the Group can be found in the YBS Annual Report and Accounts 2025.</p>	Policy makers	Media	Investors in the Group's securitisation transactions	Regulators		Sector groups
Policy makers	Media						
Investors in the Group's securitisation transactions	Regulators						
	Sector groups						

Long term consequences of decision making

The Accord Board recognises that the management of risk is important to understanding the potential long term consequences of decision making. Details on Accord's approach are set out in the Risk Management Report.

The Accord Lending Plan is key to its long-term success and sustainability and is reviewed by the Accord Board on an annual basis. The Board recognises that the plan forms a key component of the Group's overall lending in its Corporate Plan and aligns with the Society's long term strategic ambitions and purpose.

In reviewing the Plan the Accord Board considered the external market conditions, the performance for the year to date as well as the detail as to how the Plan would be achieved from acquisition, retention and proposition perspectives.

Maintaining a reputation for high standards of business conduct

As part of the wider Group, Accord acts in accordance with the policies set by YBS in relation to conduct, including whistleblowing, ethics and conflicts of interest.

In order to support ongoing high standards of business conduct, the Accord Board also considers:

- **Data Protection Officer annual report** - which includes Accord as part of the Group assessments.
- **Money Laundering Reporting Officers' annual report** - any specific risks relating to Accord highlighted (based on the Group enterprise wide report which includes Accord).
- **Compliance and Legal Updates** – including those issues which may have an impact on the Accord business.
- **Modern Slavery Statement** - prepared at Group level but independently approved and published by Accord in accordance with the legal requirements. It explains our position in relation to modern slavery risks and the anti-slavery controls in place. The statement demonstrates Accord's commitment as part of the Group to doing everything which can reasonably be done to contribute toward helping eradicate modern slavery and human trafficking.

Strategic report (continued)

Section 172(1) *Companies Act 2006* Directors statement (continued)

Interests of employees

Whilst Accord does not have any employees, it is recognised that decisions could impact colleagues within the Group, therefore, details of any such impacts are set out in papers submitted to and considered by the Accord Board.

In particular, the importance of taking account of the interests of those Group employees who work as part of the teams servicing Accord is recognised. As such, the Accord Board receives regular updates in relation to the ongoing engagement with those teams.

Strong support and engagement are provided by the leadership team for those colleagues who support Accord, which includes regular communication, team calls, updates on plans and support for wellbeing. Colleague engagement remains strong within the Accord based teams.

Impact on community and environment

As part of the Group, Accord's approach to the environment and wider communities is encompassed within the YBS strategy. However, Accord contributes through key aspects of its role such as risk management.

Any paper presented to the Accord Board will set out the details of any impact a decision would have in relation to community and the environment where appropriate. The Accord Board ensures that it accurately reflects the position of the wider Group in relation to these matters where relevant in decision making.

Further details on the Group's approach to community and environment can be found in the YBS Annual Report and Accounts for 2025.

Act fairly between members

Whilst Accord only has one member, as it is a wholly owned subsidiary of YBS, the directors recognise the importance of ensuring YBS is kept informed of the Company's governance and performance which includes providing a bi-annual report to the YBS Board to assist in its oversight of the Company.

Outlook

The UK economy proved broadly resilient in 2025, amid ongoing global and domestic uncertainty. Interest rates reduced gradually, with the MPC balancing modest growth, a loosening labour market and a continuation of inflation persistence.

Falling interest rates and modest real income growth helped to ease affordability pressures, supporting a stronger housing market versus 2024.

Looking ahead to 2026, we expect the combination of gradually lower interest rates and positive real wage growth to continue supporting activity; however, rate expectations remain sensitive. If inflation proves stickier than anticipated, the pace and extent of cuts could be more limited; conversely, if growth is weaker and the labour market loosens more quickly, the Bank of England may lower rates at a faster pace in the second half of 2026.

Despite the reductions in Bank Rate during 2025, many customers refinancing in 2026 will transition to mortgage rates that remain higher than those on maturing deals from earlier years, and affordability challenges may persist for some households.

The credit performance of our mortgage book remains a key measure within our established risk management processes. While arrears levels remain low by historical and industry standards, we will continue to monitor them closely and, where possible, work with borrowers who experience difficulty, providing support tailored to individual circumstances.

On behalf of the Board

Tom Ranger
Chair

25 February 2026

Risk management report

Risk Management Framework

The Company is subject to a deed of undertaking with YBS, whereby the parent guarantees to discharge any liabilities of the Company should they fail to be met. This agreement is indefinite, contingent on the Company remaining a wholly owned subsidiary of YBS, but is reaffirmed annually in February by the YBS Board to cover the following 12 months from the date the financial statements were authorised for issue .

As a result, whilst the risk management responsibilities of the Board cannot be fully delegated, it is in the interests of the Group to understand the risks facing the Company and manage these effectively to mitigate the need for the Company to call on this deed of undertaking.

YBS applies its risk management policies and techniques to the risks across the Group of subsidiaries and controlled entities as a whole using its Enterprise Risk Management Framework (ERMF), and therefore appropriate risk management activity is deployed wherever risks arise. For further information on the ERMF please refer to the YBS Annual Report and Accounts 2025 available on the website: ybs.co.uk.

Any risks specific to the Company, or which require specific consideration by the Board, will be presented at the regular Board Meetings or directly communicated to the Board as they arise, if necessary.

Governance

The YBS Board is ultimately responsible for the effective management of risk across the Group. The approval of risk appetite and associated high level risk strategy are amongst several specific areas reserved for the Board.

The BRC is a Board Risk Committee that oversees, on behalf of the Board, the key risks inherent in the Group and the system of internal controls necessary to manage such risks.

The ERC is responsible for the monitoring of day-to-day risk management activity including, but not limited to, reviewing the effectiveness of the Group's risk management framework and system of internal controls.

Below the Board and senior management Committee structure is a set of category and business unit risk sub-committees. These monitor risk management activity across the key risk categories, acting as a point of escalation for matters of Group level significance.

Stress testing

Stress testing is a proactive risk management tool used throughout the Group, including the Accord operations to better understand potential vulnerabilities in the Company's business model and to derive effective management actions. All stress test scenarios are approved by the Group Asset and Liability Committee (ALCO) and the BRC reviews the output of all key stress tests.

Any stress test outputs with direct relevance to the Company are presented to the Board for review.

Principal risks and uncertainties

The Company recognises that the environment within which it operates, and the nature of the threats that it faces, are continually evolving.

Our principal risks and uncertainties and our risk profile evolve as we move through the economic cycle. We have an ongoing process for identifying, evaluating and managing the principal risks we face, and this process is regularly reviewed by the BRC.

The principal risks and uncertainties that the Group faces, and the effect on the Company, are described on the next page.

Risk management report (continued) Principal risks and uncertainties (continued)

Strategic risk

The risk that YBS is unable to achieve its strategic objectives due to poor business decisions, improper execution of decisions, or external events.

The Group performs regular horizon scanning, corporate planning, scenario analysis, competitor analysis and business performance monitoring to mitigate risks arising from the economic environment and our strategic choices. It has defined risk attitudes, risk appetites and risk metrics for all its other principal risks.

The Group's business model is relatively simple, but we operate in a highly competitive market. Its hedging strategy therefore, mitigates the risks arising from the focused range of products in this market.

Financial Risk

Risk of YBS having inadequate cash flow or capital to meet current or future requirements as they fall due.

The financial risks are managed via Board-approved risk appetites and policies.

Treasury Risk: The Group's liquid asset buffer portfolio is invested in high quality liquid assets. Most of the derivative contracts are subject to centralised clearing to minimise risk exposures with counterparties. Where this is not possible, derivative exposures are restricted to high quality counterparties which are subjected to regular review by the Asset & Liability Committee (ALCO).

Funding and liquidity Risk: The Group are primarily funded through retail savings balances, supported by a strong franchise in key wholesale funding markets. The Board annually approves the key assumptions and controls for managing liquidity risk, including internal liquidity stress testing, as part of the Internal Liquidity Adequacy Assessment Process (ILAAP).

The Group conduct internal liquidity stress testing to ensure sufficient liquidity is available to meet business-as-usual and stressed requirements. They also ensure compliance with regulatory requirements, including the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR).

Market Risk: The Group have a dedicated system to model market risk. This covers value, earnings and credit spread measures, including market value change for a move in interest rates and credit spreads and scenario analysis. A range of assumptions are captured within the market risk models, including customer behaviour. Assumptions are subject to review at the Monthly Asset & Liability Forum by the senior leadership with delegated authority.

Market risk metrics are monitored daily, with monthly reporting of information to the Asset Liability Committee (ALCO), ERC and Board, and quarterly reporting to BRC. An internal capital assessment (ICAAP) of Pillar 2A Risk Assessment for interest risk in the banking book, including foreign exchange and credit spread risk, is undertaken annually with final approval at the Board.

Capital Risk: The Group manage capital to comply with regulatory requirements and risk appetite levels to support our strategic objectives for sustainable growth. An Internal Capital Adequacy Assessment Process (ICAAP) is performed at least annually to ensure that the Group hold sufficient capital and have adequate governance and controls to manage the risks to capital arising from our business model. The ICAAP considers severe but plausible stress scenarios.

Reverse Stress Testing (RST) is performed to understand the possible scenarios and risk drivers that could lead to the potential failure of the Society through the assessment of the Society's Point of Non-Viability (PoNV), and whether sufficient mitigations are in place.

Credit risk

The risk that retail and commercial borrowers fail to meet their financial obligations to YBS as they fall due, resulting in higher-than-expected losses.

Retail and commercial credit risk is constrained by a Board-approved risk appetite and the retail and commercial lending policy. The robust credit risk framework ensures lending remains within limits and appropriate remedial action is taken if a breach occurs. Adherence is monitored through governance committees.

Stress testing is regularly used to assess the resilience of the portfolio and the credit risk models are overseen by the model governance framework (see Model risk).

Risk management report (continued) Principal risks and uncertainties (continued)

Operational risk

Risk of loss, damage, or disruption due to inadequate or failed internal processes, systems or people and external events.

Operational risk is constrained by a Board-approved risk appetite and a number of risk-specific policies.

The ERMF defines how colleagues are expected to identify, assess, monitor, manage and report their operational risk exposures.

Directors must regularly attest to the effectiveness of the controls they are responsible for through the risk and control self-assessment process.

Change risk

The risk that YBS mismanages strategic and operational change due to ineffective prioritisation, scoping, definition, implementation, or lack of business readiness. Resulting in failure to meet strategic objectives, regulatory requirements, or customer and employee needs; business disruption; and inefficient use of resources.

Change risk is constrained by Board-approved risk appetite and a Change Risk policy.

Directors must regularly attest to the effectiveness of the controls they are responsible for through the risk and control self-assessment process.

Change Board is responsible for the prioritisation of change initiatives and the successful delivery of outcomes.

People risk

The risk that YBS fails to attract, manage, retain and motivate a diverse, inclusive and appropriately skilled workforce. Resulting in operational disruption, non-compliance with employment legislation, lack of engagement, undue focus on short-term goals/ excessive risk taking and reputational damage.

People risk is constrained by a Board-approved risk appetite and a number of people risk-specific policies.

The Group apply preventative and detective controls across key areas including capacity management, skills and capability, health and wellbeing, diversity, equity and inclusion and behaviours which are assessed through the half-yearly Risk and Control Self-Assessment and attested to by Directors across the business.

The Group perform regular horizon scanning and benchmarking to mitigate risks arising from the legislative changes.

Conduct risk

The risk that YBS fails to deliver good customer outcomes and/or negatively impacts market integrity, resulting in customer harm, non-compliance, reputational damage and financial loss.

Compliance and conduct risk is constrained by a Board-approved risk appetite and a number of risk-specific policies.

Conduct risk is managed through a suite of frameworks and processes embedded across the customer lifecycle, including product governance, marketing approvals, customer servicing protocols, and vulnerability support mechanisms. These frameworks ensure that customer outcomes are considered at every stage, with clear escalation routes and decision-making forums to address risks proactively.

The Group monitor conduct risk metrics for a number of areas via the monthly conduct risk committee including product design, fair value, sales, service, customer vulnerability, complaints and collections.

The second line of defence provides compliance support and oversight on all regulatory matters to the first line, for both day-to-day operations and change programmes.

Risk management report (continued)

Principal risks and uncertainties (continued)

Model risk

Risk of adverse consequences arising from model errors and inappropriate use of model outputs to inform business decisions, resulting in losses, non-compliance and/or reputational damage.

The Group maintains an inventory of models which are governed by our model risk policy and model governance framework. The Group have a process to identify and monitor new models to bring these into governance. Compliance with the policy is monitored by the Model Risk Committee (MRC), which is chaired by the Chief Risk Officer.

Specific current and emerging risks

Strategy and the external environment (strategic risk and financial risk)

The Company's core market is highly competitive. Macro-economic forces are changing the banking landscape so it is important that we operate a responsible and sustainable business on our members' behalf.

The Group continue to assess and monitor business model risks and macro-economic trends and their potential impact to ensure long-term sustainability.

The Group regularly monitor, assess, report and manage the most material risks to the strategy as part of the Enterprise Risk Management Framework, and through the strategy and planning processes. This includes: controlling costs appropriately, ensuring investments are prioritised to the areas that will deliver most for members and customers and stress-testing capital and liquidity positions and ratios regularly to remain within the Board-approved risk appetite.

Cybersecurity (operational risk)

The cybersecurity threat to the UK financial services industry continues to grow, originating from both organised crime groups and nation state operators. 'Threat actors' - individuals or groups that intentionally cause harm digitally - are becoming ever more invasive and sophisticated in their approaches, with ransomware and exploiting vulnerabilities now key threats.

Resilience to such threats, and an ability to respond effectively in the event of an attack, remain essential. The Group continue to invest in, enhance and test our cyber threat monitoring and response capability to protect the organisation and the members and customers, and maintain the confidence of the regulators.

Economic impact on our customers (credit risk, conduct risk and financial risk)

The Group are alert to economic pressures on customers, as unemployment and economic uncertainty persist. Despite lower mortgage costs year-on-year, they remain much higher than they were five years ago, potentially leaving some household and business finances strained.

For new lending, the Group use an affordability model which applies a stressed interest rate, reviewed at least every six months, to ensure that customers could afford their mortgage payments at a higher rate. The lending criteria balances the level of risk with lending responsibly to deliver good customer outcomes, minimise arrears and comply with Consumer Duty regulations. For existing borrowers facing financial difficulty, the Group offer support options, including forbearance.

Fraud (operational risk and conduct risk)

Criminals are becoming increasingly sophisticated in targeting consumers. Typical frauds in financial services include phishing, identity theft, account takeovers and scams.

The Group continues to invest in and upgrade its fraud prevention and monitoring controls to help protect its members and customers from becoming victims of fraud.

Technology resilience (operational risk and change risk)

Reliable and cost-effective IT infrastructure is vital to deliver the level of service the Group's members, customers, colleagues and regulators expect. As IT components age, their health and value deteriorate and the risks they pose to security and resilience increase.

Risk management report (continued)

Specific current and emerging risks (continued)

Technology resilience (operational risk and change risk) (continued)

The Group therefore continues to modernise and simplify its IT infrastructure to ensure it remains resilient and secure. This includes ongoing evaluations and trials of where further AI technologies could be implemented in a safe and secure way.

Colleague talent and retention (people risk)

Attracting and retaining talented colleagues to deliver the Group's strategy is vital, and it continues to need to compete for certain skillsets, including Credit Risk, Internal Audit and Technology Services/Infrastructure.

Effective resource planning, forecasting, and succession planning remain priorities and are at the core of the People plan which was refreshed at mid-year.

Delivering the strategy (change risk and strategic risk)

The Group continues to deliver change to support the next phase of its growth and realise the strategy. While its foundations continue to mature, the pace of change across technology, customer expectations, and regulatory requirements means it must evolve to stay competitive and sustainable.

The Group are investing in their change risk capability through regular training and implementation of new change risk capabilities included in the new Change Operating Model which will go live in the first quarter of 2026 with the build progressing through the rest of the year.

The Group make essential changes when necessary to remain aligned with the needs of members and communities, guided by a regularly reviewed and robust Risk and Control Framework. Recently, this saw the Group refresh the Tier 1 Change Risk Policy to strengthen change risk management.

Consumer Duty (conduct risk and strategic risk)

The Group operate in a dynamic regulatory landscape shaped by the FCA's Consumer Duty, ensuring good outcomes across vulnerable customers, arrears management, and complaints handling. The Group is focused on ensuring that it operates within risk appetite across key areas with an improved and stable position now achieved.

The focus has shifted from embedding compliance to actively embracing the Duty as a driver of continuous improvement, responding quickly to emerging risks and using data and insight to further strengthen customer outcomes.

Climate Change (credit risk and operational risk)

The main climate change risks for the Group are in the physical risks to our members and customers' properties - such as from flooding, subsidence, and coastal erosion - and transitional risks, such as changes in energy efficiency regulation.

The Group continues to develop its environmental and climate change risk management capabilities to ensure that it aligns with industry good practice and meets reporting and disclosure requirements.

Continued risk management effectiveness

The Group's multi-year Governance, Risk and Control programme continued to deliver improvements during 2025, including an updated ERMF; a new risk taxonomy to provide a better balance between financial and non-financial risks; a new risk management system to automate manual processes and provide better MI; and a new risk operating model, which will ensure the Group has the necessary capacity and capability to manage risk effectively.

On behalf of the Board

T Ranger
Chair
25 February 2026

Directors' report

The directors present their annual report and audited financial statements for Accord Mortgages Limited ("the Company" or "Accord") for the year ended 31 December 2025.

Directors

The directors who served during the year and up to the date of signing of this report were:

J Duncombe
S Martin
T Ranger
C Irwin (Appointed 10 December 2025)
B Merritt (Appointed 14 August 2025, Resigned 30 November 2025)
P Connolly (Resigned 14 August 2025)
N Young (Resigned 14 November 2025)

Business objectives and activities

The business objectives and activities are set out in the Strategic Report.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company, and approach for managing them, are set out in the Risk Management Report.

Results of operations

Profit before tax for the year was £103.7 million (2024: £141.8 million).

Dividends

During the year, an interim dividend to the Company's parent of £78.0 million (2024: £75.0 million) was approved by the Board. No final dividend has been proposed for the year (2024: £nil).

Further details on the Company's financial performance are included in the Strategic report.

Key performance indicators

The Key performance indicators reviewed by Directors are included in the Strategic report.

Governance

Streamlined Energy and Carbon Reporting ("SECR")

Large companies operating in the UK are now required to report their carbon emissions and energy consumption on an annual basis.

As the Company relies on its parent entity Yorkshire Building Society ("YBS") to support all of its operational activities, it does not directly emit carbon. There is currently no mechanism in place for YBS to apply a 'carbon recharge' to subsidiary entities. The Directors are aware that the financial reporting and governance requirements in respect of the environment are rapidly evolving and they continue to monitor the discussions to assess the impact this may have on the Company in future reporting periods.

A full breakdown of the Group's emissions is included in the YBS Annual Report and Accounts 2025.

Wates Corporate Governance Principles

The Board has considered the best practice principles set out in the Wates Corporate Governance Principles for Private Business (Wates Principles) and sought to apply them wherever applicable. The table below sets out how the Wates Principles have been applied during 2025:

Directors' report (continued)
Governance (continued)
Wates Corporate Governance Principles (continued)

Principle	How it applies to Accord
<p>Principle One - Purpose and Leadership</p> <p>An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.</p>	<p>Accord Mortgages Limited (Accord) is a wholly owned subsidiary of Yorkshire Building Society (YBS). Accord is a dedicated intermediary lender that originates loans secured on residential and buy to let property through a trusted broker network, supporting the long term growth and profitability of the wider Group.</p> <p>Accord is fully integrated into the YBS governance structure and as part of the wider Group, Accord supports and promotes the Group's strategy, purpose, behaviours and culture in the areas in which it operates.</p> <p>Accord has a clear Board Terms of Reference, constitution, activities and effectiveness, risk management, change agenda and operational effectiveness to support the delivery of the purpose and remain effective.</p> <p>Further information on YBS's strategy, purpose, behaviours and culture can be found in the YBS Annual Report and Accounts 2025.</p> <p>All directors understand their duties, including promoting the success of the Company. Further detail on how the directors S172 duties have been fulfilled can be found in the S172 Statement in the Strategic Report.</p>
<p>Principle Two - Board Composition</p> <p>Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the company.</p>	<p>The Accord Board is made up of YBS Senior Managers and an Executive Director, who is also the Chair. Each of the directors brings a variety of skills to the Board through their experience and their spans of control within the wider Group. As at 31 December 2025 there were four statutory directors of the Accord Board. The Accord Board met four times in 2025.</p> <p>The appointment of a YBS Board Executive Director as an Accord Director ensures that there is direct feedback from the Accord Board to the YBS Board. The remaining directors are members of the YBS Senior Leadership Team ensuring that there is direct feedback into the key Management Committee's for the Group.</p> <p>Members of the Board are appointed by YBS as the sole shareholder based on the areas of experience each director brings to the Company, including but not limited to customer, change and operational resilience, finance, risk, including conduct and credit risk, mortgage distribution.</p> <p>The size of the Board is kept under review and is currently considered appropriate for a subsidiary board where the Company's operations are integrated in the wider Group.</p> <p>Board Changes</p> <p>The following changes took place on the Accord Board during 2025:</p> <ul style="list-style-type: none"> • Patrick Connolly resigned as a director (August 2025) • Benjamin Merritt appointed as a director (August 2025) and resigned as a director (November 2025) • Nikki Young resigned as a director (November 2025) • Chris Irwin appointed as a director (December 2025) <p>Appointments to the Accord Board were made following a review of the Board's composition, any skills gaps, and taking into account the experience and skills the new directors would bring to the Board. An induction process was completed to support the appointment of the new director.</p> <p>Board Diversity</p> <p>The Accord Board recognises the ongoing challenge of ensuring it has a diverse composition. This will be considered as part of reviews of the governance and composition of the Accord Board, together with any future recruitment, taking into account the commitment of the Group as a whole to achieving greater diversity and developing the diversity of the talent pipeline.</p> <p>Further information can be found in the YBS Annual Report and Accounts 2025.</p>

Directors' report (continued)

Governance (continued)

Wates Corporate Governance Principles (continued)

Principle	How it applies to Accord
<p>Principle Two - Board Composition (continued)</p>	<p>Effectiveness and development</p> <p>The effectiveness of the Accord Board is subject to oversight by YBS as the parent Company and to support this bi-annual updates are provided to the YBS Board covering key areas in relation to governance, operations and performance.</p> <p>The Accord Board undertakes an annual review of its own effectiveness through an internal evaluation facilitated by the Company Secretary. The Annual Review took place in October 2025 and the outcomes, together with any actions required, were considered at the Accord Board Meeting in November 2025.</p> <p>Professional development of directors is identified through their roles as part of the wider Group together with regular performance evaluations.</p>
<p>Principle Three - Directors Responsibilities</p> <p>The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.</p>	<p>Accord and the wider Group are committed to maintaining robust corporate governance practices.</p> <p>The governance framework for the Company is clearly set out in its Articles of Association and the roles and responsibilities of the Board are set out in its Terms of Reference. The Terms of Reference are reviewed on at least an annual basis with the latest review completed and approved by the Accord Board in November 2025.</p> <p>The Accord directors are accountable for the governance and management of the Company, including collective responsibility for its long term success, and act in accordance with all the relevant and applicable regulatory and statutory requirements. The Board is also responsible for ensuring YBS, as the parent, is aware of any exceptional matters relating to its operations and governance, particularly where there would be an impact on the overall Group.</p> <p>All activities required for the day to day running of Accord are carried out by YBS and the framework for these arrangements are set out in an Intragroup Outsourcing Agreement. Performance against key agreed outsourcing measures is monitored at each scheduled meeting of the Accord Board.</p> <p>The Board meets at least four times a year and receives information on all key aspects of the business to ensure it has oversight of Accord's operations, including financial and operational performance (which incorporates performance against key service levels agreed as part of the Intragroup Outsourcing Agreement). In addition to the suite of management information provided at each meeting, key areas of decision and / or discussion during the year have included:</p> <ul style="list-style-type: none"> • Data Protection Annual Report • Risk Updates • Change Updates • Annual Report and Accounts • Annual Controls Opinion • Going Concern Assessment • Review of Intragroup Outsourcing Agreement • Senior Managers and Certification Regime Update <p>The directors of the Accord Board are subject to the requirements of the Group's Directors and Chief Officers Conflicts of Interest Policy. At each Board meeting, all directors are asked to declare any potential conflicts of interest. Any declarations are added to the register of interests as appropriate and if a potential conflict was identified appropriate mitigating actions would be agreed.</p> <p>New directors are expected to declare any interests (including related conflicts) on appointment. In addition, directors are expected to declare any conflicts or new roles arising outside of Accord Board meetings. The entries in the register of interests are reviewed with the Accord Directors on a bi-annual basis as part of year end and half year processes.</p>

Directors' report (continued)

Governance (continued)

Wates Corporate Governance Principles (continued)

Principle	How it applies to Accord
<p>Principle Four - Opportunity and Risk</p> <p>A board should promote the long term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for identification and mitigation of risks.</p>	<p>Strategic opportunities are identified and developed as part of the overall Group Strategy planning process.</p> <p>The Company is part of the wider Group which applies its risk management policies to the risks of the Group as a whole. As such any risks within Accord as an individual entity are considered at Group level, including those arising as a result of relationships and transactions with other Group companies.</p> <p>The risk exposures are further understood through a comprehensive suite of stress tests under the wider Group framework thereby ensuring that management has a clear perspective on the extent of its risks and the acceptability of those risks in all plausible circumstances. A risk update is provided at each meeting of the Accord Board.</p> <p>Each paper presented to the Accord Board includes a section setting out the risk implications of any proposals within the framework of the Group's approach to risk management.</p> <p>Reviews by the Compliance and Internal Audit teams include coverage of Accord both directly and indirectly with relevant outcomes reported to the Group Risk Committee and the Accord Board which then monitors the resolution of any actions arising.</p> <p>Further detail in respect of Accord can be found in the Risk Management Report. Further information on the Groups' approach to strategy and risk management can be found in the YBS Annual Report and Accounts 2025.</p>
<p>Principle Five - Remuneration</p> <p>A board should promote executive remuneration structures aligned to the long term sustainable success of a company, taking into account pay and conditions elsewhere in the company.</p>	<p>Accord is not an employer, all services required for the conduct of its operations are provided by YBS employees or contractors or through outsourcing arrangements. Updates are provided to the Accord Board on engagement with those employees who provide operational services to Accord.</p> <p>The directors of the Accord Board are not separately remunerated for their role on the subsidiary.</p> <p>YBS values its employees and is committed to ongoing engagement. Further detail on the YBS approach to employee engagement and remuneration, including its Remuneration Policy, can be found in the YBS Annual Report and Accounts 2025.</p>
<p>Principle Six - Stakeholder Relationships and Engagement</p> <p>Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the</p>	<p>Shareholder</p> <p>As a wholly owned subsidiary, the Accord Board duly considers the views of its sole shareholder, YBS, and the interests of the Group as a whole as part of its decision making. Accord recognises the role of YBS as its sole shareholder and parent Company and provides updates to the YBS Board on its performance and governance arrangements. The Accord Board regularly receives updates from key YBS stakeholders including Finance and Risk.</p> <p>Brokers</p> <p>The Board recognises that the relationship with our brokers and the quality of service provided is key to the success of the Company and continues to monitor feedback together with the Net Promoter Score (NPS) to measure satisfaction and identify any improvements required.</p> <p>The metrics in the Intragroup Outsourcing Agreement are kept under review to ensure they remain relevant to Accord's activities and to ensure that the service provided to brokers is maintained and reflected through NPS scores.</p>

Directors' report (continued)

Governance (continued)

Wates Corporate Governance Principles (continued)

Principle	How it applies to Accord
<p>Principle Six - Stakeholder Relationships and Engagement (continued)</p> <p>workforce, and having regard to their views when taking decisions.</p>	<p>Customers</p> <p>As a dedicated intermediary lender, Accord recognises the importance of working in partnership with intermediaries to meet the needs of customers and maintain service excellence. Engagement and support is provided to brokers through a variety of means, including a dedicated team of Business Development Managers, and updates on service and engagement initiatives are provided to the Accord Board where appropriate.</p> <p>Regulator</p> <p>Accord is solo regulated by the Financial Conduct Authority (FCA). Compliance and regulatory activities are managed at Group level, however, and the Board receives updates on the Group's regulatory engagement including areas which may be of significance to Accord.</p> <p>YBS Colleagues</p> <p>Whilst Accord does not have any employees, it is recognised that decisions could impact on colleagues within the Group, therefore, details of any such impacts are set out in papers submitted to and considered by the Accord Board.</p> <p>Other Stakeholders</p> <p>The Board is committed to taking into account the views of and understanding its impact on its key stakeholders. Papers considered by the Accord Board set out the implications of any decision on the Company's key stakeholders, including customers, YBS members where relevant as a Group wide impact, YBS colleagues and so on.</p> <p>For further detail see the Section 172 Statement.</p> <p>For further detail on how stakeholder matters are considered at Group level, see the YBS Annual Report and Accounts 2025.</p>

Future developments

The future developments are considered in the Outlook section of the Strategic Report.

Going Concern

The Company has recourse to a deed of undertaking with YBS should there be any shortfall on funding or any liquidity issues. Ultimately, therefore, the going concern of the Company is linked to the going concern of the Group.

In ensuring that the Company has sufficient financial resources, including liquid funds, to meet its liabilities as they fall due, the Board have taken account of this ongoing support provided by its parent, YBS. The directors have received a deed of undertaking from YBS confirming that funding will not be repayable for at least 12 months from the date the financial statements were authorised for issue.

The YBS Board undertake regular assessments of whether the Group is a going concern, taking into account changing economic and market conditions, and using all available information about future risks and uncertainties. During the year to 31 December 2025, the economic environment remained uncertain, with volatility in interest rate expectations as the Bank of England balanced slower growth and a more relaxed labour market against continuing inflationary pressures. While inflation remained above target during the year, Bank Rate was reduced gradually, and affordability pressures persisted for some households. However, due to its strong capital position and high liquidity levels, the Group continues to be well placed to manage the current economic conditions.

As a result, the directors confirm that, based on the latest formal review undertaken in February 2026, and stress tests performed throughout the year, they consider the Group has adequate resources to continue in existence for at least 12 months from the date the financial statements were authorised for issue. The aforementioned stress tests are for the Group as a whole as any assessment of the going concern of the Company is intrinsically linked to the going concern of YBS. The directors of the Company have adopted the going concern basis in preparing these financial statements.

There were no post balance sheets events after the period that require disclosure.

Directors' report (continued)

Audit information

Each of the directors at the approval of this Directors' report confirm that:

- The directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditors

The reappointment of PricewaterhouseCoopers LLP as auditors will be considered by the Board at the coming Group AGM.

Approved by order of the Board of directors and signed on behalf of the Board

T Ranger
Chair
25 February 2026

Statement of Directors' responsibilities in respect of the Financial Statements

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

Company law requires the directors to prepare Financial Statements for each financial year. Under that law the directors have prepared the financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 also 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

T Ranger
Chair
25 February 2026

S Martin
Director
25 February 2026

Independent auditors' report to the members of Accord Mortgages Limited

Report on the audit of the financial statements

Opinion

In our opinion, Accord Mortgages Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2025 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise:

- the statement of financial position as at 31 December 2025;
- the income statement, statement of cash flows and statement of changes in equity for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Accord Mortgages Limited (continued)

Report on the audit of the financial statements (continued)

Reporting on other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Strategic Report and Directors' Report

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

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Independent auditors' report to the members of Accord Mortgages Limited (continued)

Report on the audit of the financial statements (continued)

Responsibilities for the financial statements and the audit (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to Financial Conduct Authority's ('FCA') regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries that could be used to manipulate financial performance and the potential for management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations;
- Review of internal audit findings throughout the year, in so far as these related to the financial statements;
- Review of correspondence with the FCA and HMRC;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Challenging estimates and judgements made by management in forming significant accounting estimates in particular those relevant to expected credit losses; and
- Identifying and testing journals entries, in particular journal entries posted with unusual account combinations indicating a higher level risk.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of Accord Mortgages Limited (continued)

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Michael Whyte (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
25 February 2026

Income statement
for the year ended 31 December 2025

	2025	2024	
Note	£m	£m	
Interest revenue calculated using the effective interest rate method	3	2,161.6	2,132.5
Interest expense	4	(1,928.5)	(1,889.0)
Net interest income		233.1	243.5
Fees and commissions revenue		8.8	9.8
Fees and commissions expense		(7.7)	(8.4)
Net fee and commission income		1.1	1.4
Administrative expenses	5	(119.5)	(101.1)
Impairment of financial assets	7	(11.0)	(2.0)
Provisions		-	-
Profit before tax		103.7	141.8
Tax expense	6	(24.7)	(34.3)
Profit for the year		79.0	107.5

Accord Mortgages Limited had no income or expenditure (or other gains and losses) in either the current or prior year, other than the profits stated above, and consequently no statement of comprehensive income has been presented.

All the profit has originated from continuing operations and is attributable to the equity holder of the Company.

The notes on pages 31 to 58 form part of these financial statements.

Statement of financial position

as at 31 December 2025

	Note	2025 £m	2024 £m
Assets			
Loans and advances to customers	8	41,564.8	39,103.2
Amounts due from parent undertaking	17	8,242.7	10,166.2
Other assets		1.7	1.9
Total assets		49,809.2	49,271.3
Liabilities			
Amounts due to parent undertaking	17	38,746.8	37,145.6
Amounts due to other Group entities	17	10,557.1	11,622.9
Deferred tax liabilities	9	0.7	1.1
Other liabilities	10	5.3	3.4
Total liabilities		49,309.9	48,773.0
Equity			
Called up equity share capital	11	100.0	100.0
Retained earnings		399.3	398.3
Total equity		499.3	498.3
Total equity and liabilities		49,809.2	49,271.3

The notes on pages 31 to 58 form part of these financial statements.

These financial statements were approved by the board of directors on 25 February 2026 and were signed on its behalf by:

T Ranger
Chair

Statement of changes in equity
for the year ended 31 December 2025

	Share capital	Retained earnings	Total
	£m	£m	£m
Balance as at 1 January 2025	100.0	398.3	498.3
Profit for the financial year	-	79.0	79.0
Dividend paid	-	(78.0)	(78.0)
Balance as at 31 December 2025	100.0	399.3	499.3

	Share capital	Retained earnings	Total
	£m	£m	£m
Balance as at 1 January 2024	100.0	365.8	465.8
Profit for the financial year	-	107.5	107.5
Dividend paid	-	(75.0)	(75.0)
Balance as at 31 December 2024	100.0	398.3	498.3

The notes on pages 31 to 58 form part of these financial statements.

Statement of cash flows
for the year ended 31 December 2025

	Note	2025 £m	2024 £m
Cash flows from operating activities:			
Profit before tax*		103.7	141.8
Non-cash items included in profit before tax	16	1,439.2	1,249.8
Net change in operating assets	16	(2,472.4)	(3,244.4)
Net change in operating liabilities	16	0.4	0.2
Net cash flow from operating activities	16	(929.1)	(1,852.6)
Cash flows from financing activities:			
Net amounts received from parent and other Group entities	16	927.4	1,852.1
Net cash flows from financing activities		927.4	1,852.1
Net decrease in cash and cash equivalents		(1.7)	(0.5)
Cash and cash equivalents comprise:			
Bank overdraft			
1 January		(3.0)	(2.5)
31 December		(4.7)	(3.0)
Net decrease in cash and cash equivalents		(1.7)	(0.5)

* Included within profit before tax is interest received of £1,672.4 million (2024: £1,502.5 million) and interest paid of £nil (2024: £nil).

The notes on pages 31 to 58 form part of these financial statements.

Notes to the financial statements

1. Statement of accounting policies

General information

Accord Mortgages Limited (“Accord” or “the Company”) is a dedicated intermediary lending company domiciled and registered in England. The financial statements for the year ended 31 December 2025 were authorised for issue by the directors on 25 February 2026.

Basis of preparation

The financial statements have been prepared in accordance with ‘UK-adopted international accounting standards’ as endorsed by the UK Endorsement Board (“UKED”) as prescribed by the *Companies Act 2006*.

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial instruments measured at fair value at the end of each reporting period.

Pounds sterling is both the functional currency of the Company and the presentation currency applied to these financial statements. Except where otherwise stated, all figures in the financial statements are rounded to the nearest hundreds of thousands of pounds sterling (£0.0 million).

The preparation of financial statements under international accounting standards requires the use of certain critical accounting estimates and judgements. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the financial statements are set out in Note 2.

Going concern

The Company’s Directors undertake regular assessments of whether the Company is a going concern, taking into account changing economic and market conditions, and using all available information about future risks and uncertainties.

The Company has recourse to a deed of undertaking with YBS should there be any shortfall on funding or any liquidity issues. Ultimately, therefore, the going concern of the Company is linked to the going concern of the Group. In ensuring that the Company has sufficient financial resources, including liquid funds, to meet its liabilities as they fall due, the Board have taken account of this ongoing support provided by its parent, YBS. The directors have received a deed of undertaking from YBS confirming that funding will not be repayable for at least 12 months from the date the financial statements were authorised for issue.

The directors confirm that, based on the latest formal review undertaken in February 2026, and stress tests performed throughout the period, they consider the Company has adequate resources to continue in existence for the for at least 12 months from the date the financial statements were authorised for issue . The aforementioned stress tests are for the Group as a whole as any assessment of the going concern of the Company is intrinsically linked to the going concern of YBS. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Accounting developments

Changes to Accounting Standards effective in the period

There have been a number of amendments made to existing accounting standards that are effective for the reporting period commencing 1 January 2025:

IAS 21 - The Effects of Changes in Foreign Exchange Rates

IAS 21 - The Effects of Changes in Foreign Exchange Rates received amendments to address circumstances in which a currency lacks long-term exchangeability. The amendments provide explicit guidance on how to determine whether a currency is exchangeable and, when it is not, how to estimate an appropriate spot exchange rate. The Group does not engage in transactions involving currencies that lack exchangeability, and therefore these amendments have no impact on the Group’s reporting.

Notes to the financial statements (continued)

1. Statement of accounting policies (continued)

Standards issued but not yet effective

The following standards or amendments were in issue but were either optional, or not yet effective, and have not been adopted in these financial statements.

IFRS 9 and Hedge Accounting

IFRS 9 Financial Instruments was issued in 2014 as a replacement of IAS 39 Financial Instruments: Recognition and Measurement and was mandatorily effective for periods beginning on or after 1 January 2018.

However, IFRS 9 did not replace the requirements for portfolio fair value hedge accounting for interest rate risk since this phase of the project was separated out due to its longer-term nature.

As a result, IFRS 9 included a transitional relief allowing the continued use of the hedge accounting requirements of IAS 39. The development of the discussion paper will be closely monitored and the Company will continue to assess the impacts of full adoption of IFRS 9 for hedge accounting.

Amendments to IFRS 7 and IFRS 9 - Classification and Measurement of Financial Instruments

The Classification and Measurement of Financial Instruments amendments were made to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures in May 2024 and will become effective for annual reporting periods beginning on or after 1 January 2026. These amendments:

- clarify when some financial assets and liabilities can be recognised and derecognised, with a new exception for certain financial liabilities that are settled through an electronic cash transfer system;
- provide clarification and additional guidance on assessing whether a financial asset satisfies the solely payments of principal and interest (SPPI) criterion;
- introduce new disclosure requirements for instruments with contractual terms that can change cash flows; and
- revise the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

The Company does not expect these amendments to have an impact on its operations or financial statements.

IFRS 19 – Subsidiaries without Public Accountability: Disclosures

IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024 and will become effective for annual reporting periods beginning on or after 1 January 2027. The standard allows eligible subsidiaries to replace the disclosure requirements of other IFRS Accounting standards with reduced disclosure requirements. The Company does not expect these amendments to have an impact on its operations or financial statements as it does not meet the requirements set out in IFRS 19.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 Presentation and Disclosure in Financial Statements was issued in April 2024 and will become effective for annual reporting periods beginning on or after 1 January 2027. IFRS 18 will replace IAS 1 Presentation of Financial Statements. A review is underway into all of the impacts of implementing the new standard, with some key areas already identified including:

- Structure of the statement of profit or loss.
- Disclosures related to management-defined performance measures.
- Aggregation and disaggregation.
- Foreign currency and derivatives.

As the Company will adopt IFRS 18 from the effective date of 1 January 2027, a comparative for the reporting period ending 31 December 2026 will need to be prepared as retrospective application is required.

Notes to the financial statements (continued)

1. Statement of accounting policies (continued)

Material accounting policies

Interest revenue and expense calculated using the effective interest rate method

The effective interest rate method is used to calculate the revenue and expense for financial instruments held at amortised cost. The effective interest rate is the rate that exactly discounts estimated future cash flows (excluding credit losses) over the expected life of the instrument back to the carrying value of the asset.

For mortgage loans and advances to customers this includes an estimate of any early repayment income. Directly attributable acquisition costs, such as application and arrangement fees, are also incorporated in the calculation.

This has the effect of spreading these fees and costs over the expected life of the mortgage. Expected lives are estimated using historical data and management judgement. The calculation is adjusted when actual experience differs from estimates, with changes in deferred amounts being recognised immediately in the income statement.

Fees and commissions

Fees and commissions on referral of customers to third party service providers of financial products is accounted for on an effective interest rate basis, similar to interest revenue and expense calculated using the effective interest rate method. Other fees and commissions are recognised on an accruals basis as the relevant service is provided or at a point in time if the service or product provided relates to a one-off action.

Classification and measurement of financial assets and financial liabilities

The Company initially recognises financial assets and liabilities at their fair value (adjusted for any directly attributable transaction costs for those subsequently classified at amortised cost) on the date that the Company becomes a party to the contractual provisions of the instrument. Subsequent measurement of financial assets and financial liabilities depends on the contractual cash flow characteristics of the instrument.

Amortised cost: this measurement approach is applied to instruments that are held to collect interest and principal payments over the life of the contract. Subsequent measurement is via the effective interest rate method (see *Interest revenue and expense calculated using the effective interest rate method* above) and subject to impairment (see *Impairment* below).

Fair value through profit and loss: this method is applied to those instruments that are not classed as amortised cost or fair value through other comprehensive income. Subsequent measurement is at fair value with any movements recognised in the income statement in the period in which they arise.

The table below summarises the Company's financial instruments and the treatment adopted in these financial statements:

Financial Instrument	Description	Subsequent measurement
Loans and advances to customers	Primarily mortgage products offering a variety of fixed and variable interest rates	Amortised cost
Amounts due from parent undertaking	Intercompany loans	Amortised cost
Amounts due to parent undertaking and other Group entities	Intercompany loans	Amortised cost
Cash and cash equivalents	Bank overdraft	Amortised cost

The loans and advances to customers include offset mortgage products. The related interest is derived from net interest income on these offset mortgage products and from reduction in interest expense on amounts due to parent undertaking.

Notes to the financial statements (continued)

1. Statement of accounting policies (continued)

Material accounting policies (continued)

Derecognition of financial instruments

Financial assets are only derecognised when the contractual rights to receive cash flows from the financial assets have expired, or when the Company has transferred substantially all the risks and rewards of ownership. Financial liabilities are only derecognised when the obligation is discharged, cancelled, or has expired.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

At each reporting date the Company assesses financial assets held at amortised cost for impairment. For *loans and advances to customers* the Company uses the expected credit loss (ECL) staging model to assess any impairment in the carrying value of the mortgage assets. This model uses forward looking assessments of overall expected credit losses and recognises impairment based on a three-staged approach as follows.

Stage 1: financial assets are categorised into 'stage 1' on initial recognition. Impairment is based on expected credit losses resulting from default events projected within the next 12 months (12 month ECL).

Stage 2: financial assets move into 'stage 2' when they are deemed to have experienced a significant increase in credit risk (SICR), based on quantitative and/or qualitative risk grade thresholds. Impairment is then based on expected losses over the full lifetime of the contract (lifetime ECL).

The Company assesses a SICR to have occurred when the accounts are more than 30 days past due or there has been a significant relative increase in the lifetime probability of default (PD) compared to that at initial recognition.

For retail accounts, PD is based on the customer's credit quality, including analysis of their behaviour scores and other account characteristics.

Stage 3: financial assets are moved into 'stage 3' when there is objective evidence that the loan is credit impaired, with expected credit losses still calculated on a lifetime basis.

A loan is considered credit impaired when it is 90 days past due, has been renegotiated for credit risk reasons, or otherwise considered to be in default (including possession, insolvency and assets beyond term expiry).

The Accord Buy-to-Let (BTL) portfolio is not yet subject to behaviour scoring. The IFRS 9 model requires behaviour score to generate a probability of default, so for these loans an alternative modelling solution is in place, proxying losses based on a sample of residential mortgages run through the Company's BTL model adjusting for any other known differences between Residential and BTL lending. A fully modelled solution for these accounts is expected in the next two years.

The Company's use of forbearance tools, including arrears arrangements, payment deferrals, term extension, transfers to interest only and interest capitalisation, are factored into the criteria for identifying stage 3 accounts. The impairment provision is determined using the same calculation as stage 2 accounts, but with the PD set to 100%.

ECL calculations: these are assessed at individual loan level using three main components.

- PD, being the probability, at the point of assessment, that the customer will default in the future.
- Exposure at default (EAD), being the outstanding value of the loan, taking into account the repayment of principal and interest between the date of assessment and expected default date.
- Loss given default (LGD), is the net impact of the EAD after taking into account the mitigating effect of collateral and the time value of money.

PD is a point in time calculation based on current conditions and adjusted to take into account estimates of future conditions that will impact PD. EAD is modelled based on expected payments over the term and is not floored at the current balance.

LGD takes into account the expected impact of future economic conditions, such as changes in value of collateral, and does not include any floors. Only costs directly associated with obtaining/selling collateral are included. Discounting of

Notes to the financial statements (continued)

1. Statement of accounting policies (continued)

Material accounting policies (continued)

Impairment of financial assets (continued)

the expected cash flows is performed using the effective interest rate of the loan. The ECL is calculated using models that build up separate estimates for PD, EAD and LGD for every month that a loan is due to be outstanding.

Loans are written off against this ECL balance when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. Other financial assets are considered low credit risk at the reporting date as they are investment grade instruments.

PD and LGD estimates are then flexed under different scenarios to capture the effects of changes to the forward looking macroeconomic variables (including interest rates, unemployment, house prices and inflation). The final ECL figure takes a probability weighted average of these different scenarios.

Write-off

Financial assets remain on the balance sheet, net of associated provisions, until they are deemed to have no reasonable expectation of recovery. Loans are generally written off after realisation of any proceeds from collateral and upon conclusion of the collections process, including consideration of whether an account has reached a point where continuing attempts to recover are no longer likely to be successful. Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the value of impairment charges recorded in the income statement.

Deemed loan from special purpose securitisation vehicles

Where the transfer of a financial asset does not qualify for de-recognition, the transferor accounts for the transaction as a funding transaction and therefore recognises the cash or other consideration received as a payable to the transferee.

In relation to the mortgage loans transferred by the Company to special purpose securitisation vehicles, de-recognition is considered to be inappropriate by the Company, as the Company has retained significant risks - in the form of credit enhancement paid in - and rewards - in the form of deferred purchase consideration to be paid out - in relation to the loan receivables. The Company's Statement of Financial Position is therefore prepared on the basis that its sale of the beneficial interest in the mortgage loans is recognised as a collateralised non-recourse loan to the special purpose securitisation vehicles (a "deemed loan"), based on the amount the Company received from the special purpose securitisation vehicles to legally purchase the beneficial interest in the mortgage loans. The deemed loan is carried at amortised cost using the effective interest method.

Under the terms of the securitisation transaction, the special purpose securitisation vehicles retain the right to receive a set amount of available revenue receipts at each interest payment date from their beneficial interest in the mortgage loans. Available revenue receipts are defined by the relevant transaction documentation and include interest on the mortgage loans. Interest receipts on the mortgage loans in excess of those required by the special purpose securitisation vehicles to meet their obligations under the transaction documents are paid to the Company as deferred consideration. The payments of deferred consideration are strictly governed by the priority of payments for the relevant transaction, which sets out how cash can be utilised.

For the covered bond programme, the parent undertaking, Yorkshire Building Society, itself and not the structured entity issues the covered bonds and then lends the proceeds to the structured entity on back to back terms. The structured entity then uses these proceeds as consideration for the mortgage loans transferred from the Company. The structured entity provides security for issued notes secured against these specific mortgage loans of the Company. In the accounts of the Company, the proceeds received from the transfer are accounted for as a deemed loan repayable to the structured entities presented within 'Amounts due to other group entities'.

Notes to the financial statements (continued)

1. Statement of accounting policies (continued)

Material accounting policies (continued)

Provisions

Provisions are recognised when: the Company has a present obligation (legal or constructive) as a result of a past event; it is probable that the Company will be required to settle that obligation; and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the net present value of the consideration required to settle the obligation, taking into account the risks and uncertainties surrounding the obligation.

Taxation including deferred tax

Tax comprises current tax and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case the tax is recognised in the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable profits for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for temporary differences arising between the carrying amount of certain assets and liabilities for accounting purposes and for taxation purposes. Deferred tax is provided using tax rates enacted or substantively enacted at the reporting date effective on the date at which they are expected to reverse.

The following temporary differences are not provided for:

- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit.
- Differences relating to investments in subsidiaries, to the extent that the parent is able to control the reversal of temporary differences, and it is probable they will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available, against which a temporary difference can be utilised. The carrying amount of the deferred tax asset is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Other assets

Other assets represent mortgage repayments received from customers' awaiting allocation to mortgage accounts.

Other liabilities

The Company recognises accruals for operating activities and any amounts in respect of bank overdrafts within other liabilities.

Notes to the financial statements (continued)

2. Critical accounting judgement and key sources of estimation uncertainty

In applying its accounting policies, the Company makes judgements that have a significant impact on the amounts recognised in the financial statements.

In addition, estimates and assumptions are used that could affect the reported amounts of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are discussed below.

Key source of estimation uncertainty

Impairment of loans and advances to customers

The impairment calculation of expected credit losses (ECL) for a portfolio of mortgage loans is inherently uncertain. ECL is calculated using historical default and loss experience but requires judgement to be applied in predicting future economic conditions (e.g. interest rates and house prices) and customer behaviour (e.g. default rates). The most critical judgements that lead to estimation uncertainty are as follows:

Economic scenarios and weightings

A forum, supported by Finance, Credit Risk, Balance Sheet Management and economic experts considers the forward-looking macroeconomic assumptions with the objective of developing internally coherent economic scenarios to propose to the Group Asset and Liability Committee (ALCO) for challenge and approval. ALCO ensures that the ECL meets the requirement for unbiased and weighted amounts derived by evaluating a range of possible outcomes and assumptions, or economic scenarios.

Judgements are made in arriving at the level of each economic variable, such as house price index (HPI) and unemployment, applied in each economic scenario to support the estimate of ECL. ALCO applies judgements to arrive at these assumptions while the consensus view on these economic variables is being reached.

The UK economic environment during 2025 has been more stable than what we saw during the COVID-19 pandemic and the years following it, with a more positive outlook emerging across key indicators. Inflation continues to ease and employment conditions have remained broadly stable, with a modest rise in unemployment during the year. The HPI index returned to positive annual growth and mortgage affordability pressures eased somewhat as interest rates stabilised.

The provision is calculated by applying a range of economic scenarios that are weighted.

The Company continue to apply four economic scenarios, with no changes made to the scenario weightings during the year. SME judgement continues to be applied in determining the relative weighting of each economic scenario in the ECL estimate, informed by an assessment of external data and statistical model results.

In terms of sensitivity to changes in key economic variables within the model, the ECL model was run with a 100% weighting applied to the core scenario, in both core and non-core models. When the HPI forecast was replaced with the respective forecasts from the downturn and severe downturn scenarios ECL, excluding PMAs, increased by £7.0 million and £24.5 million (2024: £2.2 million and £15.1 million). Below is the percentage change in HPI forecast for both downturn scenarios for the next 5 years in relation to the core scenario.

Notes to the financial statements (continued)

2. Critical accounting judgement and key sources of estimation uncertainty (continued)

	2025 Scenario (% Change)				
	2026	2027	2028	2029	2030
HPI					
Downturn	(8.2)	(4.4)	(2.0)	(1.8)	(1.8)
Severe downturn	(16.9)	(11.0)	(3.5)	3.1	0.5

	2024 Scenario (% Change)				
	2025	2026	2027	2028	2029
HPI					
Downturn	(7.0)	(2.0)	(2.5)	(1.8)	(1.8)
Severe downturn	(17.3)	(12.5)	(4.6)	3.1	(2.5)

The key in-year impact of changes to economic variables came from applying quarterly Office of National Statistics (ONS) HPI updates, which accounted for £2.3 million of impairment release over 2025 (2024: £0.4 million charge).

Notes to the financial statements (continued)

3. Interest Revenue

	2025 £m	2024 £m
Calculated using the effective interest rate method:		
On loans secured on residential property	1,639.9	1,465.0
In lieu of interest receivable on mortgage offset accounts	39.7	35.6
On loans to parent company (Note 17)	460.6	605.6
On debt securities	21.4	26.3
Interest income calculated using the effective interest rate method	<u>2,161.6</u>	<u>2,132.5</u>
Total interest revenue	<u>2,161.6</u>	<u>2,132.5</u>

4. Interest Expense

	2025 £m	2024 £m
On funding from parent company (Note 17)	1,470.0	1,282.7
On deemed loans from other Group entities (Note 17)	306.8	286.3
On intercompany transactions	151.7	320.0
Total interest expense	<u>1,928.5</u>	<u>1,889.0</u>

5. Administrative expenses

	2025 £m	2024 £m
Management charge	116.5	98.7
Other expenses	3.0	2.4
Total administrative expenses	<u>119.5</u>	<u>101.1</u>

The management charge represents the costs charged to the Company by the Society based on the activity the Society undertake on behalf of the Company.

The year-on-year increase of £17.8m in the management charge is driven by higher overall management expenses at Group level, resulting in a larger direct recharge from core functions, as well as an increase in the percentage allocation from support functions and projects. Of this total increase, £11.1m relates to business-as-usual recharges and £6.7m relates to project activity.

The fees payable to the Company's auditors for the audit of the Company's annual financial statements was borne entirely by the Society and not recharged. The audit fee of £313,000 (2024: £298,000) excluding VAT is borne by Society on behalf of the Company. There were £nil non-audit services provided to the Company by the Company's auditors (2024: £nil).

No staff were employed by the Company during the current or prior year.

The Company's directors are paid by Yorkshire Building Society. None of the directors or other key management personnel received any emoluments in the year in relation to their services to the Company (2024: none) as their emoluments are deemed to be substantially attributable to their services to Yorkshire Building Society.

Notes to the financial statements (continued)

6. Tax expense

	2025 £m	2024 £m
Current tax:		
UK corporation tax at 25.0% (2024: 25.00%)	25.1	34.6
Total current tax	25.1	34.6
Deferred tax:		
Current year credit	(0.4)	(0.3)
Total tax expense in income statement	24.7	34.3

The Group is within the scope of the OECD Pillar two model rules, which have been enacted into UK legislation. The intention of the legislation is to ensure that UK-headquartered multinational enterprises pay a minimum tax rate of 15% on UK and overseas profits. The Pillar Two rules include a Qualified Domestic Minimum Top-Up Tax, which aims to ensure that large UK groups pay a minimum tax rate of 15% on their UK profits.

The Group's operations are entirely based in the UK and are subject to UK corporation tax. The UK rate of corporation tax is 25.0% and based on a full assessment of the UK's implementation of the rules and calculation of their application to the Group, the impact of Pillar Two taxes on the Group is not expected to be material.

The tax expense arising from Pillar Two is £nil for the years ended 31 December 2025 and 31 December 2024.

The IAS 12 exceptions from recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes have been applied.

The actual tax expense differs from that calculated using the standard rate of corporation tax in the UK of 25.0% (2024: 25.0%) and the differences are explained below:

	2025 £m	2024 £m
Profit before tax	103.7	141.8
Tax calculated at a tax rate of 25.0% (2024: 25.0%)	25.9	35.5
Effects of:		
Expenses not deductible for tax purposes	0.2	-
Change in tax rate	-	-
Other permanent difference	(1.4)	(1.2)
Tax expense in income statement	24.7	34.3

The other permanent difference represents a UK transfer pricing adjustment between the Company and its Parent.

Notes to the financial statements (continued)

7. Impairment of financial assets

	2025 £m	2024 £m
Expected credit losses as at 1 January	31.6	29.2
Amounts written off in the year	(1.8)	(0.5)
Reduction in discounting	0.7	0.7
Impairment charge for the year	11.3	2.2
Expected credit losses as at 31 December	41.8	31.6
The charge for the year comprises:		
Impairment adjustment for the year	11.3	2.2
Recoveries relating to amounts previously written off	(0.3)	(0.2)
Impairment of financial assets	11.0	2.0

Income on impaired assets is calculated using the effective interest rate method based on the amortised cost of the asset after adjusting for expected credit losses, and not the gross carrying value.

In year ended 2025, the impairment charge on loans and advances to customers has increased to £11.3m (2024: £2.2m) reflecting a higher average risk profile within the Stage 2 ECL population, primarily due to stage deterioration. Details of the movements in staging are explained in the movement analysis section of Note 15.

8. Loans and advances to customers

	2025 £m	2024 £m
Loans and advances to customers comprise:		
Loans secured on residential property	41,606.6	39,134.8
Expected credit losses – Impairment allowance (Note 7)	(41.8)	(31.6)
	41,564.8	39,103.2

£28.6 million of the loans and advances are contractually due in less than one year (2024: £17.9 million).

9. Deferred tax liabilities

The movements on the deferred tax liability are as follows:

	2025 £m	2024 £m
At 1 January	1.1	1.4
Income statement credit	(0.4)	(0.3)
At 31 December	0.7	1.1

10. Other liabilities

	2025 £m	2024 £m
Creditors (amounts falling due within one year)		
Bank overdraft	4.7	3.0
Accruals	0.6	0.4
	5.3	3.4

Notes to the financial statements (continued)

11. Called up equity share capital

	2025 £m	2024 £m
Authorised, allotted, called up and fully paid: 100,000,000 (2024: 100,000,000) Ordinary shares of £1 each	100.0	100.0

12. Fair values

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

The Company measures fair value using the following fair value hierarchy:

Level 1: Quoted prices (unadjusted) 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).

The following is a comparison of book and fair values of the Company's financial instruments as at the reporting date.

	Carrying value £m	Fair value			Total fair value £m
		Level 1 £m	Level 2 £m	Level 3 £m	
2025					
Assets					
Loans and advances to customers	41,564.8	-	-	41,809.9	41,809.9
Amounts due from parent undertaking	8,242.7	-	-	8,242.7	8,242.7
Liabilities					
Amounts due to parent undertaking and other Group entities	49,303.8	-	-	49,548.9	49,548.9
2024					
Assets					
Loans and advances to customers	39,103.2	-	-	38,572.9	38,572.9
Amounts due from parent undertaking	10,166.2	-	-	10,166.2	10,166.2
Liabilities					
Amounts due to parent undertaking and other Group entities	48,768.5	-	-	48,238.2	48,238.2

Fixed rate mortgages are discounted using current market product rates. The difference between book value and fair value results from market rate volatility relative to the fixed rate at inception of the loan deal period; in addition to assumptions applied in relation to redemption profiles, which are regularly reviewed and updated where necessary. As these redemption profiles are not considered to be observable by the market, the fair value of loans and advances to customers is considered to be derived by using Level 3 valuation techniques. Overall, the fair value is larger than the carrying value by £245.1 million (2024: £530.3 million lower) which arises primarily due to market rates being below the product rates. A similar technique is used to assess the fair value of the financial liabilities based on the contractual terms and market rates of interest.

Notes to the financial statements (continued)

13. Maturity analysis

Maturity analysis	Repayable on demand and up to one year £m	In more than one year but not more than five years £m	In more than five years £m	No specified maturity £m	Total £m
2025					
Financial liabilities:					
Borrowings from parent and other Group entities	(4.7)	-	-	(49,299.2)	(49,303.8)
	(4.7)	-	-	(49,299.2)	(49,303.8)
2024					
Financial liabilities:					
Borrowings from parent and other Group entities	(3.0)	-	-	(48,765.5)	(48,768.5)
	(3.0)	-	-	(48,765.5)	(48,768.5)

The Company's *borrowings from parent* are subject to a deed of undertaking with YBS, whereby YBS guarantees to discharge any liabilities of the Company should they fail to be met. This agreement is indefinite but is reaffirmed annually by the YBS Board. The YBS Board have confirmed that this funding will not be repayable in the foreseeable future.

Notes to the financial statements (continued)

14. Risk Management

Market risk

The Group's principal source of market risk is interest rate risk which focuses on four main measures:

Value at Risk (VaR)

VaR is a risk management tool which evaluates the potential losses that may be incurred as a result of movements in market conditions over a specified holding period and to a given level of confidence. The model used is based on a 10 day holding period and a 99% confidence level.

Basis point value (BP) sensitivity

This measure calculates the change in value of the assets and liabilities resulting from a one basis point parallel shift in interest rates.

Structural risk analysis (Basis risk)

An analysis of interest bearing items by rate type is performed to illustrate key areas of structural mismatch. It identifies mismatches between administered rates, fixed rates and other rates including those linked to Bank Base Rate and SONIA.

Re-pricing gap analysis

Re-pricing dates are analysed, primarily to avoid re-pricing risk concentrations – the situation where too great a proportion of the Society's assets and liabilities see the interest rates earned or charged on them resetting within a given time period.

As all market risk is managed by the Society on behalf of Accord Mortgages Limited, further details of how the Society manages market risk can be found in the accounts of the Company's parent Yorkshire Building Society.

Interest rate risk

Interest rate risk within the Company has been eliminated by the provision of appropriate fixed and floating rate funding from its parent Yorkshire Building Society.

Liquidity risk

Liquidity risk within the Company has been eliminated by the provision of undated funding from its parent Yorkshire Building Society.

Currency risk

The Company has no currency risk as all its financial assets and liabilities are denominated in pounds sterling.

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers

Gross exposure

The table below splits the loans and advances to customers balance per the statement of financial position into its constituent parts and reconciles to the gross exposures used in the expected credit loss (ECL) model. Effective Interest Rate (EIR) adjustments have been excluded from the ECL model as these do not form part of the contractual cash flows from the assets.

EIR is the measurement method used for financial assets held at amortised cost, including loans and advances to customers, which spreads income and fees over the life of the asset.

ECL is calculated using models that take historical default and loss experience and apply predictions of future economic conditions (e.g. unemployment and house prices) and customer behaviour (e.g. default rates). In certain circumstances, the core models may not accurately reflect factors that have resulted in an increase in credit risk. When this happens, post model adjustments (PMAs) are overlaid to reflect the impact on ECL. The economic scenarios and the PMAs applied at 31 December 2025 are described below.

	2025	2024
	£m	£m
Gross contractual exposures at the year end	41,552.0	39,081.4
EIR	54.6	53.4
ECL	(41.8)	(31.6)
Loans and advances to customers	41,564.8	39,103.2

Expected Credit Losses (ECL)

Economic scenarios

Accounting standards require ECL to be calculated by applying multiple economic scenarios. Each economic scenario is provided a weighting, and these are combined to arrive at the total ECL.

These scenarios are generated internally using external data, statistical methodologies, and senior management judgement, to span a range of plausible economic conditions. The Company continues to use four scenarios: an upside scenario that assumes more benign economic conditions; our core or central best estimate scenario; a more negative downturn scenario; and a severe downturn scenario.

Scenarios are projected over a five-year window, reverting to long-term averages past that point. The Company allows all macroeconomic scenarios to impact staging.

Current macroeconomic conditions

Despite the relative stability in the UK economic environment during 2025, global conflict continued throughout 2025, generating heightened economic uncertainty and risks. After almost two years of conflict, Israel and Hamas agreed a ceasefire, reducing the probability of a wider escalation in the Middle East. The war in Ukraine continues, resulting in heightened risk of energy and supply chain issues.

Global trade and protectionism have been another key theme. On 2nd April, President Trump announced wide scale tariff policy, the announcement surprising markets both in terms of severity and scope, impacting most of the World. Since the announcement, the US has made bilateral trade agreements with most countries, mitigating the impact for global growth. The biggest risk for the global economy is the trade war between the US and China, which has escalated several times throughout the year. A structural shift in global trade is likely, with China and the US reducing the reliance on one another over the coming years. Supply and demand dynamics will evolve for goods globally, which brings both risks and opportunities for the UK.

The UK economy has grown modestly in 2025, proving broadly resilient to the emergence of geopolitical uncertainty. After a strong start to the year, with GDP growth driven by services and construction, momentum slowed through the summer. Manufacturing and construction sectors were impacted by global trade uncertainty following the US tariff announcements in April, while consumer confidence remained subdued despite real wage growth. Labour market conditions have softened throughout 2025. Unemployment has risen from 4.4% at the beginning of the year to 5.1% by November. Redundancy levels have increased but not rapidly, reiterating the sense of softening rather than a deterioration in the market. Inflation has increased gradually throughout 2025. The resurgence was driven by persistent

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers (continued)

Expected Credit Losses (ECL) (continued)

Economic scenarios (continued)

services inflation, contractual price resets and regulated price increases in April, and the unwind of energy deflation (following energy price spikes in previous years).

Monetary policy has shifted from tightening to cautious easing since the first rate cut in August 2024. The easing has been made possible by moderating inflation dynamics and increasing slack in the economy. MPC minutes throughout the year have cited a “gradual and careful” approach to easing rates, with further cuts contingent on fiscal developments and inflation trends. It has been made clear that the MPC are approaching the end of the cutting cycle, based on current trends and forecasts. One more rate cut is expected by the Bank of England, with base rate expected to stabilise at 3.5% in H1 2026.

The UK economy is expected to expand again modestly in 2026, stimulated by real earnings growth and a lower interest rate environment. Housing market activity is expected to increase relative to 2025, and house prices are expected to increase moderately.

The credit performance of our mortgage portfolio remains a core component of our established risk management framework and will continue to be monitored closely. We remain committed to supporting customers experiencing financial difficulty and will work with borrowers, where possible, to help them manage their individual circumstances.

Upside

Recovering business confidence and strong investment lead to productivity gains and strong growth. Domestic inflationary pressures fall quickly, and consumer confidence rises. The Bank of England note the slowdown of inflation and cut rates to stimulate growth. Strong consumer confidence and lower interest rates encourage strong housing market activity and house price growth.

Core

The UK economy is expected to grow moderately throughout the planning horizon. The Bank of England cut base rate once more, leaving base rate at 3.5%. Inflation remains above target for 2026 before trending back to target. The labour market stabilises, with unemployment peaking at 5.2% in 2026. Stable house price growth over the planning horizon.

Downturn

Global uncertainty stifles investment, leading to recessions globally, including a recession in the UK. The Bank of England accelerate the pace of rate cuts to stimulate the economy. Growing imbalance between supply and demand

Severe Downturn

Geopolitical tensions escalate such that oil prices spike alongside material supply chain difficulties. This leads to another round of inflation and rate hikes. A deep recession ensues, with unemployment rising and house prices falling significantly.

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers (continued)

Expected Credit Losses (ECL) (continued)

Macroeconomic assumptions

The following tables shows the values of the key economic variables used by each economic scenario for the period until December 2030. The table includes the three key parameters used to predict probability of default (PD) – unemployment, HPI and UK Bank of England base rate. GDP is also presented as it is the key input for determining the economic parameters used and provides context to the nature of the overall scenario

Summary of Key Economic Variables

%	2025 Scenario					2024 Scenario				
	2026	2027	2028	2029	2030	2025	2026	2027	2028	2029
HPI										
Upside	5.5	4.0	4.0	4.0	4.0	6.0	5.5	4.0	4.0	4.0
Core	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Downturn	(5.2)	(1.4)	1.0	1.2	1.2	(4.0)	1.0	0.5	1.2	1.2
Severe downturn	(13.9)	(8.0)	(0.5)	6.1	3.5	(14.3)	(9.5)	(1.6)	6.1	0.5
GDP										
Upside	1.7	2.0	2.2	2.2	2.2	1.9	2.0	2.4	2.2	2.2
Core	1.0	1.3	1.4	1.5	1.5	1.3	1.5	1.6	1.6	1.7
Downturn	(2.0)	0.6	1.2	1.2	1.2	0.5	0.7	1.0	1.2	1.2
Severe downturn	(3.5)	(1.0)	0.8	0.8	0.8	(4.5)	(1.5)	0.5	0.8	0.8
Unemployment										
Upside	4.3	4.3	4.2	4.2	4.2	4.2	4.2	4.2	4.2	4.2
Core	5.2	5.0	4.7	4.5	4.5	4.6	4.7	4.6	4.5	4.5
Downturn	6.6	6.5	6.0	5.2	5.0	6.0	5.8	5.5	5.0	4.8
Severe downturn	8.3	8.2	6.9	6.5	6.5	8.0	8.4	7.0	6.5	6.0
Bank Rate										
Upside	3.0	3.0	3.0	3.0	3.0	3.5	3.5	3.5	3.3	3.3
Core	3.5	3.5	3.5	3.5	3.5	4.0	3.8	3.8	3.8	3.5
Downturn	2.5	2.5	2.8	3.0	3.0	4.8	4.3	4.3	4.3	4.3
Severe downturn	6.3	5.0	5.0	4.5	4.5	6.5	5.5	5.0	5.0	4.5

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers (continued)

Expected Credit Losses (ECL) (continued)

Macroeconomic assumptions (continued)

The values in the table below are calculated as either a simple average of the rate across the five-year forecasting period or as peak to trough.

%	Upside		Core		Downturn		Severe downturn	
	2025	2024	2025	2024	2025	2024	2025	2024
5y Average								
GDP	2.1	2.1	1.3	1.5	0.4	0.9	(0.4)	(0.8)
HPI	4.3	4.7	3.0	3.0	(0.6)	-	(2.6)	(3.8)
Unemployment	4.2	4.2	4.8	4.6	5.9	5.4	7.3	7.2
Bank rate	3.0	3.4	3.5	3.8	2.8	4.4	5.1	5.3
Peak to trough								
GDP	-	-	-	-	(2.0)	-	(4.5)	(5.9)
HPI	-	-	-	-	(7.9)	(5.1)	(24.0)	(26.4)
Unemployment	4.3	4.2	5.2	4.7	6.6	6.0	8.3	9.0

Weightings

The following table shows the expected credit loss under each of our four economic scenarios along with the weightings that have been applied to arrive at the weighted average ECL. PMAs are calculated using the weighted scenario results and so their sensitivity in each of the individual scenarios cannot be accurately determined. For completeness they have been included as a uniform adjustment across each scenario.

Scenario	2025		2024	
	Weighting (%)	ECL £m	Weighting (%)	ECL £m
Upside	10	14.5	10	20.1
Core	60	16.6	60	20.9
Downturn	20	77.5	20	44.6
Severe downturn	10	148.8	10	81.6
Weighted scenario	100	41.8	100	31.6

A modelling approach using quantitative analysis is applied to assess the weightings which uses industry-level write-off data to infer the Society's loss rates over the period, as internal loss data isn't available to establish a historical loss rate distribution which reflects the nature of our losses (i.e. relatively low losses in 'normal' times but the potential to make more substantial losses in recessionary conditions). An econometric model was developed which could be used to infer future loss rates based on a range of different economic scenarios.

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers (continued)

Post Model Adjustments

Post Model Adjustments ('PMA') are applied when an increase in credit risk is identified that is not effectively captured in the core expected credit loss models. A rigorous review of the PMAs has been performed to determine whether the identified risks are still applicable, and if any additional risks have been identified. Adjustments were made both to what PMAs were required and to the magnitude of those that were maintained.

The PMA working group includes colleagues from Finance, Balance Sheet Management and Credit Risk. This working group has been used to review the on-going suitability of existing PMAs and discuss whether additional PMAs are required in relation to emerging risks or issues.

The PMAs applied at 31 December 2025 are as follows:

	2025	2024
	£m	£m
Affordability	0.0	1.2
Model performance	0.0	9.2
Climate Change Risk	0.6	0.7
Total PMA	0.6	11.1

During 2024, the Group applied a number of PMAs to reflect risks not fully captured in the IFRS 9 ECL model, including affordability risks arising from high inflation and cost-of-living pressures, model performance limitations for the under-prediction in the Society's 4th generation (Gen 4) PD models which were implemented in 2023 for the first time, and other limitation related to climate risk.

Following a reduction in affordability risk as cost-of-living pressures eased, together with the implementation of IFRS 9 PD model recalibration addressing model under-prediction and scenario sensitivity, these risks are reflected within the modelled ECL in year end 31 December 2025. Accordingly, the related PMAs were released and no longer apply as at year end 31 December 2025.

At 31 December 2025, the only remaining PMA held relates to a combination of physical and transition climate risks and is not material.

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers (continued)

Expected Credit Losses (ECL) (continued)

Staging

31 December 2025	Balance		PMA	ECL	Coverage	Average LTV
Stages	£m	%	£m	£m	%	%
Stage 1	38,654.0	93.0	0.3	8.7	-	57.9
Stage 2	2,439.9	5.9	0.2	18.1	0.7	53.2
Stage 3	458.1	1.1	0.1	15.0	3.3	50.8
Total	41,552.0	100.0	0.6	41.8	0.1	57.5
31 December 2024	Balance		PMA	ECL	Coverage	Average LTV
Stages	£m	%	£m	£m	%	%
Stage 1	35,377.0	90.5	2.7	5.5	-	57.9
Stage 2	3,324.0	8.5	8.2	14.8	0.4	49.1
Stage 3	380.4	1.0	0.2	11.3	3.0	50.9
Total	39,081.4	100.0	11.1	31.6	0.1	57.3

Stage 2 exposures have reduced year on year following the release of PMAs that had previously resulted in a portion of accounts being classified in Stage 2. In addition, the IFRS 9 PD model recalibration and the associated Stage 2 review have improved the identification of exposures with significant increase in credit risk. As a result, the remaining Stage 2 population has a higher average risk profile, leading to a higher ECL and coverage ratio despite the reduction in gross exposure year on year.

Details of the movements in staging are explained in the movement analysis section of this note.

The following table shows expected credit losses, and a best estimate of the collateral against these mortgages. The collateral which is the security (property) for the repayment of a loan is calculated as the lower of the value of the property and the outstanding loan amount so does not represent the overall value of properties backing the loans.

	Exposures		Collateral		ECL	
	2025	2024	2025	2024	2025	2024
	£m	£m	£m	£m	£m	£m
Stage 1	38,654.0	35,377.0	38,654.0	35,377.0	8.7	5.5
Stage 2	2,439.9	3,324.0	2,439.9	3,324.0	18.1	14.8
Less than 30 days past due	2,275.3	3,191.1	2,275.3	3,191.1	15.8	13.4
More than 30 days past due	164.6	132.9	164.6	132.9	2.3	1.4
Stage 3	458.1	380.4	458.1	380.1	15.0	11.3
Less than 30 days past due	193.3	171.5	193.3	171.5	2.5	2.4
Between 30-90 days past due	96.2	70.8	96.2	70.8	1.7	1.0
More than 90 days past due	168.6	138.1	168.6	137.8	10.8	7.9
Total	41,552.0	39,081.4	41,552.0	39,081.1	41.8	31.6

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers (continued)

Expected Credit Losses (ECL) (continued)

Credit risk management

The *Retail and commercial credit risk* section of the *Risk management report* describes how the Company manages credit risk via a robust risk appetite, credit risk framework, governance framework and through stress testing.

The Company's exposure to mortgage related credit risk is monitored and reporting on risk exposures is provided regularly to the Group's risk committees, including analysis of mortgages in arrears and monitoring of the characteristics of the loan portfolios (e.g. geographic location and loan-to-value).

	2025	2024
	%	%
Arrears status		
No arrears	97.7	98.1
Less than three months	1.9	1.6
Equal to or more than three months, less than six months	0.2	0.2
Equal to or more than six months, less than twelve months	0.1	0.1
Twelve months or more	0.1	0.0
Total	100.0	100.0
Number of properties in possession at the year end	55	44

The percentage of Accord mortgages with arrears of three months or more (as a % by volume, including possessions) has marginally increased from 0.40% to 0.43%. The UK Finance industry average ratio for mortgage arrears is measured using the number of accounts (including possessions). On this basis, the Company's retail mortgage arrears ratio of 0.50% (2024: 0.40%) is below the total retail UK Finance ratio 0.88% (Q3 2025).

Arrears on more recent lending are minimal, reflecting the Company's credit risk appetite. The arrears on the buy-to-let portfolio within retail has an arrears ratio of 0.12% (2024: 0.08%).

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers (continued)

Credit risk management (continued)

The Company's retail mortgage exposure can be broken down by customer type and geographical region as follows:

	Book		New lending	
	2025	2024	2025	2024
Retail mortgage customer type	%	%	%	%
First time buyer	25.6	25.3	27.4	24.5
Other buyers e.g. movers	31.9	31.6	32.5	31.9
Remortgage	25.3	24.8	29.9	30.8
Buy-to-let	17.2	18.3	10.2	12.8
	100.0	100.0	100.0	100.0

Note: The customer type distribution for new lending is based on year end balances.

	Book		New lending	
	2025	2024	2025	2024
Retail mortgage geographical distribution	%	%	%	%
Scotland	6.7	6.5	7.7	6.5
North East	3.2	3.2	3.9	2.7
Yorkshire & Humberside	6.8	6.9	6.9	5.7
North West	10.0	9.9	10.1	9.5
Midlands	13.5	13.3	13.2	12.7
East	11.4	11.3	4.1	12.0
South West	7.7	7.7	7.9	7.7
Greater London	17.9	18.6	15.1	19.0
South East	18.3	18.3	26.1	19.9
Wales & Northern Ireland	4.5	4.3	5.0	4.3
	100.0	100.0	100.0	100.0

The Company's retail mortgages are secured on property. The value of these properties is updated on a quarterly basis using the Office for National Statistics (ONS) regional property price indices which comprise relative house price movements across the UK. These indexed valuations provide senior management with a view of the value and risk of the properties on which retail mortgages are secured.

	Book		New lending	
	2025	2024	2025	2024
Loan-to-value distribution of retail mortgages	%	%	%	%
100% or greater	-	-	-	0.5
95% to 100%	0.3	0.5	1.5	-
90% to 95%	2.7	3.3	10.0	7.3
85% to 90%	7.9	7.2	23.2	20.9
80% to 85%	10.8	9.0	20.4	20.2
75% to 80%	10.0	9.0	9.8	10.0
70% to 75%	10.7	10.6	11.0	11.4
60% to 70%	18.9	20.5	8.3	9.9
Less than 60%	38.7	39.9	15.8	19.8
	100.0	100.0	100.0	100.0
Average indexed LTV (All)	54.6	55.4	73.3	66.2
Average indexed LTV (BTL)	54.8	56.0	63.3	58.0

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers (continued)

Credit risk management (continued)

The following tables are included to give an overview of the Company's credit risk. This includes analysis of exposures by 12 month probability of default (PD) bands and origination year.

The ECL models cover the majority of loans underwritten by the Company, with exceptions for portfolios subject to bespoke modelling requirements including Accord BTL. The Accord BTL population currently has very strict underwriting criteria and limited behavioural history.

Lending by Risk Grade

Probability of default range	Stage 1	Stage 2	Stage 3	2025 Total balances	2024 Total balances	ECL 2025	ECL 2024
	£m	£m	£m	£m	£m	£m	£m
0.00% - <0.15%	24,020.6	183.1	-	24,203.7	23,212.6	2.5	0.6
0.15% - <0.25%	4,463.7	87.9	-	4,551.6	3,897.9	1.4	0.3
0.25% - <0.50%	1,470.7	75.9	-	1,546.6	1,276.5	0.9	0.2
0.50% - <0.75%	695.3	180.9	-	876.2	826.7	0.9	0.2
0.75% - <1.00%	622.8	323.8	-	946.6	846.8	1.8	0.4
1.00% - <2.50%	374.9	930.9	-	1,305.8	1,097.2	7.1	2.0
2.50% - <10.0%	26.6	317.0	-	343.6	278.0	4.9	1.7
10.0% - <100%	7.6	163.0	-	170.6	113.9	2.9	1.6
Default	-	-	443.6	443.6	371.0	14.0	10.1
Accord BTL	6,971.8	177.4	14.5	7,163.7	7,159.6	4.8	3.4
Other	-	-	-	-	1.2	-	-
PMAAs	-	-	-	-	-	0.6	11.1
Total	38,654.0	2,439.9	458.1	41,552.0	39,081.4	41.8	31.6

The table below shows balances and expected credit losses, captured within impairment provisions by origination year for retail loans. The table shows that the credit quality of newly written business is of significantly higher quality than that written before 2009.

Origination year	Stage 1	Stage 2	Stage 3	2025 Total balances	2024 Total balances	ECL 2025	ECL 2024
	£m	£m	£m	£m	£m	£m	£m
2025	8,038.8	254.2	29.7	8,322.7	-	5.3	-
2024	7,129.6	404.5	39.9	7,574.0	8,098.1	8.3	4.1
2023	5,340.1	400.7	61.4	5,802.2	7,224.1	9.1	6.1
2022	5,928.0	355.5	62.2	6,345.7	6,944.7	6.8	6.2
2013 - 2021	11,632.8	861.8	187.1	12,681.7	15,844.7	9.3	11.8
2009 - 2012	258.7	19.2	4.3	282.2	337.0	0.1	0.2
Pre - 2009	326.0	144.0	73.5	543.5	632.8	2.9	3.2
Total	38,654.0	2,439.9	458.1	41,552.0	39,081.4	41.8	31.6

The table on pages 54 to 66 details the movement in the gross exposures and ECL from the beginning to the end of the reporting period split by stage. The Society has updated the definition of default and the probability of default rating scale on the back of a comprehensive review as part of the transition to the fourth generation internal ratings based (Gen 4 IRB) method of calculating regulatory capital. These model updates were approved for use in the core underlying models in the first half of 2023 and all ECL outputs were updated to reflect these changes.

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers (continued)

Credit risk management (continued)

During 2024, a level of PD underprediction was identified in the Gen4 models and a PMA had been applied to uplift PD estimates and was used in the calculation of staging and ECL.

Following recalibration of the model during 2025, the updated Gen4 models appropriately capture the underlying credit risk without the need for a PMA. Accordingly, this PMA was released and does not apply at year end 31 December 2025.

The following tables detail the movement in the gross exposures and ECL from the beginning to the end of the reporting period split by class of financial instrument.

Movement analysis	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross balance as at 1 January 2025	35,377.0	3,324.0	380.4	39,081.4
Transfers:				
Transfers from stage 1 to 2	(1,212.4)	1,212.4	-	-
Transfers from stage 1 to 3	(107.4)	-	107.4	-
Transfers from stage 2 to 1	690.8	(690.8)	-	-
Transfers from stage 2 to 3	-	(106.9)	106.9	-
Transfers from stage 3 to 1	29.0	-	(29.0)	-
Transfers from stage 3 to 2	-	60.2	(60.2)	-
Changes to carrying value	325.5	(1,190.5)	22.0	(843.0)
New financial assets originated or purchased	8,321.4	-	-	8,321.4
Financial assets derecognised during the year	(4,769.9)	(168.5)	(62.4)	(5,000.8)
Write-offs	-	-	(7.0)	(7.0)
Gross balance as at 31 December 2025	38,654.0	2,439.9	458.1	41,552.0

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers (continued)

Credit risk management (continued)

Movement analysis	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
ECL as at 1 January 2025	5.5	14.8	11.3	31.6
Transfers:				
Transfers from stage 1 to 2	(0.2)	10.1	-	9.9
Transfers from stage 1 to 3	-	-	3.6	3.6
Transfers from stage 2 to 1	0.3	(2.1)	-	(1.8)
Transfers from stage 2 to 3	-	(1.0)	3.3	2.3
Transfers from stage 3 to 1	-	-	(0.5)	(0.5)
Transfers from stage 3 to 2	-	0.4	(0.7)	(0.3)
Changes in PDs/LGDs/EADs	(0.2)	4.3	0.1	4.2
New financial assets originated or purchased	5.8	-	-	5.8
Changes to model assumptions and methodologies	0.1	0.3	0.2	0.6
Unwind of discount	-	-	0.8	0.8
Financial assets derecognised during the year	(0.2)	(0.5)	(1.9)	(2.6)
Write-offs	-	-	(1.3)	(1.3)
Post Model Adjustments (PMAs)	(2.4)	(8.2)	0.1	(10.5)
ECL as at 31 December 2025	8.7	18.1	15.0	41.8

Movement analysis	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross balance as at 1 January 2024	32,333.6	3,223.3	274.6	35,831.5
Transfers:				
Transfers from stage 1 to 2	(2,198.1)	2,198.1	-	-
Transfers from stage 1 to 3	(97.2)	-	97.2	-
Transfers from stage 2 to 1	475.5	(475.5)	-	-
Transfers from stage 2 to 3	-	(94.7)	94.7	-
Transfers from stage 3 to 1	20.7	-	(20.7)	-
Transfers from stage 3 to 2	-	42.5	(42.5)	-
Changes to carrying value	583.3	(1,419.6)	19.2	(817.1)
New financial assets originated or purchased	8,095.3	-	-	8,095.3
Financial assets derecognised during the year	(3,836.1)	(150.1)	(39.6)	(4,025.8)
Write-offs	-	-	(2.5)	(2.5)
Gross balance as at 31 December 2024	35,377.0	3,324.0	380.4	39,081.4

Notes to the financial statements (continued)

15. Credit risk on loans and advances to customers (continued)

Credit risk management (continued)

Movement analysis	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
ECL as at 1 January 2024	5.7	15.1	8.4	29.2
Transfers:				
Transfers from stage 1 to 2	(0.1)	3.0	-	2.9
Transfers from stage 1 to 3	-	-	2.9	2.9
Transfers from stage 2 to 1	0.4	(1.8)	-	(1.4)
Transfers from stage 2 to 3	-	(0.9)	2.4	1.5
Transfers from stage 3 to 1	-	-	(0.4)	(0.4)
Transfers from stage 3 to 2	-	0.2	(0.8)	(0.6)
Changes in PDs/LGDs/EADs	(1.2)	2.0	1.6	2.4
New financial assets originated or purchased	2.2	-	-	2.2
Changes to model assumptions and methodologies	(1.1)	(2.3)	(2.1)	(5.5)
Unwind of discount	-	-	0.6	0.6
Financial assets derecognised during the year	(0.2)	(0.6)	(1.4)	(2.2)
Write-offs	-	-	(0.6)	(0.6)
Post Model Adjustments (PMAs)	(0.2)	0.1	0.7	0.6
ECL as at 31 December 2024	5.5	14.8	11.3	31.6

Forbearance

Forbearance tools are used, in line with industry guidance, where they are deemed appropriate for an individual customer's circumstances. These include capitalisation, interest only concessions, arrears arrangements and term extensions. Forbearance measures are incorporated into the calculation of ECLs.

The table below shows the retail accounts that are forbore. These accounts have been further classified as follows:

- non-performing – where an account meets the definition of default at the point it is granted a forbearance measure; and
- probationary – for accounts that have exited forbearance measures and been re-classed from non-performing in the last 2 years.

The definition of non-performing and stage 3 are aligned such that no accounts in stage 2 are classed as non-performing. Any accounts that were previously in default have a cure period of 12 months, after which they are able to move back into stage 2 or 1.

2025 (£m)	Arrangements		Other concessions		Term extension		Interest only	
	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
Probation	42.2	0.3	4.8	-	39.1	0.1	7.3	-
Stage 1	10.6	-	2.7	-	25.6	-	4.9	-
Stage 2	31.6	0.3	2.1	-	13.5	0.1	2.4	-
Non-performing	220.8	7.8	12.3	0.4	24.7	0.2	11.9	0.2
Stage 3	220.8	7.8	12.3	0.4	24.7	0.2	11.9	0.2
Total	263.0	8.1	17.1	0.4	63.8	0.3	19.2	0.2
2024 (£m)	Arrangements		Other concessions		Term extension		Interest only	
	Exposure	ECL	Exposure	ECL	Exposure	ECL	Exposure	ECL
Probation	33.0	0.1	2.5	-	33.5	-	5.7	-
Stage 1	6.2	-	1.0	-	19.4	-	2.2	-
Stage 2	26.8	0.1	1.5	-	14.1	-	3.5	-
Non-performing	168.2	4.9	10.2	0.3	33.9	0.4	8.8	0.1
Stage 3	168.2	4.9	10.2	0.3	33.9	0.4	8.8	0.1
Total	201.2	5.0	12.7	0.3	67.4	0.4	14.5	0.1

Notes to the financial statements (continued)

16. Notes to the Cash flow statement

	2025 £m	2024 £m
Cash flows from operating activities		
Profit before tax	103.7	141.8
Non-cash items:		
Impairment charge in the year	11.0	2.0
Accrued interest on intercompany borrowings	1,428.2	1,247.8
Total non-cash items	1,439.2	1,249.8
Increase in operating assets		
Increase in loans and advances to customers (excluding impairment)	(2,472.6)	(3,244.5)
Decrease in other assets	0.2	0.1
	(2,472.4)	(3,244.4)
Increase in operating liabilities		
Increase in accruals	0.4	0.2
	0.4	0.2
Net cash flow from operating activities	(929.1)	(1,852.6)

The following table shows a reconciliation of net intercompany liabilities arising from financing activities:

	2025 £m	2024 £m
Net intercompany position		
As at 1 January	38,602.3	35,392.7
Cash flows	927.4	1,852.1
Non-cash changes caused by:		
Dividend	78.0	75.0
Tax	25.2	34.7
Accrued interest	1,428.2	1,247.8
As at 31 December	41,061.1	38,602.3

Notes to the financial statements (continued)

17. Related parties

The Company is a wholly owned subsidiary of, and is controlled by, Yorkshire Building Society which is domiciled and incorporated in the United Kingdom, which is also considered to be the ultimate parent. Copies of the YBS Annual Report and Accounts 2025 are available at www.ybs.co.uk. The Company has related party relationships with its parent, other Group companies and its key management personnel.

Transactions with key management personnel

The emoluments of the Company's directors are paid by Yorkshire Building Society. None of the directors or other key management personnel received any emoluments in the year in relation to their services to the Company (2024: none) as their emoluments are deemed to be substantially attributable to their services to Yorkshire Building Society. No transactions were entered into with key management personnel.

No staff were employed by the Company in the current or prior year.

Other related party transactions

At 31 December 2025 the Company owed a loan to the parent of £38,746.8 million (2024: £37,145.6 million). The outstanding balance has no fixed repayment date. A variable market interest rate is charged on the outstanding loan balance. Net interest expense of £1,430.3 million (2024: £1,247.1 million) was accrued in the year, this is net of £39.7 million (2024: £35.6 million) which was received from the Society in lieu of interest receivable on mortgage offset accounts due to the interest offset in respect of interest due on savings accounts held by the Society.

The Parent owed the Company £8,242.7 million (2024: £10,166.2 million). The outstanding balance has no fixed repayment date. A variable market interest rate is charged on the outstanding loan balance. Interest income of £460.6 million (2024: £605.6 million) was accrued in the year.

The Company has deemed loans to the Yorkshire Building Society Covered Bonds LLP, Brass and Tombac securitisation vehicles and White Rose Master Issuer of £10,557.1 million (2024: £11,622.9 million). The outstanding balances may be repaid on call date, being dependent on the optional early redemption clause being exercised. For Brass No.10 Plc and Tombac No.3 Plc, there is an optional early redemption date on 16 April 2026 and 16 November 2026 respectively. No decision has been taken, as yet, as to whether or not this will be exercised. A range of rates are charged on the outstanding loan balances. Interest expense of £306.8 million (2024: £286.3 million) was accrued in the year.

The Company paid a management recharge fee to the parent for the 2025 financial year of £116.5 million (2024: £98.7 million). In 2025 a dividend of £78.0 million was made to the parent (2024: £75.0 million).