Sainsbury's Bank plc

Annual Report and Financial Statements for the year ended 28 February 2026

COMPANY NUMBER: 3279730

Contents

The Directors present their Strategic report for the year ended 28 February 2026.

The Annual Report and Financial Statements includes the Strategic report, the Directors' report and the Company Financial Statements and accompanying notes as applicable. Reference to 'the Bank' means Sainsbury's Bank plc and reference to 'the Group' specifies the Bank and its subsidiaries. Further information on investment in group undertakings can be found in note 17.

In the period, the Bank changed from being a wholly owned subsidiary of J Sainsbury plc to a wholly owned subsidiary of Sainsbury's Holdings Limited (a wholly owned subsidiary of J Sainsbury plc). The ultimate parent company of the Bank therefore continues to be J Sainsbury plc ('the Sainsbury's Group'). The Bank is governed by its own Board and Executive Committee, independent from J Sainsbury plc (see Risk Overview and Governance sections on pages 13 and 17). The Group results are included in the consolidated J Sainsbury plc financial statements which are publicly available.

The Bank is a public company limited by shares, incorporated and registered in England, and domiciled in the United Kingdom. Its registered office is 33 Charterhouse Street, London, EC1M 6HA. Our principal place of business is 1 New Park Square, Airborne Place, Edinburgh, EH12 9GR.

Strategic update

As we discussed in last year's Strategic report, Sainsbury's Bank signalled a new strategy, namely a phased withdrawal from the Core Banking business with financial services products in the future being provided through partnerships with carefully chosen third parties. The last twelve months has seen significant progress being made by the team to safely exit the Core Banking business and in the set-up of the new arrangements with partners. We have now applied to the regulator to remove our deposit taking permissions and have submitted a new regulated business plan for the businesses lines that will persist post the removal of the banking licence.

During the year the Bank Board has devoted extensive time in the oversight of the transformation, taking into account the interests of all of the impacted stakeholders, whilst ensuring we maximise the capital being returned to the parent as a result of the exit. We have been clear internally on the need to appropriately consider first and foremost the interests of our customers, ensuring we avoid any unintended consequences and deliver on all of the commitments we made with NatWest to the court and regulators through the Part VII process. (Part VII being the legal process under the Financial Services and Markets Act 2000 governing the transfer of a banking book).

We are delighted to report that the migration of over 1 million customers to NatWest across loans, cards and deposits was successfully completed in November 2025. This was a complex migration, which was delivered on time and met all our objectives for a smooth customer transition. The Board would like to signal its thanks to the team who did a stellar job in the delivery and to also thank all of our partners who helped ensure its success. The standup and design of multiple programmes was a testament to the professionalism of the leadership team, with the Board being consulted/kept informed throughout. It was also very important that internal and external communications were well managed and executed, which they both were. At the very start of the journey we made the choice to be as clear as possible with customers, colleagues and suppliers about what changes were coming and what it would mean for them – we really believe this was critical to the delivery. It would be remiss to not mention the support we have had from our regulators and J Sainsbury's plc through the journey; and that the bank has paid dividends totalling £400m during the year.

In terms of setting up the ongoing business for success, the Bank Board and J Sainsbury plc, as the Bank's ultimate parent company and controlling party, have critically evaluated the strategic opportunities available to support J Sainsbury plc in continuing to offer high-quality, great value financial services products through a distributed model. The Board has, at each stage, assessed the available options and subsequent execution plans against a range of criteria, including the delivery of good customer outcomes, the quality of the counterparty, model simplicity and brand protection. Additional Board meetings were held as required to ensure that the Directors had sufficient opportunity to review, discuss and challenge the proposals from management.

Following these discussions we have entered into several new arrangements for existing business lines which are more appropriate for the future, with partners who are a good fit for the Sainsbury's Group. Further details of these new arrangements are provided below. The Board recognises that these last couple of years have been a period of significant and unprecedented change for the Bank. The seamless implementation of so much change across the year has been a significant challenge for the team and one which they have delivered brilliantly.

Sale of Core Banking Business to NatWest Group

On 20 June 2024, J Sainsbury plc announced that it had, pursuant to Part VII of the UK Financial Services and Markets Act 2000 and the required regulatory consents, entered into an agreement for the sale of the Bank's personal loan, credit card and retail deposit portfolios (together the "Core Banking Business") to NatWest Group ("NatWest"). On 16 April 2025 the High Court approved the transfer of the Core Banking Business to NatWest, concluding the Part VII process. Following this approval, the transaction completed on 1 May 2025 at which point legal title of these portfolios transferred from Sainsbury's Bank to NatWest.

Attention then moved to the steps necessary to safely transfer the Core Banking Business customers to NatWest. A Transitional Service Agreement ("TSA") was agreed with NatWest for the provision of our banking services until these services could be migrated. The TSA was operated successfully by the team until the migrations took place. In order to keep customers informed of the changes to come to their accounts and, where necessary, any action they may need to take, a joint communication programme was established with NatWest. At each stage, the Bank Board took time to consider and review prospective customer communications ensuring that these were consistent with the principles of providing clarity and fairness and were easy to understand for all customers, including those with vulnerable characteristics and accessibility needs.

To minimise operational risk, the programme to migrate customers to NatWest was broken down into four distinct migrations (i) customers reference data, (ii) credit cards, (iii) personal loans, and (iv) retail deposits. Detailed planning was undertaken, in conjunction with NatWest, which included extensive dress rehearsals as well as contingency planning. Ahead of each migration event the Board met to ensure that all readiness criteria, jointly agreed in advance with NatWest, had been met, including to the satisfaction of all three lines of defence under our internal risk governance model (as explained on page 13). Following each individual migration event, management conducted a review to identify any learnings which could be incorporated into the subsequent events.

The Board was very pleased to note that during October and November 2025 over 1 million legacy Sainsbury's Bank customers were successfully migrated to NatWest. Shortly thereafter, with the agreement of both parties, the TSA with NatWest was concluded.

The Board would like to acknowledge that this outcome could not have been achieved without the effective collaboration of both management teams, Sainsbury's Bank and NatWest, who worked, at all times, to ensure the best possible outcome for customers.

NatWest has a long history of providing financial services, with best-in-class digital capabilities and the same shared commitment to excellent customer service. The Board considers that the transfer of the Core Banking Business customers to NatWest will ensure that their financial needs will continue to be met and that the breadth of services and products these customers will be able to access will be enhanced.

'Out of Perimeter' Customer Deposit Accounts

Not all of our deposit accounts met the criteria for sale to NatWest, requiring alternative approaches to return or safeguard customer funds. Significant work has been undertaken to contact customers and return funds to them in the first instance. Furthermore, the Bank has established an independent trust arrangement with Zedra Trust Company, and where required and appropriate, has transferred remaining customer deposits into this ringfenced entity. Zedra were chosen after careful consideration, with the protection and serving of customers front of mind. Zedra are regulated by the Financial Conduct Authority (FCA) and have been operating for over 25 years. Support for any customer who we have been unable to contact and who's account did not transfer to NatWest is available on the Sainsburys Bank website.

As of 31 October 2025 all customer deposit accounts had been appropriately closed, an important milestone in facilitating the removal of the Bank's deposit holding permissions and revoking its status as a bank, which we expect to happen in 2026.

Sale of ATM network to NoteMachine

On 26 September 2024 J Sainsbury plc announced the sale of the ATM business to NoteMachine, a Brink's Company, and one of the UK's leading ATM operators. Under the terms of the deal, NoteMachine, assumed ownership and management of Sainsbury's ATM business, which included around 1,370 ATMs nationwide. The transition of ownership of the ATM business to NoteMachine successfully completed in by May 2025, providing other Sainsbury's Group companies with a shared commission income stream whilst further simplifying its banking business and reducing costs.

Sale of Travel Money business to Fexco Group

On 30 July 2025 the Bank announced that it had agreed the sale of its travel money business, comprising both an online operation and 220 travel money bureaux inside Sainsbury's stores, to Fexco Group, a financial services and foreign exchange company. The sale completed on 31 January 2026 and included the transfer of all Travel Money colleagues to Fexco under TUPE regulations.

The sale of the travel money business marks the beginning of a new long-term strategic partnership, with foreign exchange services delivered by Fexco Group under the Sainsbury's brand and the Sainsbury's Group receiving an ongoing share of revenue and rental income. Customers will continue to be able to access services at the existing travel money bureaux in Sainsbury's stores and online – an estate which in 2025 served almost 10 per cent of the UK travel money market.

Agreement with Allianz UK on the future provision of car and home insurance

During the year the Bank entered into a new strategic agreement with Allianz Uk, through its group company Liverpool Victoria Insurance Company Limited ("LV"). From 1 November 2025, LV began offering replacement home and motor insurance policies to existing Sainsbury's Bank customers as their current policies expire.

The agreements with Fexco and Allianz UK are consistent with the Sainsbury's Group focus on its core retail business while providing beneficial long-term financial services income streams that have a stronger connection to its retail offer.

Decision to pay an interim dividend

As a result of the strategic transformation activity mentioned above, the Bank has a strategic objective to return capital to its shareholder. In respect of this, two special interim dividends were paid during the financial year, the first on 29 August 2025 of £300m and the second on 25 February 2026 of £100m. Each one was approved by the Bank Board after consulting our primary regulator and obtaining shareholder approval for the distribution. In both instances the Board concluded that the Bank had sufficient regulatory capital resources and liquidity in excess of the dividend amount to continue to meet current and forecast requirements (including under stress conditions).

Sale of Argos Financial Services cards portfolio and receipt of dividend from Home Retail Group Card Services Limited

On 31 October 2024 J Sainsbury plc announced the sale of the existing Argos Financial Services ("AFS") cards portfolio by Home Retail Group Card Services Limited ("HRGCS") (a wholly owned subsidiary of the Bank) to NewDay Group Holdings Limited ("NewDay"). The AFS cards support around 20 percent of Argos sales, with the portfolio comprising around two million Argos customers who use Argos credit to manage the cost of their purchases. The transfer of beneficial title of the AFS cards portfolio completed on 28 February 2025.

J Sainsbury plc also announced the creation of a strategic partnership with NewDay to create a new Argos-branded digital credit proposition, to be called Argos Pay, which will replace the current Argos card credit propositions, offering Argos customers a wider choice of modern, flexible and more convenient ways to manage the cost of their purchases.

The Board is pleased to confirm that, working collaboratively with NewDay, good progress was made during the year on (i) the testing, development and launch of the new Argos Pay proposition, which launched on 10 February 2026, and (ii) the migration of historic Argos card credit customers to the new proposition which is scheduled for early in the new financial year.

Throughout the financial year to February 2026, a Transitional Services Agreement ("TSA") has been in place under which HRGCS provide services to support this portfolio and its customers on behalf of NewDay until account migration occurs (expected during the first half of the next financial year). We have maintained service levels during the operation of the TSA since 1 March 2025, ensuring our customers have continued to receive the service they expect.

Following the completion of the sale of Argos Financial Services Cards portfolio to NewDay and consistent with the strategic transformation activities within the financial services segment, the Bank's subsidiary Home Retail Group Card Services Limited paid an interim dividend of £300m to the Bank in August 2025. A further interim dividend of £24m was paid to the Bank in January 2026.

Further detail on the Next Level Sainsbury's strategy of the Sainsbury's Group, the ultimate parent company of the Bank, including a full review of the business model can be found in the 2026 Annual Report and Financial Statements of J Sainsbury plc. This can be found on the Investors page of the website: https://corporate.sainsburys.co.uk/investors/results-reports-and-presentations.

Principal activities and review of business

Throughout the financial year, the Bank has undergone significant strategic transformation activity while continuing to drive value for the Sainsbury's Group with a strong focus on cost control and capital. We continued to deliver the high quality of service and outcomes our customers expect while we exited legacy products in the year, and equally for the persisting business lines as outlined below. We have continued to offer financial services wholly within the UK. Legacy products are those which have been wholly exited within the financial year and fully represent discontinued operations within these disclosures (see note 2). Conversely, persisting business lines include Insurances and Travel Money which are classified as continuing and discontinued respectively due to the specific criteria within IFRS 5 and the degree with which we are operating these business lines as part of the go forward business. Therefore, the below split of principal activities is not intended to correlate to operations classed as discontinued and continuing in accordance with IFRS 5, but rather highlight the business income streams the company is expecting to operate into the next financial year.

Legacy products:

- Core Banking - We ceased offering new retail deposit accounts in March 2025 with origination of new credit card and loans accounts ceasing in the previous financial year except for a small number of balance transfer credit card deals in March and April 2025. The sale of banking product portfolios to NatWest concluded on 1 May 2025 with these balances derecognised from the Bank's balance sheet at that time. Servicing (under the TSA) and the migration of data both occurred during the financial year.
- ATMs - We completed the phased transfer of ATM machines to NoteMachine in May 2025.

Persisting business:

- Following the agreed deal with Allianz, we ceased acting as a broker to a number of underwriters on Car and Home Insurance in October 2025 and intend in the future to move to an introducer model for Car and Home Insurance. We also act as an Introducer to several insurers across Pet, Life and Travel. All products are available online or via telephone.
- Following the agreed sale to Fexco, Travel Money services continue to be available to customers at Bureaux counters in Sainsbury's supermarkets and online, with the Bank entering into an income share arrangement with Fexco.

NON-FINANCIAL AND SUSTAINABILITY INFORMATION STATEMENT

This page sets out how the Bank has complied with various reporting and regulatory and governance requirements

Non-Financial Reporting Directive

The Bank has complied with the updated non-financial reporting directive requirements contained in sections 414C, 414CA and 414CB of the Companies Act 2006. The table below sets out how we have responded to the requirements, with reference to other sections of the Annual Report where necessary.

Business Model	The principal activities are outlined on page 6 of this Strategic report
Environmental	Details on our strategy for climate is outlined starting on page 8
Social	Details on our interaction with our communities is outlined on page 8
Our customers	Details on our approach to our customers in outlined page 8
Our employees	We aim to make the Bank a great place to work for all colleagues. Our approach to achieve this is outlined on page 8
Gender Pay Gap	Details on gender pay gap is outlined on page 9
Human Rights and Modern Slavery	Details on our approach to Human Rights and Slavery is outlined on page 9
Anti-corruption/Anti-bribery	Details on our approach to Anti-Corruption and Anti-Bribery is outlined on page 10

Wates Corporate Governance Principles

Sainsbury's Bank plc applies the Wates Corporate Governance Principles for Large Private Companies (available on the Financial Reporting Council website). Information demonstrating how we applied the principles can be found throughout the Strategic report as outlined below:

Principle 1 – Purpose and Leadership	See our Strategic update (page 3) section of the Strategic report.
Principle 2 – Board Composition	Outlined in the Directors' report on page 21 and the Strategic report on page 17.
Principle 3 – Director Responsibilities	See the Strategic report on page 18.
Principle 4 – Opportunity and Risk	See the Strategic report on page 19.
Principle 5 - Remuneration	See the Strategic report on page 19.
Principle 6 – Stakeholder Relationships and Engagement	Our engagement with stakeholders is outlined in the Section 172 statement opposite.

Section 172

The Board fully recognises its obligations under the Companies Act 2006, including those set out in section 172. Its governance framework and regular programme of agenda items ensure it has due regard to:

- The views and interests of its key stakeholders. The Board seeks to understand these in order to inform effective decision-making and to deliver long-term success. It identifies our core stakeholders as: customers and communities; colleagues; investors; suppliers; and regulators.
- The likely longer-term consequences of its decisions. Historically the Board approved a rolling five-year strategic plan on an annual basis, regularly monitoring progress through key metrics. Given the strategic transformation underway in the year, a series of key metrics (which form the basis of the KPIs outlined on page 11) covering the medium and longer-term consequences of the change are monitored by the Board to enable it, and its sub-committees, to make decisions following appropriate review and balanced challenge.
- Maintaining the reputation of the Bank (and the Sainsbury's Group brands it uses) for high standards of business conduct. The Board promotes the values of the wider Sainsbury's Group across the organisation. These values help colleagues to know how to act at work and we believe they are right because they are also the way that many of us live outside of work too. The Sainsbury's Group (including the Bank and its subsidiaries) has always had a strong sense of social, environmental and economic responsibility and an understanding that our success depends on society's success. Further details on our approach to diversity, environmental and social factors are outlined in the Non-Financial reporting section on pages 8 to 10.

By taking regard of these factors, the Board seeks to ensure that the Directors have acted both individually and collectively in a way that would, in good faith, be considered likely to promote the success of the Bank while having due regard to all its stakeholders and to the matters set out in paragraphs a to f of section 172 of the Companies Act 2006.

Further information of our consumer duty can be found on page 21 of the Directors' report. Information on how we have interacted with our stakeholders is located as follows:

Stakeholder	Strategic report reference
Colleagues	Page 8
Customers	Page 8
Communities	Page 8
Investors	Page 10
Suppliers	Page 10
Regulators	Page 10

Environmental, Social and Governance

We know our customers care about wide-ranging, complex issues that impact them and our wider world. They trust us to be a responsible business, whether that's by supporting the communities we serve and source from, managing our environmental impacts or contributing to a healthier, more inclusive society. We strive to do the best for our customers and the business, addressing key ESG issues and living up to our Sainsbury's values.

In January 2024, it was announced that following Sainsbury's strategic review, and consistent with its clear focus on the retail business, there would be a phased withdrawal from the Core Banking business. In this context, we recognise that it may no longer be appropriate to continue or introduce new initiatives that do not align with the strategic direction of the business. With new business on credit cards, loans and retail deposits having ceased, prior metrics and targets become less relevant in light of the revised strategy. This impact is mostly seen in the inability to carry out medium and longer-term environmental goals that would be beyond the lifespan of the Bank in its current form. The Directors therefore consider that the climate-related risks and opportunities of the Company are better identified, assessed and managed as an integrated component of its ultimate parent, J Sainsbury plc. Accordingly we have not completed an assessment against the recommendations set out by the Task Force on Climate Related Financial Disclosure (TCFD) within the Company's Annual report. The latest assessment of climate-related risks and opportunities of the Sainsbury's Group, and its arrangements for managing them (including the related time periods and potential impacts on the Group's business model and strategy) can be found in the 2026 Annual Report and Financial Statements of J Sainsbury plc, found on the Investors page of the website https://corporate.sainsburys.co.uk/investors/results-reports-and-presentations.

Social Strategy

Customers

We have a customer strategy that makes best use of our data and insight to ensure we speak to our customers about relevant topics, in the right way, at the right time and through the right channels. We also want to make sure our services are accessible and easily understood by everyone, including people who have a disability or may need help understanding our more complex products.

We comply with the FCA's Consumer Duty regulation and monitor customer outcomes regularly across all our products and services. This ensures we are delivering good outcomes for our customers, including those with vulnerable characteristics.

We have a clear process for responding to customer complaints and any key themes that are identified are reviewed by the Board and senior management. Customer advocacy is measured through Net Promoter Score (NPS), capturing customer feedback across the product suite and customer satisfaction is measured using CSAT in customer journeys. Findings from both are used to improve our customers' experience and engagement, with knowledge being shared across all our business and reported to the Board.

As part of a banking business transfer scheme under Part VII of the Financial Services and Markets Act 2000, the Bank engaged with customers and provided a dedicated helpline to ensure any complaints received were heard and addressed. As there were no customer complaints that resulted in undue concern, the High Court approved the transfer in April 2025 with completion effective 1 May 2025.

Proud @ Sainsbury's

Following the announcement of car and home insurance products to Allianz, the Bank sent individual communications to all customers with such a policy to inform them of the expected transition upon renewal. Subsequently, over time and in advance of individual policy renewals, the Bank has engaged further with customers, including highlighting their ability to opt out of the renewal of their individual policy in advance of transition to Allianz.

Communities

By acting in the best interests of all our stakeholders, we can make a sustainable and positive contribution to our community. We also know that playing an active and supportive role in our community is important to our colleagues. It makes us all feel good to know we're doing something for someone else. We actively participate in national awareness events, such as LGBT+ History Month, Black History Month and Purple Tuesday and ensure all Bank colleagues are able to access and take part in the activities that are available through the Sainsbury's networks.

Colleagues

The Board understands that this period of transformation has been a difficult time for colleagues and recognised the potential people risk resulting from the strategic announcements in 2024. As a result, supporting colleagues through this period of change has been a priority, with significant initiatives in place including:

- Regular and transparent communications from the Chief Executive Officer about the journey the Bank is going through has enabled a level of trust to be built with colleagues, with engagement levels being subject to close monitoring

- Through the Remuneration Committee the Board has satisfied itself that appropriate retention and incentivisation mechanisms are in place to ensure alignment between driving business outcomes for our customers and maintaining colleague engagement.
- Colleague wellbeing and learning opportunities have been enhanced with additional services and training being offered. This included budget to support colleagues in developing skills required to support them in securing successful employment, and outplacement support following their exit from the Bank.

In common with the Sainsbury's Group, our colleagues are the heart of our business, and we are committed to creating an environment that is inclusive and representative of the communities in which we operate. We continue to work together to ensure that our colleagues can fulfil their potential, and our customers feel welcome when they shop with us.

As the Bank continues on its transformation journey to exit Core Banking, we have seen most colleagues exit the business during this financial year, with the majority of remaining colleagues expected to leave in the financial year ending February 2027. As a result, we do not believe it meaningful to report the gender diversity and ethnicity diversity statistics, with the timing of role removals dependent on the support needs of specific migration and transformation activities. Gender and ethnicity diversity being actively managed for the longer-term forms part of the J Sainsbury plc statistics and can be found on the Investors page of the website: https://corporate.sainsburys.co.uk/investors/results-reports-and-presentations.

Listening to our colleagues
The Bank runs engagement surveys twice a year as well as additional 'temperature check' surveys to understand what is important to our colleagues and to identify how we can continue to support them. Leaders discuss the results with their teams, working together to plan and implement actions that help make the Bank a great place to work.

A diverse and inclusive place to work
As part of Sainsbury's Group, we support their goal in being a truly inclusive retailer, fundamentally seeking fairness and equality. As we established the future structure of the go-forward business throughout the year, we aimed for inclusivity and the progression of our diverse talent. With diversity comes a variety of ideas and views that inform decision-making and enable us to understand our customers better.

Being an inclusive organisation with diverse representation at all levels of our business is important to us. We are committed to driving positive, sustainable change to improve the lived experience and opportunities for under-represented groups, be they colleagues or customers.

We have a workplace adjustment process to support colleagues with disabilities or long-term health conditions. We often work with our Occupational Health provider and the Government's Access to Work scheme to ensure that we meet their needs. Workplace adjustments can be made at any point of a colleague's employment with us.

Gender Pay Gap
Note the statutory gender pay gap disclosure which follows is for colleagues employed by the Sainsbury's Group and covers colleagues of Sainsbury's Bank and its subsidiaries (those which form Argos Financial Services). These colleagues are also included within the gender pay statistics provided in the J Sainsbury plc Annual report and Accounts.

The mean gender pay gap of the Group of 31.0% (as of April 2025) has decreased from 31.7% in April 2024.

The gap is, in part, reflective of the number of in-store Travel Money colleagues with around 45% of the Group's colleagues working in these roles on hourly rates of pay (and are not eligible for a bonus) with over 72% of these roles being held by women. Since the April 2025 reporting date of these figures, the Travel Money business has been sold which saw our in-store colleagues transfer to Fexco.

In addition to the Travel Money colleague composition, the Group still has more men than women in the most senior roles and more women than men in hourly paid positions, further impacting the pay gap. We actively support our colleagues of all gender identities through our inclusion strategy and our LGBT+ colleague network, Proud@Sainsbury's.

Ethnicity Pay Gap
Sainsbury's Group include voluntary disclosures on the ethnicity pay gap. Consistent with their commitment to transparency, they have included specific disclosure on our Asian, Mixed, and other ethnicity colleagues. These Sainsbury's Group level disclosures include Bank colleagues.

Human rights and modern slavery

The Bank stands against all forms of modern slavery, and we are committed to preventing, detecting and remedying it. We are committed to acting ethically and with integrity in all our business relationships, and we work closely with our business partners and suppliers to ensure there is no place for modern slavery and human trafficking in any area of our business (including our supply chain). Throughout the year, our policies and procedures supported and encouraged colleagues to raise concerns relating to modern slavery or the suspected presence of it in our supply chain at the earliest opportunity. The Bank's Modern Slavery Statement is published on our website.

Anti-corruption / Anti-bribery

The Bank is exposed to the risk of facilitating bribery or aiding corruption through the provision of financial services. This risk is managed through a clear set of policies, procedures and controls which are communicated to colleagues through regular mandatory training. The training material is reviewed and updated to reflect changes in legislation or best practice. Throughout the year, the Supply Chain Management team regularly monitored suppliers to ensure that processes and controls are in line with the Bank's required standards.

Other key stakeholders

Investors

J Sainsbury plc ultimately owns 100% of our equity capital, through an intermediary holding company, and we also have debt investors through our Tier 2 capital issuance. Our Board sets our risk appetite to support and protect investor value and to ensure we operate within appropriate and agreed levels and types of risks.

The Sainsbury's Group's interests are represented by an appointed non-executive director to ensure effective challenge and collaboration throughout the strategic exit from Core Banking. Where interests are not aligned, this is managed through disclosure and activities to minimise potential conflicts.

Suppliers

Our Board understands the importance of our supply chain in delivering our plans and continuing to support our customers through this period of strategic change as the Bank exits arrangements with suppliers. Recognising the importance of transparent and collaborative communications, we maintain a wider supplier exit plan and forecast of events and activities which is discussed with our key suppliers, thus ensuring that they are suitably informed as appropriate on the decisions taken by the Board and how these will likely impact them and their colleagues. Through continuous and pro-active collaboration, we seek to maintain high engagement levels with third party suppliers across the end-to-end supplier management cycle, identifying and managing risk appropriately and operating in line with our values. Ultimately this supports the delivery of safe exits and the best outcomes for customers.

We recognise that when we outsource a service, we do not outsource the responsibility. We ensure our suppliers are compliant with regulatory requirements and have the necessary controls in place to manage risks effectively to make sure we continue to meet a high standard of conduct for our customers.

A key factor in building effective relationships with our suppliers is ensuring our requirements are clear and that they are paid on time. The Bank's iSupplier internet portal provides suppliers with access to the purchase orders raised and allows them to allocate their respective invoices once they have fulfilled the order requirements.

Regulators

We are regulated by the Prudential Regulation Authority for prudential issues and by the Financial Conduct Authority for conduct of business matters. We engage with regulators on an open, honest, and proactive basis, ensuring full compliance with the letter and spirit of the rules we operate within.

We recognise the trust that customers place in the Sainsbury's and Argos brands and seek to maintain that by operating in a safe and sound way. Our Customer, Control, Culture & Governance Director provides oversight of any emerging compliance risks and reports any areas of concern to the Board.

Following completion of strategic transformation activity we expect to hand back our banking licence (that which permits our holding of customer deposits), at which point we no longer expect to be regulated by the Prudential Regulation Authority or use Bank in the entity name.

Members of the Board and the Bank's senior management have continued to actively engage with our regulators throughout the strategic transformation process. The Board would like to take the opportunity to formally acknowledge the constructive and collaborative input of our regulators as we have planned and successfully implemented a technically complex transformation programme, one which has impacted a wide range of stakeholders.

Key performance indicators (KPIs)

The Bank's disclosure of KPIs and Financial Review are completed on a management basis which includes the Bank and Drury Lane, the securitisation SPV (which was fully redeemed in October 2024 and therefore only relevant to the 2025 comparative figures presented below), but excludes dividends from subsidiaries. See pages 58 to 59 for the reconciliation between the management and statutory basis, including management basis of segmentation between discontinued and continuing operations.

In light of the significant transformation activity being undertaken by the Bank, management and the Directors now consider the following financial KPIs to be key for the Bank to monitor.

	2026			2025		
	Discontinued	**Continuing**	**Total**	Discontinued	Continuing	Total
	£m	**£m**	**£m**	£m	£m	£m
Group contribution – *profit before tax before one-off items that are material and infrequent in nature*	**(5)**	**-**	**(5)**	(3)	19	16
Total Costs – *overhead and product costs before one-off items that are material and infrequent in nature*	**(93)**	**(39)**	**(132)**	(171)	(49)	(220)
One-off programme costs – *costs relating to the strategic transformation programme*	**(2)**	**(17)**	**(19)**	(161)	(15)	(176)
Total Capital Resources[1]			**233**			705

[1] Total capital resources in 2025 were calculated on a regulatory consolidated basis with its subsidiary Home Retail Group Card Services Limited. See note 26 for further details.

Our performance, including reference to the above KPIs is further outlined in the financial review below.

Financial review

This financial year we have made a loss on a management basis of £5m, a £21m decrease compared to £16m profit in the prior year. This reduction is driven by sales of Core Banking products to NatWest and ATMs to NoteMachine.

Income is 64% lower than prior year, reflecting strategic disposal of assets related to businesses sold. Interest payable is 74% lower than prior year due to lower wholesale funding and deposit platform interest expense as we exited our Core Banking business.

Expenses decreased by 40% reflecting a reduction in operating costs from successful sale of businesses sold and disciplined cost management.

The Bank remains well capitalised with a total Tier 1 capital of £230m as at 28 February 2026.

Summary income statement and statement of financial position

The Banks's performance for the year ended 28 February 2026 and financial position at the end of that period are presented in the income statement and statement of financial position. A summarised income statement and balance sheet are presented below.

	Discontinued Operations			**Continuing Operations**		
Summary income statement	**2026**	2025[2]	Change	**2026**	2025[2]	Change
	£m	£m	%	**£m**	£m	%
Net interest income	**(14)**	124	(111%)	**14**	46	(70%)
Other operating income	**76**	85	(11%)	**24**	23	4%
Income	**62**	209	(70%)	**38**	69	(45%)
Staff costs[1]	**(41)**	(70)	(41%)	**(35)**	(22)	59%
Other operating costs	**(52)**	(101)	(49%)	**(4)**	(27)	(85%)
Expenses	**(93)**	(171)	(46%)	**(39)**	(49)	(20%)
Other gains and losses	**26**	-	-	**1**	1	0%
(Loss)/Profit before impairments	**(5)**	38	(113%)	**-**	21	(100%)
Impairment losses on financial assets	**(0)**	(41)	(100%)	**-**	(2)	(100%)
Group contribution	**(5)**	(3)	67%	**-**	19	(100%)
Less: one-off programme costs	**(2)**	(161)	(99%)	**(17)**	(15)	13%
Statutory (loss)/profit before taxation	**(7)**	(164)	(96%)	**(17)**	4	(525%)

[1]Note that staff costs include payroll costs only. All other staff related costs (recruitment, training, and travel costs) are included in other operating costs.
[2]The prior year has been re-presented following the change of scope of discontinued operations. Refer to note 3 for further details.

The statutory loss for the year ended 28 February 2026 of £24m is largely driven by a number of one-off costs, including migration and supplier exit costs. See notes 2 and 22 for details. It compares to a £160m loss in the prior year, during which period significant upfront provisions were recognised related to the phased withdrawal from our Core Banking business.

Net interest income

Total net interest income has decreased to £nil (down £170m on prior year), primarily due to the disposal of assets related to businesses sold.

Fee, commission, and other operating income

Banking income increased by 7% reflecting income received from NatWest for services provided under the transitional arrangements. Insurance income remained flat reflecting the competitive market. Travel money income decreased by 4% following the sale to Fexco in January 26.

Operating expenses and investment

Bank expenses of £132m decreased by 40% reflecting the strategic disposals and disciplined cost management.

Summary statement of financial position	**2026 £m**	2025 £m	Change %
Assets classified as held for sale	**-**	2,511	(100%)
Cash and cash equivalents	**336**	1,138	(70%)
Debt securities	**117**	2,284	(95%)
Investment in Subsidiaries	**1**	325	(100%)
Other assets	**30**	142	(79%)
Total assets	**484**	6,400	(92%)
Liabilities held for sale	**-**	3,140	(100%)
Other deposits	**-**	1,968	(100%)
Subordinated debt	**125**	124	1%
Other liabilities	**128**	520	(75%)
Total liabilities	**253**	5,752	(96%)
Net assets	**231**	648	(64%)

In statement of financial position terms, total assets decreased to £484m reflecting assets sold and the wind down of our treasury portfolio. Total liabilities decreased to £253m reflecting the disposal of our core deposit book and the exit from deposits raised via deposit aggregators and other wholesale deposits. Net assets decreased during the period, primarily due to capital repatriation to the Group in line with our transformation strategy.

Future Outlook

Looking ahead we expect the continuing business to be profitable, with plans in place to resize the cost base to reflect the new operating model and agreements with third parties in place to deliver low risk commission based income streams across Insurance, Travel money and White Labelled banking products.

Risk overview

As the Bank progressed in withdrawing from its Core Banking business in the year, risk management remained a key priority in ensuring our strategic goals are achieved in a safe and timely manner. This has involved ensuring and validating that our risk approach and frameworks are fit for purpose, appropriately aligned to the Bank's strategy and ultimately support the transformation journey we are on.

The Bank operates an Enterprise Risk Management Framework (ERMF) which articulates its approach to risk management. It is a core component of our strategy and operations. We adopt a holistic, end-to-end view of risk, ensuring the principal risks arising from our key processes and activities are effectively identified, assessed, managed and controlled to make well informed decisions. This is supported and implemented via a three lines of defence model. The Chief Risk Officer performs a strategic risk management role and is responsible for managing and enhancing the ERMF. The ERMF has evolved over the year consistent with the run-down of the Bank's balance sheet as the principal risks have changed over time and reflected in the disclosures below.

The seven core components of the Bank's ERMF are outlined below.

1) Risk culture / governance

The risk culture of the Bank aims to ensure that all business functions and employees consider risk management and consult and engage with the Risk function as required. To foster this risk management mindset there are certain key risk related aims and principles which sets out how all colleagues should approach and take ownership for the management of risks within the Bank. Given the ongoing strategic change this is highlighted more prominently within the risk principles, as summarised in the table below.

Aims (what)	**Alert**	**Engaged**	**Resilient**	**Insightful**	**Responsible**
Principles (how)	Identify and anticipate the impact of strategic change and emerging risks	Manage material risks and ensure key controls are tested and reported	Ensure robust processes provide resilience under stress	Manage risk concentrations, aggregate impacts, and the effects of change.	Support customers and colleagues through change

The Board is the governing body, responsible for overseeing implementation and execution of the strategy and holding management to account. To support the Board in the delivery of its responsibilities, there are four Board sub-committees, each with distinct mandates, Terms of Reference and recorded actions and minutes. Further detail on the Bank's governance structure can be found on page 17. The Board delegates the appropriate responsibility, authority and accountability to the Chief Executive Officer (CEO) to deliver the Bank's strategy through the governance committees and the Executive Committee. The CEO chairs the Executive Committee (ExCo) and is supported by other Executive Level committees to provide the checks, balances and transparency on decision making. Each committee has a documented Terms of Reference, with delegated authority to the Chair who is the appropriate identified accountable individual in line with their Statement of Responsibilities under FCA and Prudential Regulation Authority (PRA) rules (Senior Manager Regime).

We adopt a three lines of defence framework to provide a basis for the identification and management of all risks associated with our business model and strategy, which ensures there is effective oversight and challenge in place. This is deployed on the following basis:

- **First line**. Primary responsibility for the identification, management, monitoring and control of risks rests with our commercial and operational teams. The first line teams, as subject matter experts, own the processes and controls used to manage risks within risk appetite complying with requirements detailed within risks policies and policy standards.
- **Second line**. The independent risk management division is responsible for setting risk frameworks, policies, guidance and oversight within which the first line can manage its risks.
- **Third line.** Our internal audit division provides independent assurance on the effectiveness of risk management and internal control processes in mitigating and reporting risks.

2) Risk Strategy

The Bank's Risk Strategy sets out how the Bank manages the Principal Risks arising from the business strategy. Specifically, this includes establishing an overarching Risk Strategy objective which is underpinned by a series of High-Level Risk Appetite Statements and metrics which forms part of the suite of risk reports which is presented via Risk Committees.

3) Principal Risks

The Bank has identified and assessed its principal risks, being the most material risks based on the Bank's business strategy. Each principal risk identified within the ERMF has associated qualitative risk appetite statements that inform our strategy for managing risk. From these statements, specific quantitative metrics are established which articulate how much risk the Bank can take in the pursuit of our strategic objectives. These metrics are reviewed and approved by Board on at least an annual basis, however, have been subject to more regular consideration given transformation activities.

PRINCIPAL RISKS Definition	Risk Management	Key activities 2025/26
Strategic Execution Risk		
A failure to execute its business strategy as a result of poor decision making, substandard execution of decisions, inadequate resource allocation or from a failure to effectively respond to changes in the business/market environment.	Strategic Execution Risk is fully considered and assessed within the Bank's ERMF given it's knock on impact on risk strategy, existing principal risk types and therefore to risk exposures and limits.	• The Bank's Strategic Review Forum considered specific risks as a result of the strategic changes, in addition to the Bank's longer standing risk reporting routes via ERC/BRC and Board.
Financial Risks		
Retail Credit Risk		
Exposure to personal customer lending may lead to the Group being exposed to losses if a customer fails to maintain their contractual obligations and repay the borrowing on time.	We lend responsibly, considering the suitability of the product to meet our customers' needs and their ability to repay any debt. We have policies to support vulnerable customers and those in financial difficulties.	• The sale of the credit card and personal loan books completed on 1 May 2025. While economic interest in the storecards book transferred to NewDay on 28 February 2025, legal title remains with us until the accounts are migrated. For storecards we continue to deliver an effective credit risk management framework as Lender of Record and remain accountable for responsible lending. • The scope and Terms of Reference of the Retail Credit Risk Committee have changed accordingly
Capital Management		
Risk that an insufficient quantity or quality of capital is held to meet minimum regulatory requirements, or where Sainsbury's Bank has an inefficient level of capital or where capital is inefficiently deployed to support its strategic objectives and plans.	Target risk appetite range for level of capital held. Monitoring of capital position, with triggers in place for escalation. Capital adequacy target built into our planning processes. Projected capital position updated for any strategic or external changes.	• Following the sale of the banking portfolios, capital projections and potential stresses to them were thoroughly reviewed. Significant dividends were paid during the year, following consultation with the Board and regulator, enabled by the much-reduced capital requirement after these sales.
Liquidity and Funding		
Risk that the Bank is unable to meet its obligations as they fall due or can only do so at excessive cost.	We set appropriate risk appetite limits, then report and monitor against these as well as other key metrics. Liquidity and funding targets are built into planning process. A Liquidity Contingency Plan is in place and tested for options and actions under stress.	• Ensuring that portfolio sales, TSA operations and the wind down of our treasury portfolios were appropriately and accurately captured in robust forecasting, MI, stress analysis and early warning indicator monitoring.
Market Risk		
Risk of loss as a result of the value of financial assets or liabilities (including off balance sheet instruments) being adversely affected by the movement in market prices, interest rates or exchange rates.	A suite of risk appetite metrics in place with hedging activity deployed to manage exposures within limits. Risk measurement systems employed to capture all material sources of relevant market risk. Effective controls in place to ensure the timely identification, measurement, monitoring, and control of risk.	• Monitoring and review of market risk policy and appetite limits including market and behavioural trends via ALCo.
Wholesale Credit Risk		
Risk to earnings and capital arising from the failure of a debtor within the Bank's liquid asset portfolio to meet their legal and contractual obligations.	Prudent wholesale credit risk management ensured through effective treasury assets allocation via appropriate limits set by 2nd line of defence. Active monitoring of counterparty positions, including regular counterparty and asset class credit risk assessments. Early warning indicators indicating prospective credit risk threats. A suite of limits in place to effectively manage concentrations.	• Continued monitoring of asset class and individual counterparty credit risk reviews including appropriateness of limits via the Wholesale Credit Risk Forum. Risk has continued to diminish as the balance sheet was wound down.
Financial Crime		
Sainsbury's Bank is committed to preventing its products, services and delivery channels from being used to commit or facilitate fraud, sanctions, money laundering, terrorist financing, bribery and corruption risk resulting in harm to the business or its customers.	Prevention and detection processes, systems and controls in place. Proactive engagement with industry, sharing intelligence. Robust horizon scanning to identify, and impact assess emerging threats. Money Laundering Reporting Officer provides regular reports on financial crime controls to Executive and Board committees.	• Fraud and financial crime trends and events have continued to be closely monitored and reported to risk committees, with additional controls introduced to counter evolving behaviours and typologies. Enhanced control and vigilance were introduced including additional customer communications to reduce the risks pertaining to the migration of customers and accounts.

Non-Financial Risks Definition	Risk Management	Key Activities 2025/26
Operational Risk and Capability		
Risk of loss resulting from inadequate or failed internal process, people, and systems, or from external events. It is inherent in all activities, processes and products that are carried out by, or on behalf of, Sainsbury's Bank.	Risk & control assessment, designed to focus on what matters most. A clear operating model to embed consistency and boost capability across the Bank. Aggregated reporting and insight on our risk profile to ensure the highest priority items are escalated. Monthly review of our Top Risks.	• Risk assessment conducted via an established methodology (Risk & Control Self-Assessment) enabling the clear identification and management of material risks most relevant to the revised corporate strategy.
Cyber Risk		
Risk of data loss, financial loss, compromised operational capacity, and reputational damage through a cyber event affecting the systems which store, process and transmit data, or the people and processes which interact with data.	Training and awareness Security risk management including assurance, continuity and incident management. Support for 1st line in the design and testing of key controls	• Cyber Risk categorised as a Principal Risk in light of the strategic changes, with appropriate risk appetite metrics and additional threat monitoring. Further controls in preventing and detecting data loss via colleagues or threat actor were implemented.
People Risk		
Risk that colleague attrition cannot be maintained within thresholds and that people capability, capacity and culture cannot be sustained.	Incentive and retention schemes, training and development opportunities/resources, manager performance vs objectives reviews.	• Close monitoring of voluntary attrition rates, take-up of additional personal development opportunities, and colleague sentiment and culture via engagement survey. Co-ordinated communications strategy including monthly CEO updates and colleague consultation exercises.
Model Risk		
Risk that a model is specified incorrectly, implemented incorrectly or used inappropriately resulting in severe customer financial, regulatory, reputational and operational impacts.	Model monitoring is governed under the terms of the Transitional Services Agreement (TSA), with specific metrics reported and discussed with NewDay.	• The number of models and EUCs has reduced substantially, with migration of the cards and loans books and following transfer of economic ownership of lending portfolios. Model risk consequently became non-material during the year.
Environmental, Social and Governance (ESG)		
The risks of any financial losses, reputational damage or failing to meet minimum regulatory requirements stemming from ESG related factors.	Monitoring of customer and colleague outcome indicators. Ongoing review and revision of governance arrangements, including regular regulator and Board engagement to ensure these remain appropriately aligned to transformation progress.	• Maintained and monitored customer support including for vulnerable customers and those in financial difficulties including victims of financial abuse. Invested in colleague support e.g. personal development and instituted robust processes to support colleagues leaving the organisation through TUPE or redundancy. Annual modern slavery review completed. Reflecting strategic direction and reducing business activities, environmental elements subsumed into wider JS Group focus.
Conduct & Compliance		
Risk that our culture, behaviours, or actions may lead to a failure to comply with regulatory requirements and/or cause harm to our customer, or to the markets that we operate in.	Standards are communicated through a suite of Policy Standards. Processes and controls are in place with clear reporting and escalation procedures. Independent conduct and compliance oversight using a robust methodology. Horizon scanning of emerging threats or regulatory changes. Regular, open engagement with our regulators. Continuous monitoring of control testing outcomes through oversight and risk-based assurance activity.	• There has been continued focus on Customer Treatment throughout the strategic transformation to ensure good customer outcomes continue to be delivered.

4) Risk Appetite

The Bank maintains a series of High-Level Risk Appetite Statements linked to the suite of Principal risks which are noted below:

- Deliver good customer outcomes for Bank customers in line with our values and regulatory requirements including customer duty.
- Maintain safety and financial soundness.
- Adhere to applicable legislation, regulation and regulatory and policy makers expectations.
- Minimise reputational damage.
- Ensure people related risks are minimised and colleagues are supported.
- Return of excess capital to the parent through the wind down process.

The Bank's risk appetite reporting structure includes:

- A 'High-Level' Risk Appetite Statement (RAS) that provides a concise set of key Bank-wide targets and limits, with a balance of current, forward-looking, and stress-based metrics for financial and non-financial risks.
- 'Directional' RAS limits for each of the Bank's principal risk types (e.g. operational risk). These directional limits are designed to give early indications of changes in the internal and external risk environment, providing an outlook on whether we remain on-track to meet our 'high-level' risk appetite targets.

Performance against both the 'high-level' and 'directional' RAS measures are monitored and reported to our Executive Risk Committee (ERC) monthly, and at each Board Risk Committee (BRC). Additionally, escalation processes are in place to notify Senior Executives and Board members of any high-level RAS measure operating outside of approved thresholds, including recommendations to reduce exposures back within appetite levels.

5) Risk Policies

Our risk policies are aligned to the principal risk types to which our business model is inherently exposed. Each principal risk type has a principal risk owner that actively manages and oversees the risks in the Bank in line with associated policy and supporting policy standards. These policies clearly articulate the objectives and requirements to be met to ensure that that these risks are managed effectively on a day-to-day basis, in-line with risk appetite.

6) Risk Management

Risk management is the process of identifying, assessing and responding to risk in order to deliver the Bank's business strategy. The purpose is not to eliminate risks, but to prioritise risks and manage them appropriately within acceptable levels. Various risk management tools are used to identify, assess and record different types of risk.

Our Business Enterprise Risk Tool (BERT) is used to record and manage our key processes, the controls we have in place, any treatment plans to improve our control environment and to record our management of risk events. All required colleagues have access to BERT enabling them to view risk data against their own processes as well as across the organisation.

We continually look to improve our controls in line with industry best practice and the environment in which we operate.

7) Risk reporting

Our internal risk reporting processes are critical to understanding the specific and aggregate levels of risk to which we are exposed and the effectiveness of our controls to manage these risks. We promote insightful reporting at all levels to encourage debate on what matters most, and to ensure effective action is being taken at an appropriate level to address any current or emerging areas of concern.

Resilience plans and stress testing

Financial and Operational Resilience are key areas of focus. Our capital and liquidity adequacy have been regularly assessed including under stressed assumptions, in particular at key moments during the strategic transformation and prior to any payment of dividend or other material financial decision. Business recovery plans for severe incidents are reviewed on a regular basis, while our Recovery and Resolution Plans review and test our playbooks and recovery capacity in response to extreme but plausible threats to our viability. The Bank fully complied with regulatory requirements regarding the provision of Important Business Services including recovery thresholds and oversight of outsourcing arrangements.

Emerging Risks

We regularly monitor emerging and evolving changes in the risk environment in order to promote early discussion to understand and address any threats or opportunities to our business model. We consider specific emerging threats and opportunities under the following broad themes:

- **Strategic Execution Risk**. Reflects internal decision-making, execution of strategy, allocation of resources and external factors relating to third parties. This would include people related risks.
- **Operational**. Reflects changes in technology, the impact of internal processes or emerging external best practices. There is a constantly evolving threat from cyberattacks that are increasing in terms of sophistication, impact, severity and frequency. Continuing geopolitical tensions also raises our inherent risk profile, with monitoring in place for the detection of ransomware attacks. We also see data protection risks increasing as a function of cyber threats, which may feed through into higher conduct and fraud risk (anti money laundering and sanctions risks) if we were to witness non-compliant use of data.
- **Geo-political and economic.** Reflects the impact of macroeconomic conditions and government policy on our markets. For example, we continue to reflect on UK market conditions arising from geo-political conflicts, including Russia/Ukraine, escalating middle east tensions, major US policy changes or the financial impacts from climate change. Economic performance including the impact of changes in interest rates, inflation, the employment market and consumer spending may affect the availability and demand for our products. Having ceased lending to new customers during the year and with the upcoming sale of our main banking portfolios, the economic risks to the Bank are considered to be much reduced.
- **Regulatory and conduct**. Reflects continued developments within the financial services sector such as Solvent Exit Execution Plan and including PRA and FCA consultations. This has been an area of particular focus in the year as regards our wind down plans for many business areas.

As more information is known about an emerging risk relevant to the Bank, it will be subject to a full risk assessment in line with the ERMF. Actions will then be taken to manage and control the risk, unless it is assessed as not relevant or not material to the Bank.

Governance

Board-level governance

The Board is the key governance body, holding overall accountability for the decisions made and outcomes achieved by the Bank, subject to specific reserved matters that require the consent of J Sainsbury plc. Details of the Board composition may be found below. The Directors of the subsidiary entities hold Board meetings to cover statutory matters however the key decision making is covered within the Bank Board. The Board met thirteen times during the financial year 2025/26.

Relationship with J Sainsbury Plc

The ultimate parent company of the Bank is J Sainsbury plc, a listed retailer. J Sainsbury plc is not involved in the day-to-day management of the Bank. However, J Sainsbury plc has certain reserved powers and decisions which fall within those powers must be referred to them by the Bank Board for their consent before being confirmed as fully approved. Primarily, these reserved matters relate to significant changes in the size and scale of the Bank's operations including asset disposals, changes in its capital structure including any increases or decreases to capital, significant contracts or legal disputes, changes to Directors or Officers of the Bank and share schemes.

Board composition

Chair

The Bank has a separate Chair (an Independent Non-Executive Director) and Chief Executive (an Executive Director) to ensure that the balance of responsibilities, accountabilities and decision making are effectively maintained. The Chair plays a key role in creating the conditions for overall Board and individual director effectiveness.

Balance and diversity

Recruitment on to the Bank Board combines an assessment of both technical capability and competency skills to ensure the optimum blend of individual and aggregate expertise. Such recruitment is subject to the approval of the Nominations Committee, the Bank Board, J Sainsbury plc (as the decision falls within reserved matters) and the relevant regulatory bodies (where applicable).

Independent Non-Executive Directors bring their experience to bear from across various sectors, notably Financial Services but also from across Retail, E-Commerce and Strategic and Regulatory Change. These are key areas of focus for the Bank and aligned to its strategy. Directors update their skills, knowledge and familiarity with the Bank by meeting senior management, a programme of developmental training (from both internal and external speakers) and by attending appropriate external seminars.

The Independent Non-Executive Directors are wholly independent in that they have no material business or relationships with the company that might influence their independence or judgement. In addition, certain governance responsibilities are delegated to other Board Committees (Audit Committee, Board Risk Committee, Remuneration Committee and Nominations Committee). Membership of these committees is entirely made up of Non-Executive Directors of the Bank with members of the Bank's Executive team and other senior colleagues in attendance. These committees support effective decision making and independent challenge.

Size and structure
The structure of the Bank Board seeks to ensure the right leadership is in place to oversee and scrutinise the Bank's strategy.

The current Bank Board is comprised of an Independent Chair, four other Independent Non-Executive Directors, one Non-Executive Director nominated by J Sainsbury plc, and two Executive Directors – the Bank's Chief Executive Officer and its Chief Financial Officer. A biography for each Board Director can be found on the J Sainsbury plc corporate website: https://corporate.sainsburys.co.uk/about-us/our-leadership.

The Directors have equal voting rights when making decisions, except the Chair, who has a casting vote at the Bank Board. All Directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the company's expense. Directors' duties are exercised through the Board and its sub-committees. Each of these committees is chaired by one of the Independent Non-Executive Directors.

Director responsibilities

Accountability
Each Board Director has a clear understanding of their accountability and responsibilities via the Individual Accountability Regime. Whilst Board oversight is always maintained, key decisions are made by the individuals and committees with the most appropriate knowledge and experience.

As part of their annual review, the Bank Chair undertakes a Fit and Proper Assessment and Attestation with each Board Director. The Senior Independent Non-Executive Director undertakes the same for the Bank Chair.

Integrity of information
The Board receives regular and timely information at its meeting on all key aspects of the business supported by a range of Key Performance Indicators (KPIs). The Bank's various functions prepare and maintain the integrity of this information in accordance with the Bank's risk management framework.

Conflicts of interest
Any potential conflicts of interest are identified and considered as part of the recruitment process for on-boarding new Directors on to the Bank Board. Where there are any concerns raised, they are considered by the Bank's Nominations Committee and again at the Board meeting when the recommendation is brought for approval.

Once in situ, should a Director be offered the opportunity to take up a position (Executive or Non-Executive), whilst retaining their role on the Bank Board, they are required to inform the Bank Chair and the Board would then be asked to confirm that no conflicts of interest existed or were perceived to exist before accepting the additional role. Where there are any potential conflicts, appropriate safeguards would be implemented.

Committees
A number of Board functions are delegated to four key sub-committees. The role and scope of authority for each sub-committee is fully outlined in a documented Terms of Reference. It is anticipated that this framework as outlined below and in place through the financial year ended February 2026 will change in future as the business completes its transition to a smaller, simpler entity which is no longer a regulated bank.

- **Audit Committee**. The Audit Committee's key responsibility is to advise the Board on the Bank's financial statements, including systems and controls and related policy issues together with relationships with external auditors. The Audit Committee also reviews and challenges where necessary management's response to any major External or Internal Audit recommendations. The Committee is responsible for reviewing and approving the internal audit plan and budget, and for ensuring that the function is adequately resourced. The Audit Committee met four times during the year. Additionally, the Audit Committee meets with the External Auditors and the Sainsbury's Bank Internal Audit Director without Executive Management being present.
- **Nominations Committee**. The Nominations Committee is responsible for reviewing the structure, size and composition of the Board. The Committee is also responsible for the succession planning of the Board and the Executive Management Team and for ensuring a formal, rigorous and transparent process for recommending appointments to the Board to the Bank's shareholder. The Bank recognises the benefits of achieving a diverse Board and Executive Management Team to reflect the environment in which it operates. The Nominations Committee meets as required, with one meeting in this financial year.
- **Remuneration Committee**. The role of the Remuneration Committee (RemCo) is to determine and agree with the Board the broad policy for remuneration and for compliance with the Remuneration Code (the Code) to the extent that the provisions apply to the Bank. RemCo is responsible for recommending and monitoring the level and structure of remuneration for senior management (categorised as 'Code Staff' for the purposes of the Code) and senior risk management and compliance

colleagues. It continually reviews and assesses the impact of remuneration policies on the risk profile of the Bank and employee behaviour. RemCo also has oversight over appointment and severance terms for relevant employees. The Remuneration Committee met five times during the year.

- **Board Risk Committee**. The Board Risk Committee (BRC) provides the Board with a forward-looking view to anticipate future risks together with the monitoring and oversight of existing risks within the Risk Appetite set by the Board. It is responsible for reviewing and reporting its conclusions to the Board on the Bank's risk appetite and the Bank's risk management framework. The BRC met six times during the year.

Strategy and risk management

The Board is responsible for the overall strategy and performance of the business and its management of risk. Due consideration is given by the Board to the Bank's strategy, changes in the operating environment and emerging risks and opportunities.

Responsibilities
In line with the provisions of the Senior Manager & Certification Regime (SMCR), the Bank has allocated the Senior Manager Functions and prescribed responsibilities in so far as they apply to Sainsbury's Bank plc and its subsidiaries. A Management Responsibility Map (MRM) is in place to provide a description of the Bank's management and governance arrangements including the reporting lines and details of the individuals who are part of those arrangements and their prescribed responsibilities. The MRM is owned by the Board.

Risks are identified and managed via the process-centric approach described in the Risk Overview on page 13.

Remuneration

Setting remuneration
The Board-level Remuneration Committee (RemCo) recommends to the Board the remuneration strategy for the Executive Directors, Chair, Senior Management and Material Risk Takers. Within this framework, its remuneration policy is aligned to the success of the Bank in meeting its objectives as well as promoting effective risk management and compliance with applicable statutory and regulatory requirements. RemCo also has oversight over appointment and severance terms for relevant employees.

Policies
A review is carried out annually (with input from external advisors) to ensure that the remuneration policy and practices are industry competitive and in line with the size and complexity of the business and compliant with all applicable legal and regulatory requirements. The policy also sets out the approach which ensures that reward decisions are objective, fair and inclusive.

The Directors' positions and remuneration status are set out in the Directors' report (page 21).

Executive-level governance

The Board delegates the appropriate responsibility, authority and accountability to the Chief Executive Officer (CEO) to deliver the Bank's strategy through the appropriate governance committees and the Executive Committee. The CEO chairs the Executive Committee (ExCo) and is supported by a number of other executive-level committees to provide the appropriate checks, balances and transparency on decision making.

Each committee has a documented Terms of Reference, with delegated authority to the Chair who is the appropriate identified accountable individual in line with their Statement of Responsibilities under FCA and PRA rules (Senior Manager Regime). Several of the executive level governance committees have seen amendments to their objectives and frequency during the year, reflecting the significant change in the scale and nature of the Bank's business – this is noted as relevant against each committee detailed below.

CEO Executive Committee:

- **Executive Committee (ExCo).** The role of the Committee is to advise and assist the CEO in overseeing the Bank's activities, performance and making significant decisions relating to the executive management of the Bank. ExCo meets on a monthly basis. Reflecting the period of significant strategic change during the year and to ensure that appropriate time is allocated, the agenda for the scheduled monthly ExCo meetings is divided between (i) the ExCo Strategic Review Forum ("SRF"), which is responsible for overseeing all aspects of strategic transformation, with the Programme Director for Strategic Transformation in attendance and (ii) the ExCo Business Operations Management meeting ("BOM") which is responsible for overseeing delivery against the business strategy (including commercial performance), Customer Outcomes, Operations Management and HR matters. To ensure appropriate oversight and timely decision making in respect of the Strategic Transformation Programme, the SRF typically met fortnightly throughout the financial year.

Chief Risk Officer (CRO) Executive Committees:

- **Executive Risk Committee (ERC)**. The ERC is responsible for ensuring that the Enterprise Risk Management Framework (ERMF) is effective in ensuring that risks are adequately and consistently managed within risk appetite. In doing so the ERC ensures that appropriate policies and methodologies are in place to manage the Bank's Primary Risk types. The ERC met nine times throughout the financial year.
- **Retail Credit Risk Committee (RCRC)**. The RCRC is responsible for monitoring the performance of the retail lending book, ensuring there is an effective credit risk management framework and that the Bank is operating within its credit risk appetite. The RCRC met monthly throughout the year, but following the economic transfer of the Core Banking Book in May 2025 and the corresponding reduction in retail credit risk for the Bank, the scope of the committee was amended to focus on Argos Financial Services.

CFO Executive Committees:

- **Asset and Liability Committee (ALCo)**. ALCo was responsible for ensuring the Bank's statement of financial position was managed effectively and within risk appetite. Its main areas of responsibility were market risk, wholesale credit risk, interest rate risk, liquidity & funding risk and capital adequacy. ALCo met seven times in the current financial year, a reduction from twelve in the year ended February 2025 as liquidity risk decreased significantly following the completion of portfolio sales to NatWest. The Committee ceased to sit from December 2025 onwards with performance oversight achieved through reporting to relevant stakeholders and monitoring through broader risk forums.
- **Finance Committee**. The role of the committee is to ensure there are effective levels of governance in place across the Bank's finance function so that significant decisions are fully informed, transparent, recorded and reported and in line with risk appetite and relevant governance structures. The Finance Committee met nine times in the current financial year and remained in place as of the date of signing the accounts. It is anticipated that this standalone committee will be removed in the financial year ahead with oversight of finance covered through alternative governance forums.
- **Supply Chain Oversight Committee**. The role of the committee was to ensure there is an effective group-wide supply chain performance and risk management framework that manages outsourcing, oversees delivery and makes decisions to ensure the Bank is able to robustly manage and oversee its suppliers. The Supply Chain Committee met monthly through the current financial year until December 2025. Thereafter the Committee ceased to formally sit with performance oversight, including that of safe and effective supplier terminations, achieved through reporting to relevant stakeholders and monitoring through broader risk forums governing the strategic transformation more holistically.

Divisional Risk Committees

- **Divisional Risk Committees** (DRC) were chaired by the relevant ExCo member for each Division to ensure the effectiveness of the ERMF, with risks effectively and consistently managed within the overall approved risk appetite and facilitating the presentation to Executive Risk Committee any material risks which may affect the Bank subsequently. Recognising the changing shape and risk profile of the Bank, during the year individual ExCo members agreed to stand down their DRCs and replace them with a combined first line risk meeting where each Director discusses their individual divisional risk profile and the broader operational risk view.

By order of the Board

Michael Larkin
Chief Financial Officer
22 April 2026

The Directors have the pleasure in submitting their annual report and the financial statements of Sainsbury's Bank plc for the year ended 28 February 2026.

Board of Directors

The Board comprises 2 executive Directors and 6 non-executive Directors. The position of members who served during the year is described in the following table:

Name	Position	Remunerating entity
Lesley Jones	Chair (Independent Non-Executive)	Sainsbury's Bank plc
Carole Butler	Senior Independent Non-Executive	Sainsbury's Bank plc
Guy Thomas	Independent Non-Executive	Sainsbury's Bank plc
Rosanne Murison	Independent Non-Executive	Sainsbury's Bank plc
Helen Normoyle	Independent Non-Executive	Sainsbury's Bank plc
Bruce Richardson	Non-Executive	J Sainsbury plc
Robert Mulhall	Chief Executive Officer	Sainsbury's Bank plc
Michael Larkin	Chief Financial Officer	Sainsbury's Bank plc

All of the Directors in office at the date of this report served throughout the period, and up to the date of approval of these financial statements.

Directors' indemnities

The Bank has provided an indemnity for the benefit of all of its current Directors which is a qualifying third-party indemnity provision for the purpose of the Companies Act 2006. This was in force throughout the financial year and at the date of signing of the financial statements. Directors' and Officers' insurance is provided through the J Sainsbury plc Group policy. Neither the indemnities nor the insurance provide cover in the event that the Director is proved to have acted fraudulently.

Statement of corporate governance arrangements

The Bank applied the main principles and complied with the relevant provisions of the Wates Corporate Governance Principles for Large Companies (available on the Financial Reporting Council website). Information demonstrating how the Bank applied the principles can be found throughout the Strategic report.

Employee engagement

Refer to the S172(1) statement on page 7 of the Strategic report for details on employee engagement.

Business relationships

Refer to the S172(1) statement on page 7 of the Strategic report for details on business relationships.

Colleagues

Refer to the S172(1) statement on page 7 for the Bank's policies on colleagues and the employment of disabled persons.

Independent auditors

Subject to shareholder approval, PricewaterhouseCoopers LLP will be appointed as the Bank's auditor for the year ending 28 February 2027. Ernst & Young LLP (EY), which has been the Bank's auditor since the year ended 28 February 2018, will continue in the role until that time, and has therefore undertaken the Bank audit for the year ending 28 February 2026.

Disclosure of information to auditors

At the date of this report, each of the Directors in office has 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 Bank's auditors are aware of that information. As far as each Director is aware, there is no relevant audit information of which the Bank's auditors are unaware.

Consumer Duty

The Bank continues to place significant focus on consumer duty. The Board recognises that continued compliance with the Consumer Duty rules should ensure a positive impact on the customers which the Bank serves, including demonstrating appropriate levels of care for customers with vulnerable characteristics. Ongoing monitoring of good customer outcomes and full compliance with the regulation is overseen by the Board, which is provided with quarterly customer outcome reports and regular activity reports from Senior Manager Function (SMF) holders within the Bank specific to their areas of accountabilities, as well as second- and third-line assurance activities.

Financial risk management

Details of the use of financial instruments, together with risk management disclosures, can be found in note 25 and the Risk Management section in the Strategic report on pages 13 to 17.

Future developments

The development of the Bank is set out in the Strategic report on pages 3 to 6.

Post balance sheet events

There were no events occurring after the reporting date that require disclosure or adjustment within the Financial Statements.

Going concern

The Directors have considered the appropriateness of the going concern basis of preparation of the financial statements, taking into account the Bank's current and projected performance, with specific additional consideration given to the impacts of the strategic changes to the business as described in the Strategic report on page 3, including any new or amended risks in respect of capital and liquidity adequacy. The Directors are satisfied the Bank has the ability to continue as a going concern for the foreseeable future, being at least 12 months from the date of approval of the Financial Statements, taking into account a range of possible operational, economic and legal scenarios. The Directors have also considered factors beyond this timeframe where longer term financial and operational forecasts and scenarios have been prepared. Consequently, the going concern basis continues to be appropriate in preparing the financial statements.

Further information on the risks considered in the going concern assessment is set out in note 1 to the financial statements.

Dividends

The loss after tax for the year attributable to the shareholders is £19m (2025: £91m loss). The Directors have approved two special interim dividend payments throughout the financial year totalling £400m (2025: £nil), and do not recommend payment of a final dividend (2025: £nil).

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with UK adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of Sainsbury's Bank plc ('the Company') and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with International Accounting Standard (IAS) 8: Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK adopted international accounting standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the financial performance; and
- state that the Bank has complied with UK adopted international accounting standards, subject to any material departures and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Annual Report and Financial Statements disclosures included on the J Sainsbury plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board and signed on its behalf by

Michael Larkin
Chief Financial Officer
22 April 2026

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SAINSBURY'S BANK PLC

Opinion

We have audited the financial statements of Sainsbury's Bank plc (the 'company', or the 'Bank') for the year ended 28 February 2026 which comprise the Income Statement, Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity, and the related notes 1 to 30 including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 28 February 2026 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included the following:

- We reviewed and challenged the directors' assessment and conclusion regarding the appropriateness of adopting the going concern basis of preparation for the financial statements, taking into account the company's current and projected performance, as disclosed in the basis of preparation note on page 34. This included evaluating the factors arising from the continued implementation of the company's revised strategic direction, as announced by the J Sainsbury's Group, and assessing the appropriateness of the timeframes applied, including consideration of forecasts extending beyond the minimum 12-month period required for assessing going concern.
- We assessed whether the progression of the company's phased withdrawal from its Core Banking business, including the completed disposals of its Core Banking, ATM, travel money and motor and home insurance product portfolios, was indicative of a cessation of trade on a solvent basis. In doing so, we evaluated Board-approved plans for the future legal entity structure, including the intention to surrender the banking licence while retaining the necessary regulatory permissions for the company to operate as the 'go forward' business for Financial Services commission products and other arrangements in support of the Sainsbury's Group.
- We reviewed and assessed the directors' analysis of the company's resilience to financial and operational stress, including consideration of current and forecast liquidity and capital positions, associated headroom, and sensitivities relating to potential delays in the execution of planned strategic transformation timelines.
- We reviewed the company's going concern disclosures included in the financial statements in order to assess whether the disclosures were appropriate, consistent with the risks and responses considered in the going concern assessment, and in conformity with the reporting standards.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Overview of our audit approach

Key audit matter	• The accounting and reporting implications of exiting the banking business.
Materiality	• Overall materiality of £1.2m which represents 0.75% of operating expenses.

An overview of the scope of our audit

Tailoring the scope

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

Climate change

The company has concluded that, following the strategic decision to exit its Core Banking business, it may no longer be appropriate to continue or introduce new standalone climate-related initiatives and metrics that are not aligned with the strategic direction of the business. Prior metrics and targets have become less relevant in light of the revised strategy. As the company no longer originates new lending or deposit activity, its exposure to climate-related risks has significantly reduced and its ability to deliver medium and longer-term environmental goals inhibited, given that the targets would be beyond the lifespan of the company in its current form. Consequently, climate-related risks and opportunities are assessed and managed at a group level, with relevant disclosures incorporated within its parent, J Sainsbury's plc's Annual Report rather than at an individual entity level. This is explained on page 8 in the Strategic report. All of these disclosures form part of the "Other information" rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

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

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment in the context of the revised business strategic direction and the exit from banking business, including consideration of any residual climate-related risks. As part of this evaluation, we performed our own risk assessment supported by our climate change internal specialists, to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit.

Where considerations of climate change were relevant to our assessment of going concern, these are described above.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

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

The accounting and reporting implications of exiting the banking business	
Risk	**Our response to the risk**
Refer to Notes 2(a, b, and c), 9 and 22 of the Financial Statements In early 2024, J Sainsbury's Group announced a phased withdrawal from its Core Banking business. The company entered into several agreements to dispose of its portfolios and further progress was made during the year in	We assessed the design effectiveness of key controls over the processes supporting accounting estimates and judgements arising from exiting the banking business. This included controls over the development and approval of key assumptions, determination of appropriate accounting treatments, assessment of the completeness of provisions, and the calculation of those provisions.

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executing the exit strategy from banking activities with:

Personal loan, credit card and retail deposit portfolios sold to NatWest, completed in May 2025.
ATM estate sold to NoteMachine, with disposals finalised in 2025.
Travel money business sold to Currency Exchange Corporation Ltd, completed in early 2026.
Renewal rights for home and motor insurance policies transferred to Liverpool Victoria Insurance Company Limited.

As a result of these developments, additional considerations have become necessary within the Onerous Contracts provisions as well as other provisions including Migration, Supplier Restructuring, and Redundancy Provisions, which were established in the prior reporting period. These events prompted further assessment of migration and other attributable costs, as well as the ongoing evaluation and utilisation of those provisions during the year.
During the year, the company also recognised the final fair value movements on the held for sale portfolios prior to their sale to NatWest, together with estimating the gains arising on the disposal of the insurance renewal rights and Travel Money business.
The recognition of these items necessitates that management applies appropriate assumptions and judgements, and ensures the correct accounting treatment is adopted.
Accordingly, we identified risks in the following areas, arising from the inherent complexity of the transactions and the significant degree of management judgement involved in determining the appropriate accounting treatment:

The appropriateness and completeness of provisions for onerous contracts and suppliers’ restructuring (c. £23m), costs to sell (c. £1m) and restructuring provision (c. £11m).
The appropriateness of the utilisation of those provisions during the year.
The appropriateness of the allocation between continuing and discontinued operations presented in the financial statements.

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We determined the appropriateness and completeness of provisions for onerous contracts by;

Challenging the methodology, key inputs and assumptions used in the calculation;
Performing an independent completeness test to validate that all significant contracts are considered within the onerous contract assessment;
Validating the accuracy of the provisions made through vouching of terms and values to a sample of contracts, including lower and nil value contracts.

For other provisions, we determined the appropriateness and completeness of provisions by:

Challenging the methodology, key inputs and assumptions used in the calculation;
Validating that provisions reflected communications made by the company, and agreements entered with third parties;

We tested the utilisation of onerous contracts and other provisions during the year by agreeing amounts utilised to supporting documentation, including invoices, and payments. We further assessed whether such utilisation was consistent with the nature and intended purpose of the provisions at the time of initial recognition.
We evaluated whether management correctly classified operations as either continuing or discontinued, along with an assessment of the adequacy of disclosures. Our testing included examining the classification and measurement methods used by management, confirming compliance with relevant accounting standards, and agreeing the inputs of the classification to the accounting records.
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Key observations communicated to the Audit Committee
Accounting and reporting implications of exiting the banking business was appropriately reflected within the financial statements, and related disclosures were adequate in all material respects.

In the prior year, our auditor's report included key audit matters relating to Expected Credit Loss (ECL) provisions, Effective Interest Rate (EIR) accounting, and Reliance on the processes and controls of third-party service providers.

Following the completion of a number of transactions relating to the exit of the banking business, the company has operated with a significantly simplified structure, no longer holding the majority of what were core product portfolios by the balance sheet date. The systems supporting these products, which were largely operated by third-party service providers, were decommissioned following the disposals, with only a limited number of systems remaining in use. Accordingly, ECL provisions, EIR accounting, and reliance on the processes and controls of third-party service providers are no longer considered to be key audit matters in the current year.

Our application of materiality

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

Materiality

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

We determined materiality for the company to be £1.2 million (2025: £3.3 million), which is 0.75% of operating expenses (2025: 0.5% of equity). We believe that operating expenses provides us with the most appropriate basis for materiality, with the change in basis from the prior year reflecting the evolving nature of the business following the significant number of disposal transactions relating to the company's product portfolios in the current year. The company has progressed into the next phase of its strategic transformation, with a shift in focus from capital adequacy to cost management as it advances its withdrawal from the banking business.

The reduction in materiality compared to the prior year reflects the reduced scale of the company's operations following the disposal of its banking, ATM, travel money and motor and home insurance commission product portfolios, resulting in a significant decline in overall operating activity.

Performance materiality

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

On the basis of our risk assessments, together with our assessment of the company's overall control environment, our judgement was that performance materiality was 75% (2025: 75%) of our planning materiality, namely £0.9m (2025: £2.5m). We have set performance materiality at this percentage due to a limited history of misstatements or significant control deficiencies.

Reporting threshold

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

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1m (2025: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

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

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 18, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are the regulations, licence conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) and the Companies Act 2006.
- We understood how Sainsbury's Bank plc is complying with those frameworks by making inquiries of management, internal audit, and those responsible for legal and compliance matters. We also performed a review of regulatory correspondence and reviewed minutes of the Board and Board Risk Committee meetings held. We gained an understanding of the company's

approach to governance demonstrated by the Board's enterprise risk management framework ('ERMF') and internal control processes. We also reviewed the company's complaints and whistleblowing processes.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by assessing the controls that have established to address risks of fraud identified by the company, or that otherwise seek to prevent, deter, or detect fraud. We also considered performance and incentive plan targets and their potential to influence management to manage financial results.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved inquiries of those responsible for legal and compliance matters, executive management, internal audit, and performing procedures over the risk of management override of internal control. We also focused our audit procedures on areas identified as higher risk as referred to in the key audit matter section of this report.
- The company operates in the financial services industry which is a highly regulated environment. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee we were appointed by the company on 16 August 2017 to audit the financial statements for the year ending 28 February 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 9 years, covering the years ending 28 February 2018 to 28 February 2026.
- No non-audit services prohibited by the FRC's Ethical Standard were provided to the company and we remain independent of the company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Blake Adlem *(Senior statutory auditor)*
for and on behalf of Ernst & Young LLP, Statutory Auditor
Edinburgh
22 April 2026

Income statement

For the year-ended 28 February 2026

	Note	**2026** Continuing Operations £m	Discontinued Operations £m	Total £m	2025 Re-presented[1] Continuing Operations £m	Discontinued Operations £m	Total £m
Interest income	4	**58**	**-**	**58**	145	258	403
Interest expense	4	**(44)**	**(14)**	**(58)**	(99)	(124)	(223)
Net interest income		**14**	**(14)**	**-**	46	134	180
Fees and commissions income	5	**28**	**39**	**67**	31	46	77
Fees and commissions expense	5	**(4)**	**-**	**(4)**	(9)	-	(9)
Net fees and commissions income		**24**	**39**	**63**	22	46	68
Other operating income	6	**324**	**37**	**361**	30	46	76
Total income		**362**	**62**	**424**	98	226	324
Administrative expenses	7	**(62)**	**(99)**	**(161)**	(63)	(265)	(328)
Operating expenses		**(62)**	**(99)**	**(161)**	(63)	(265)	(328)
Impairment on investment in subsidiaries	8	**(324)**	**-**	**(324)**	-	-	-
Impairment losses on financial assets	8	**(1)**	**-**	**(1)**	(2)	(41)	(43)
Realised gains / (losses) on financial instruments	8	**1**	**15**	**16**	1	(5)	(4)
Fair value gains (losses) on financial instruments	8	**-**	**3**	**3**	-	15	15
Profit / (Losses) arising on disposals	9	**7**	**12**	**19**	-	(95)	(95)
(Loss) / Profit before taxation		**(17)**	**(7)**	**(24)**	34	(165)	(131)
Taxation	12	**4**	**1**	**5**	(1)	41	40
(Loss) / Profit for the financial year attributable to the owners of the Bank		**(13)**	**(6)**	**(19)**	33	(124)	(91)

[1] The prior year has been re-presented following the change to the scope of discontinued operations. Refer to note 3.

The accompanying notes on pages 34 to 57 form part of these financial statements.

Statement of comprehensive income

For the year ended 28 February 2026

	2026			2025 Re-presented[1]		
	Continuing Operations	**Discontinued Operations**	**Total**	Continuing Operations	Discontinued Operations	Total
	£m	**£m**	**£m**	£m	£m	£m
Profit / (Loss) for the financial year	**(13)**	**(6)**	**(19)**	**33**	**(124)**	**(91)**
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Financial assets fair value movements	**1**	**-**	**1**	-	-	-
FVOCI gains recycled to income statement	**(1)**	**-**	**(1)**	-	-	-
Total other comprehensive income, net of tax	**-**	**-**	**-**	**-**	**-**	**-**
Total comprehensive income / (expense) for the year attributable to the owners of the Bank	**(13)**	**(6)**	**(19)**	**33**	**(124)**	**(91)**

All amounts are attributable to the owners of the Bank.

The accompanying notes on pages 34 to 57 form part of these financial statements.

Statement of financial position

As at 28 February 2026

	Note	2026 £m	2025 £m
Assets			
Cash, balances with central banks and other demand deposits	14	**336**	1,138
Investment securities	15	**117**	2,284
Assets held for sale	13	**-**	2,511
Investments in subsidiaries	17	**1**	325
Intangible assets	16	**-**	-
Property, plant and equipment	16	**-**	-
Other assets[1]	18	**30**	142
Total assets		**484**	6,400
Liabilities			
Liabilities held for sale	13	**-**	3,140
Other deposits	19	**-**	1,968
Subordinated liabilities	20	**125**	124
Other liabilities[1]	21	**87**	414
Provisions for liabilities and charges	22	**41**	106
Total liabilities		**253**	5,752
Equity			
Called up share capital	23	**1**	701
Retained earnings		**228**	(55)
Other reserves		**2**	2
Total equity		**231**	648
Total equity and liabilities		**484**	6,400

[1] Derivative assets and liabilities are now included in other assets and other liabilities respectively given materiality of balances

The financial statements on pages 30 to 33 were approved by the Board of Directors on 22 April 2026 and signed on its behalf by:

Michael Larkin
Director and Chief Financial Officer

The accompanying notes on pages 34 to 57 form part of these financial statements.

Sainsbury's Bank plc – Company number 3279730

Statement of changes in equity

For the year ended 28 February 2026

	Called up share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
As at 1 March 2025	**701**	**(55)**	**2**	**648**
Loss for the financial year	**-**	**(19)**	**-**	**(19)**
Capital reduction	**(700)**	**700**	**-**	**-**
Other comprehensive income:				
Financial assets fair value movements (FVOCI)	**-**	**-**	**1**	**1**
FVOCI gains recycled to income statement	**-**	**-**	**(1)**	**(1)**
Total comprehensive income	**(700)**	**681**	**-**	**(19)**
Transactions with owners:				
Share-based payment (net of tax)	**-**	**2**	**-**	**2**
Dividends Paid	**-**	**(400)**	**-**	**(400)**
At 28 February 2026	**1**	**228**	**2**	**231**

	Called up share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
As at 1 March 2024	701	26	2	729
Loss for the financial year	-	(91)	-	(91)
Other comprehensive income:				
Financial assets fair value movements (FVOCI)	-	-	-	
FVOCI gains recycled to income statement	-	-	-	-
Total comprehensive income	-	(91)	-	(91)
Transactions with owners:				
Share-based payment (net of tax)	-	10	-	10
Dividends Paid	-	-	-	-
At 28 February 2025	701	(55)	2	648

All amounts are attributable to the owners of the Bank.

The accompanying notes on pages 34 to 57 form part of these financial statements.

Notes to the financial statements

1. Basis of Preparation

These financial statements represent the year ended 28 February 2026. The Bank has transitioned from preparing these financial statements in accordance with UK-adopted international accounting standards in the previous year to preparing in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 as applicable to companies using FRS 101.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of IFRS in conformity with the requirements of the Companies Act 2006. The Bank is a qualifying entity for the purposes of FRS 101. Apart from the disclosure exemptions noted below no material impacts arose upon transition. As a financial institution, the Bank continues to provide disclosures as required in accordance with IAS1, IFRS7 and IFRS13.

The Bank is a wholly owned subsidiary within the J Sainsbury plc group (the Group) and the Group results are included in the consolidated financial statements of J Sainsbury plc which are publicly available. Consequently, the Bank has taken exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006 and IFRS 10 4(a).

The key disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- Statement of cash flows.
- IFRS 2 Share-based payments;
- IFRS 5 Non-current assets held for sale and discontinued operations in respect of presentation discontinued cash flows
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosure of key management personnel compensation and for related party transactions entered into between two or more members of a group;
- the requirement to present roll-forward reconciliations in respect of share capital (IFRS 18), property, plant and equipment (IAS 16) and intangible assets (IAS 38).

The financial statements have been prepared under the historical cost convention as modified for the revaluation of financial assets and liabilities (including derivative instruments) held at fair value through profit and loss and fair value through other comprehensive income. The principal accounting policies have been applied consistently throughout the year.

The financial statements have been prepared on a going concern basis. The Directors have considered the appropriateness of the going concern basis of preparation of the financial statements, taking into account the Bank's current and projected performance, with specific additional consideration given to the impacts of the strategic changes to the business as originally described in the Strategic report on page 3. In assessing the Bank's ability to continue as a going concern, the Directors have considered the most recent forecasting processes. The assessment period for the purposes of considering going concern is the 12 months to April 2027, however, in accordance with IAS 1, the Directors have also considered factors beyond this timeframe where longer term financial and operational forecasts and scenarios have been prepared.

The Directors are satisfied in the ability of the Bank to complete our transformation journey in a safe and controlled manner on a solvent basis. In January 2026 the Directors applied to vary the regulatory permissions of the Sainsbury's Bank entity to remove deposit taking permissions whilst retaining the permissions required for the 'go forward' business of financial services commission products and other arrangements in support of the Sainsbury's Group. Accordingly, the Directors currently have no intention to liquidate the company. Consequently, the going concern basis continues to be appropriate in preparing the financial statements.

The preparation of financial statements in conformity with the requirements of the Companies Act 2006 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Foreign currencies
These financial statements are presented in sterling which is the Bank's functional and presentation currency. Foreign currency transactions are translated into sterling at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities are translated at financial position date exchange rates. Exchange differences arising are recognised in the income statement.

Standards and interpretations effective for the Company in these financial statements:
No new standards or interpretations became effective in the period or in the prior year that have a material impact on the Bank.

In respect of 'IFRS 18: Presentation and Disclosure in Financial Statements' which was amended in May 2025, this will first be effective for the Bank for the financial year ending February 2028. The impacts will be presentational only and the Bank is currently still assessing the full effects which currently are not yet practicable to quantify.

2. Material accounting policies and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities. Judgements and estimates are evaluated regularly and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Any revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Consideration has been given to the judgements and estimates arising from the strategic change development and portfolio sales arising in the year.

Accounting policies relating to immaterial transactions, events or conditions are themselves immaterial and therefore not disclosed.

a) Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic recourses will be required to settle the obligation and where the amount can be reliably estimated. Provisions are measured as the discounted expected future cash flows taking account of the risks and uncertainties associated with the specific liability where appropriate.

Provisions for Onerous Contracts
Provisions for onerous contracts are recognised in line with IAS 37 when the Bank believes that the unavoidable costs of meeting or novating a contract exceed the economic benefits expected to be received under it. The unavoidable costs reflect the lower of the incremental costs of fulfilling the contract and any penalties arising from failure to fulfil it. Further detail can be found in note 22.

Restructuring Provisions
Provision is made for restructuring costs, including the costs of redundancy, when the Bank has a constructive obligation. An obligation exists when the Bank has a detailed formal plan for the restructuring and has raised a valid expectation in those affected by starting to implement the plan or announcing its main features.

b) IFRS 5 Non-current assets (or disposal groups) held for sale and discontinued operations

IFRS 5 requires a non-current asset (or disposal group) to be classified as held for sale if it's carrying amount will be recovered principally through a sale transaction rather than through continuing use. To achieve this, the asset must be available for immediate sale in its present condition, the sale must be highly probable, management must be committed to a plan to sell with an active programme to locate a buyer initiated and the assets must be actively marketed for sale at a reasonable price in relation to fair value.

Non-current assets (or disposal groups) should be measured at the lower of their carrying amount and fair value less costs to sell (FVLCS). Immediately before the initial classification of an asset (or disposal group) as held for sale, the carrying amounts of all assets will be remeasured in accordance with applicable IFRS. For example, financial assets that are measured in accordance with IFRS 9 but also form part of a disposal group will continue to be measured in accordance with IFRS 9 and subsequently remeasured as part of a disposal group under IFRS 5.

Assets (or disposal groups) that meet the criteria to be classified as held for sale are presented separately in the statement of financial position with no requirement to re-present prior periods.

A discontinued operation is a component of an entity which is classified as held for sale in accordance with IFRS 5 and is part of a single co-ordinated plan to dispose of a separate major line of business. Discontinued operations are presented in a columnar format in the statement of comprehensive income separate from continuing operations. A total column is also presented. Where there are changes in respect of those components considered to be discontinued, disclosures for prior periods are represented in the financial statements.

c) Classification and measurement of financial instruments

The Bank classifies all of its financial assets based on the business model for managing the assets and the assets' contractual terms, measured at either amortised cost, fair value through other comprehensive income (FVOCI), or fair value through profit and loss (FVPL).

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

2. Material accounting policies and judgements *(continued)*

The business model assessment reflects how the Bank manages the risks relating to the underlying financial assets, including whether the Bank's principal objective is to collect the contractual cashflows arising from the instruments (amortised cost), to sell the financial instruments (FVPL) or a combination thereof (FVOCI).

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as how performance is reported to the entity's key management personnel, the way that risks are managed, how managers of the business are compensated and the expected frequency, value and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward. As a second step of its classification process, where the business model involves the collection of contractual cashflows, the Bank assesses the contractual cashflow characteristics of financial assets to identify whether they can be considered solely payments of principal and interest (the SPPI test).

In light of the portfolio sales of the personal loans and credit cards portfolios, the Bank previously considered whether any changes to the business model assessment exist under IFRS 9 and concluded the principal objective of the Bank had changed from collection of contractual cashflows to realise value through the sale of these portfolios effective as of June 2024 when the sale was agreed. The Bank is not required to reclassify the financial assets from amortised cost to FVPL until the reclassification date, which is the first day of the first reporting period following the change in business model, and as a result the Bank classified the financial assets at FVPL in the current reporting period and at amortised cost in the year ended 28 February 2025 (see note 13).

Amortised cost
Financial assets that are principally held for the collection of contractual cashflows which pass the SPPI test are classified as amortised cost. Initial recognition is at fair value and subsequent measurement is at amortised cost, using the effective interest rate method, less provision for impairment as described in the impairment section below.

Fair value through other comprehensive income
Financial assets that are held for both the purpose of collecting contractual cashflows and to sell which pass the SPPI test are classified as FVOCI. Initial recognition and subsequent measurement are at fair value, with movements in fair value being recognised through OCI. Interest income is measured using the effective interest rate method and impairment gains and losses are recognised in the income statement.

Fair value through profit and loss
Financial assets that do not meet amortised cost or FVOCI criteria are classified as FVPL.

Equity instruments
Upon initial recognition, the Bank occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 *Financial instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognised in profit or loss as other operating income.

Where this election is not applied equity instruments are measured at FVPL.

Financial liabilities
Other than derivative financial liabilities, all of the Bank's financial liabilities are recognised at amortised cost. Derivatives are classified as FVPL.

d) Net interest income

Interest income and expense in the income statement is determined using the effective interest rate method. This calculation takes into account all amounts that are integral to the yield as well as incremental transaction costs. The effective interest rate is the rate that discounts the expected future cash flows over the expected life of the financial instrument to the net carrying amount of the financial asset or liability at initial recognition.

The effective interest rate of a financial asset is calculated on initial recognition and is applied to the gross carrying amount of the asset. For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset net of impairment. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

2. Material accounting policies and judgements *(continued)*

Interest income calculated using the effective interest method presented in the income statement includes interest on financial assets and financial liabilities measured at amortised cost, at fair value through other comprehensive income and the effective portion of hedge accounting instruments. Interest expense presented in the statement of profit or loss includes financial liabilities measured at amortised cost and the effective portion of hedge accounting instruments for derivatives in a hedge accounting relationship.

Interest income and expense on other financial assets and financial liabilities at FVPL are presented in fair value gains on financial instruments (see note 8).

Interest expense on lease liabilities is included within interest expense on customer accounts, deposits and borrowings.

e) Net fees and commissions income

Fees and commissions that are not integral to the effective interest rate calculation primarily relate to credit card fees, ATM interchange fees and insurance introduction commission from insurance partners. These are recognised in the income statement on an accruals basis as performance obligations are satisfied.

Banking income - The Bank earned income from the transitional services agreement with NatWest as well as on credit card and ATM interchange fees, and from transaction-based fees which are charged to the customer's account. The revenue relating to transactions is recognised at the point in time when the transaction takes place.

Insurance income - The Bank earns commission income from the sale of insurance policies underwritten by a third party. This commission income is recognised as policies are sold, in line with the satisfaction of performance obligations to the customers.

Contract balances - Contract assets relate to the incremental costs of obtaining a contract with a customer. These costs are capitalised and deferred over the period to which performance obligations are satisfied and revenue is earned. Judgement is applied by management when determining what costs qualify to be capitalised, in particular whether these costs are incremental and whether they are expected to be recoverable.

f) Other gains and losses

Other gains and losses include fair value movements in relation to financial instruments classified as FVPL, realised gains and losses on financial instruments carried at amortised cost or FVOCI, and gains or losses on business lines disposed of or recognised as held for sale in accordance with IFRS 5. Fair value movements on financial instruments classified as FVPL are shown as unrealised unless the entire portfolio subject to the FVPL classification is disposed of within the period in which case fair value movements are disclosed as realised.

g) Taxation

Current tax is accounted for on the basis of tax laws enacted or substantively enacted at the statement of financial position date. Current tax is charged or credited to the income statement, except when it relates to items charged to equity or other comprehensive income.

Deferred tax is accounted for on the basis of temporary differences arising from differences between the tax base and accounting base of assets and liabilities. Deferred tax is recognised for all temporary differences, except to the extent where it arises from the initial recognition of an asset or a liability in a transaction that is not a business combination and, at the time of transaction, affects neither accounting profit nor taxable profit. It is determined using tax rates (and laws) that have been enacted or substantively enacted at the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset against each other when there is a legally enforceable right to set-off current taxation assets against current taxation liabilities and it is the intention to settle these on a net basis.

h) Capitalisation of intangible assets

Capitalisation of intangible assets involves an assessment as to the appropriateness of costs that meet the qualifying criteria of IAS 38. Following the full impairment of assets in January 2024 and consistent with the strategic transformation, the Bank has not deemed it appropriate to capitalise any intangibles since then.

i) Investments in subsidiaries

Investments in subsidiaries are carried at cost less any impairment loss in the financial statements of the Bank. Each financial year the Bank assesses the carrying amounts of its investments to determine whether there is any indication of impairment. Where such an indication exists, the Bank makes an estimate of the recoverable amount based on the greater of fair value less costs to dispose or

2. Material accounting policies and judgements *(continued)*

value-in-use calculations. If the recoverable amount of the investment is less than its carrying amount, the investment is written down to its recoverable amount. Any impairment loss is immediately recognised in the income statement

j) Accounting policies no longer relevant or material in the year

There are several accounting policies that are no longer material in the current year or not relevant given strategic transformation activity as summarised below. Accounting policy for the prior year comparatives, including detail on assumptions within the models for expected credit losses and effective interest rate methodologies can be found in the 2025 published Annual Report and Accounts found on the Investors page of the website: https://corporate.sainsburys.co.uk/investors/results-reports-and-presentations.

k) Impairment of loans and advances

Impairment loss models involve the estimation of future cash flows of financial assets, based on observable data at the financial position date and historical loss experience for assets with similar credit risk characteristics. This will typically take into account the level of arrears, security, past loss experience and default levels. Following the business model change from amortised cost to fair value through profit and loss in accordance with IFRS 9, the only impairment charge is in relation to insurance instalment lending which does not involve any material assumptions or estimates.

l) Impairment of Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment are assessed to ensure they continue to meet the criteria of IAS 38, and for indicators of impairment, at each statement of financial position date or more frequently where required by changes in circumstances. Following the announcement in January 2024 for phased withdrawal from Core Banking, we completed an assessment and fully impaired all assets. We therefore continue to consider whether any previously recognised impairment charge may be reversed in full or in part where a change in circumstances leads to a change in the estimates used to determine its recoverable amount. The carrying value of the asset will only be increased to the carrying value at which it would have been held had the impairment not been recognised.

m) Derivative financial instruments and hedge accounting

All derivative financial instruments are initially recognised at fair value on the contract date and are re-measured to their fair value at each subsequent reporting date. Changes in fair value of all derivative instruments are recognised immediately in the income statement. Fair values are obtained from observable market data before the application of appropriate discounting factors. Where the overall carrying value of a derivative is positive it is held and classified on the statement of financial position as an asset. Alternatively, when the overall carrying value of a derivative is negative it is held and classified as a liability.

The Bank's policy is to use derivatives for economic purposes only, and not for trading. Where possible it will elect to designate the derivative into an effective hedge accounting relationship, where the gains and losses on derivatives are offset by effective hedged item adjustments within the income statement.

Fair value hedging
The Bank designates certain derivatives as fair value hedges where the derivative financial instrument hedges the change in fair value of the particular risks inherent in recognised assets or liabilities (fair value hedges).

The Bank adopts IFRS 9 hedge accounting requirements for fair value hedges of investment securities and its Fixed Rate Debt issuance. Where relevant, instruments are hedged via plain vanilla interest rate swaps, with the critical economic terms of both the hedging instrument and hedged item matching. The notional amount, fixed interest legs and maturity dates are economically matched. The main source of ineffectiveness within the micro hedge relationships relates to the floating leg valuation changes inherent within the hedging instrument that do not exist within the hedged item.

Under IAS 39, portfolio fair value hedging allows the designation of the whole or part of a portfolio of assets or liabilities with similar risk exposures. The hedged item can be designated based on expected maturities to match the hedging derivative maturity. Hedge effectiveness is considered to have been met where the change in fair value of the hedged item offsets the change in fair value of hedging instruments, within the 80 to 125 per cent ratio corridor.

To qualify for hedge accounting the Bank documents at the inception of the hedge, the hedging risk management strategy, the relationship between the hedging instrument and the hedged item or transaction and the nature of the risks being hedged. The Bank also documents the assessment of the effectiveness of the hedging relationship, to show that the hedging relationship is expected to be effective (prospectively) and, subsequently, has been effective (retrospectively). In respect of all fair value hedge relationships, changes in fair value of the derivatives offset changes in the fair value of the hedged items through the income statement, with any ineffective portion also being recognised in the income statement.

2. Material accounting policies and judgements *(continued)*

Derivatives not in a hedge accounting relationship

The Bank's entire derivative portfolio is executed for economic purposes. Under IAS 39 rules for macro portfolio hedging, some of the Bank's hedging derivatives do not qualify, or prove too onerous, to be designated into an effective hedged relationship. In those instances, the interest rate swaps are viewed as trading derivatives under IFRS 9 with any movements in fair value recognised in the income statement, without offset.

Foreign currency derivative contracts

Foreign currency exposure arose from currency holdings within the Bank's travel money business. The Bank entered into foreign exchange derivative contracts to hedge foreign currency exposure. Foreign exchange derivative instruments included FX spot, FX forwards and FX swaps.

3. Prior year re-presentation

Following the announcement on 30 July 2025 that the Bank had entered into an agreement to sell its travel money portfolio to Fexco Group, the travel money business has been classified as a discontinued operation in the current year. The comparative figures in the income statement have therefore been re-presented in line with the current year presentation of discontinued operations.

In the previous reporting period, the personal loan, credit card, retail deposit portfolios and ATM assets were already classified as discontinued operations and therefore the travel money business is the only business area moving out of continuing as presented below.

The impacts of this re-presentation on the comparative figures for the year ended 28 February 2025 are shown below.

	Continuing Operations			Discontinued Operations		
	As reported February 2025 £m	Adjustments £m	**Re-presented in income statement £m**	**As reported February 2025[1] £m**	Adjustments £m	**Re-presented in income statement £m**
Net interest income	**46**	-	**46**	**134**	-	**134**
Net fees and commissions income	**23**	(1)	**22**	**45**	1	**46**
Other operating income	**68**	(38)	**30**	**8**	38	**46**
Total income	**137**	(39)	**98**	**187**	39	**226**
Administrative expenses	**(88)**	25	**(63)**	**(240)**	(25)	**(265)**
Operating expenses	**(88)**	25	**(63)**	**(240)**	(25)	**(265)**
Impairment losses on financial assets	**(2)**	-	**(2)**	**(41)**	-	**(41)**
Realised gains on financial instruments	**1**	-	**1**	**(5)**	-	**(5)**
Fair value gains (losses) on financial instruments	**-**	**-**	**-**	**15**	-	**15**
Losses arising on disposals	**-**	**-**	**-**	**(95)**	-	**(95)**
Profit/(Loss) before taxation	**48**	(14)	**34**	**(179)**	14	**(165)**
Taxation	**(5)**	4	**(1)**	**45**	(4)	**41**
Profit/(Loss) for the financial year attributable to the owners of the Bank	**43**	(10)	**33**	**(134)**	10	**(124)**

[1] In the year ended 28 February 2025 published Annual Report and Financial Statements, discontinued operations were presented in the notes to the financial statements rather than in a tabular approach. As a result, the loss on disposal was disclosed in note 14.4. All other discontinued operations were presented in note 14.2. The tax credit presented above is a combination of the impact on the loss on disposal in note 14.4 (£24m) and on other discontinued operations in note 14.2 (£21m). The total loss after tax on discontinued operations was presented in note 14.1.

4. Net interest income

Following reclassification of the personal loans and credit cards to fair value through profit and loss in accordance with IFRS 9, the Bank no longer held these financial instruments at amortised cost. Subsequent to their reclassification, interest income is no longer recognised using the effective interest rate method and is instead included within fair value gains (losses) on financial instruments (see note 8) in the year.

	2026			2025		
	Continuing Operations	**Discontinued Operations**	**Total**	Continuing Operations	Discontinued Operations	Total
	£m	**£m**	**£m**	£m	£m	£m
Interest income calculated using the effective interest rate method:						
Interest income on financial assets measured at amortised cost	**22**	**-**	**22**	69	258	327
Interest income on financial assets measured at FVOCI	**36**	**-**	**36**	76	-	76
Interest receivable	**58**	**-**	**58**	145	258	403
Interest expense on customer accounts, deposits and borrowings[1]	**(31)**	**(14)**	**(45)**	(84)	(120)	(204)
Interest expense on subordinated liabilities	**(13)**	**-**	**(13)**	(13)	-	(13)
Interest expense on derivative liabilities	**-**	**-**	**-**	(2)	(4)	(6)
Interest payable	**(44)**	**(14)**	**(58)**	(99)	(124)	(223)
Net interest income	**14**	**(14)**	**-**	46	134	180

[1] Includes lease liabilities

5. Net fees and commissions income

	2026			2025 Re-presented[1]		
	Continuing Operations	**Discontinued Operations**	**Total**	Continuing Operations	Discontinued Operations	Total
	£m	**£m**	**£m**	£m	£m	£m
Banking Income[2]	**-**	**38**	**38**	-	45	45
Insurance Income	**27**	**-**	**27**	31	-	31
Other Income	**1**	**1**	**2**	-	1	1
Total fees and commission income	**28**	**39**	**67**	31	46	77
Fees payable	**(4)**	**-**	**(4)**	(9)	-	(9)
Total fees and commission payable	**(4)**	**-**	**(4)**	(9)	-	(9)
Net fees and commission income	**24**	**39**	**63**	22	46	68

[1] The prior year has been re-presented following the change of scope of discontinued operations. Refer to note 3.
[2] Includes income received from NatWest for operation of the transitional services agreement

Capitalised costs incurred to obtain contracts in the year were £1m (2025: £2m). The unamortised balance as at the reporting date, included within other assets in note 18 was £nil (2025: £4m) as these capitalised costs were written off following the sale of car and home insurances.

The amount of amortisation recognised in the year relating to capitalised costs to obtain contracts with customers prior to the sale was £1m (2025: £3m). The amount written off in the year and recognised within the gain on disposal of the car and home insurance business (see note 9) was £3m (2025: £nil).

6. Other operating income

	2026 Continuing Operations £m	2026 Discontinued Operations £m	2026 Total £m	2025 Re-presented[1] Continuing Operations £m	2025 Re-presented[1] Discontinued Operations £m	2025 Re-presented[1] Total £m
Travel Money Income[2]	**-**	**37**	**37**	-	38	38
ATM Income	**-**	**-**	**-**	-	8	8
Dividend Income	**324**	**-**	**324**	30	-	30
Other operating income	**324**	**37**	**361**	30	46	76

[1] The prior year has been re-presented following the change of scope of discontinued operations. Refer to note 3.
[2] The difference between the purchase price and the selling price recognised on the effective date of the customer transaction.

7. Administrative expenses

	2026 Continuing Operations £m	2026 Discontinued Operations £m	2026 Total £m	2025 Re-presented[1] Continuing Operations £m	2025 Re-presented[1] Discontinued Operations £m	2025 Re-presented[1] Total £m
Staff costs:						
Wages and salaries	**(30)**	**(36)**	**(66)**	(24)	(86)	(110)
Social security costs	**(5)**	**(6)**	**(11)**	(4)	(7)	(11)
Pension costs	**(2)**	**(2)**	**(4)**	(1)	(2)	(3)
Share-based payments	**(4)**	**(4)**	**(8)**	(3)	(5)	(8)
	(41)	**(48)**	**(89)**	(32)	(100)	(132)
Other operating costs:						
Onerous contracts and supplier restructuring[2]	**(9)**	**7**	**(2)**	(7)	(58)	(65)
Strategic programme costs[3]	**-**	**(12)**	**(12)**	-	(48)	(48)
Other[4]	**(12)**	**(46)**	**(58)**	(24)	(59)	(83)
	(21)	**(51)**	**(72)**	(31)	(165)	(196)
Total Administrative expenses	**(62)**	**(99)**	**(161)**	(63)	(265)	(328)

[1] The prior year has been re-presented following the change of scope of discontinued operations. Refer to note 3.
[2] Comprises primarily long dated IT contracts where anticipated early termination will result in the unavoidable costs of meeting the obligations under a contract exceeding the economic benefits expected to be received under it. Costs represent the lower of the costs of fulfilling contracts and the costs of terminating.
[3] One-off costs relating to the delivery of the strategic transformation activity.
[4] Includes non-colleague overhead costs.

See note 10 for further details on employee arrangements.

Within other operating expenses, there was £1.1m relating to Auditor's remuneration for the statutory audit of the Bank, of which £0.7m was relating to continuing operations and £0.4m was relating to discontinued operations (2025: £1.4m; £1.0m continuing; £0.4m discontinued). Audit-related assurance services were also performed by the Statutory Auditors during the year for fees totalling £0.04m.

8. Gains and Losses on assets and liabilities

	2026			2025 Re-presented[1]		
	Continuing Operations	**Discontinued Operations**	**Total**	Continuing Operations	Discontinued Operations	Total
	£m	**£m**	**£m**	£m	£m	£m
Impairment losses on investments in subsidiaries	**(324)**	**-**	**(324)**	-	-	-
Impairment losses on financial assets	**(1)**	**-**	**(1)**	(2)	(41)	(43)
Realised gains / (losses) on financial instruments	**1**	**15**	**16**	1	(5)	(4)
Fair value gains / (losses) on financial instruments	**-**	**3**	**3**	-	15	15

[1] The prior year has been re-presented following the change of scope of discontinued operations. Refer to note 3.

In the financial year, Home Retail Group Card Services Limited (a subsidiary of the Bank) paid dividends of £324m to the Bank which reduced the net asset position and resulted in an equivalent impairment on the Bank's investment in subsidiary. See note 17 for further details.

Realised gains and losses on financial instruments in the current year mainly relates to the FVPL movements in relation to Core Banking assets (including the close out of related derivatives) prior to disposal to NatWest within discontinued operations, as well as realised gains and losses on closure of treasury assets within continuing. In the year ended 28 February 2025, discontinued operations related to a loss in respect of financing arrangements for the sale of the Argos Financial Services Storecard portfolio while continuing operations mainly included realised losses on closure of treasury assets.

Finance fair value movements relate to net fair value movements on derivative financial instruments not designated in a hedging relationship and any hedge ineffectiveness that is amortised in the period or realised to the income statement on close out of the hedged items. In the year ended 28 February 2025, this also included the unrealised losses on the Core Banking deal not yet realised.

Derivative fair value gains & hedge ineffectiveness

As a result of the strategic change, the Bank's personal loan hedging derivatives ceased to qualify into an effective hedging relationship, with fair value movements recognised in the income statement. This became effective from June 2024 following the agreement of the sale of the portfolios to NatWest Group. Following the completion of the sale to NatWest on 1 May 2025, all remaining derivative assets and liabilities were closed out and gains / losses crystallised within the income statement. The Bank previously held a derivative to hedge against the Tier 2 subordinated debt (see note 20) however this was also closed in the reporting period and replaced with a Gilt (see note 15). The Bank also closed all remaining FX derivatives in the period following the agreed sale of travel money business.

9. Gains and losses arising from disposals

	2026			2025		
	Continuing Operations	**Discontinued Operations**	**Total**	Continuing Operations	Discontinued Operations	Total
	£m	**£m**	**£m**	£m	£m	£m
Total cash consideration (payable)/received	**11**	**(244)**	**(233)**	-	(556)	(556)
Carrying amount of net liabilities/(assets) being disposed	**-**	**258**	**258**	-	518	518
Costs of Disposal[1]	**(4)**	**(2)**	**(6)**	-	(57)	(57)
Gain / (Loss) on disposal	**7**	**12**	**19**	-	(95)	(95)

[1] Comprises primarily migration costs, TSA day 1 readiness costs and data retention costs associated with the sale of portfolios. Following derecognition of assets, remaining costs of disposal provision is found in note 22.

For the year ended 28 February 2026, within continuing operations the gain on disposal represents the sale of the home and car insurances portfolio and within discontinued operations the gain represents the sale of the travel money business.

The value of cash consideration also includes £273m paid to NatWest in respect of the value of net liabilities transferred on 1 May 2025. As a result of the change of business model referred to within accounting policies, the gain or loss on disposal in respect of the Core Banking portfolio is indistinguishable from FVPL movements which are reported in realised gains on financial instruments (note 8). Accordingly, the value of net liabilities included above is also £273m resulting in nil gain or loss on disposal in the current year.

In the year ended 28 February 2025 the Core Banking portfolio was recognised at amortised cost under IFRS 9 and the loss on disposal above represents the difference between the carrying value of net liabilities at 28 February 2025 and their fair value less costs of disposal.

10. Employees

The average monthly number of colleagues working on the Bank's operations during the year is set out below inclusive of employees within the scope of discontinued operations within the reporting period. As previously explained on page 3, as the Bank continues on its transformation journey to exit Core Banking, we have seen many colleagues exit the business throughout the current financial year and as a result the average number of employees has decreased in the period.

	2026 Number	2025 Number
Full time	**588**	886
Part time	**816**	894
Total employee numbers	**1,404**	1,780
Full time equivalent	**1,002**	1,351

Colleague costs are disclosed in administrative expenses in note 7.

Colleagues are eligible to join the defined contribution pension arrangements of J Sainsbury plc. These plans are also used where colleagues have been automatically enrolled into a pension. Contributions paid by the Bank are based on grade and the amount that the colleague chooses to pay or whether they have been automatically enrolled. The pension cost charge for the year (see note 7) represents contributions payable by the Bank and was entirely in relation to defined contribution schemes.

11. Directors' emoluments

	2026 £m	2025 £m
Emoluments	**5.3**	3.6
Share-based payments	**2.7**	1.3
	8.0	4.9
Highest paid director:		
Emoluments	**3.4**	1.8
Share-based payments	**2.1**	0.3
	5.5	2.1

The Directors' positions and remuneration status are set out in the Directors' report on page 21. The emoluments set out above include those Directors who held office during the year.

All executive Directors were employed and remunerated by the Bank.

During the year one Director (2025: three) received share awards under J Sainsbury plc share incentive schemes reflective of their qualifying services with the Bank. No Directors (2025: two including the highest paid director) exercised share options in the year. Further detail of the relevant incentive plans is outlined in note 29.

During the year no Directors (2025: one) accrued retirement benefits in respect of qualifying services under defined contribution schemes. No Directors (2025: none) were paid a sum following retirement in the year.

Payments were made to independent Non-Executive Directors who served during the year and are included in the above details. There was no recharge to the Bank in respect of emoluments for Non-Executive Directors who were employed by J Sainsbury plc as their emoluments are deemed to be wholly attributable to services to the parent company. See Directors' report on page 21 for further details.

12. Taxation

	2026			2025 Re-presented[1]		
	Continuing Operations	**Discontinued Operations**	**Total**	Continuing Operations	Discontinued Operations	Total
	£	**£m**	**£m**	£m	£m	£m
UK corporation tax on profit for the year	**(7)**	**(2)**	**(9)**	(1)	(38)	(39)
Adjustments in respect of prior years	**-**	**1**	**1**	-	-	-
Current tax	**(7)**	**(1)**	**(8)**	(1)	(38)	(39)
Origination and reversal of temporary differences	**3**	**1**	**4**	2	(3)	(1)
Adjustments in respect of prior years	**-**	**(1)**	**(1)**			
Deferred tax	**3**	**-**	**3**	2	(3)	(1)
Total tax (credit)/charge	**(4)**	**(1)**	**(5)**	1	(41)	(40)

[1] The prior year has been re-presented following the change of scope of discontinued operations. Refer to note 3.

Differences between profit before tax multiplied by the effective corporation tax rate for the year of 25% (2025: 25%) and the income tax expense recognised in the income statement are explained below.

	2026			2025 Re-presented[1]		
	Continuing Operations	**Discontinued Operations**	**Total**	Continuing Operations	Discontinued Operations	Total
	£	**£m**	**£m**	£m	£m	£m
(Loss) / Profit before taxation	**(17)**	**(7)**	**(24)**	34	(165)	(131)
Tax on ordinary activities at 25% (2025: 25%)	**(4)**	**(2)**	**(6)**	8	(41)	(33)
Effects of underlying items:						
Non-deductible expenses	**-**	**1**	**1**	(7)	-	-
Total income tax (credit)/charge recognised in the income statement	**(4)**	**(1)**	**(5)**	1	(41)	(40)

[1] The prior year has been re-presented following the change of scope of discontinued operations. Refer to note 3.

Deferred income tax assets have been recognised in respect of all income tax losses and other temporary differences giving rise to deferred income tax assets because it is probable that these assets will be recovered through either surrendering losses to other J Sainsbury plc group companies or through profitability of the entity. In the year, the Bank surrendered losses to other J Sainsbury plc group companies. £9m (2025: £35m) tax value of losses were surrendered to group companies outside of the Bank and its subsidiary entities and £nil (2025: £4m) tax value of losses were surrendered to the Bank's subsidiary, Home Retail Group Card Services Limited.

13. Assets and liabilities of the disposal group and non-current assets held for sale

As described on page 4, the Sainsbury's Group announced it had entered into an agreement to sell the travel money business to Fexco Group. This sale concluded in January 2026, at which point assets of £16m were derecognised, and therefore there are no balances classified as held for sale relating to this transaction at the period end. In the prior year, the Bank had assets and liabilities held for sale relating to the sale of credit cards, personal loans and retail deposits to NatWest, and ATM assets resulting from the sale of ATMs to NoteMachine. As both these sales concluded in the financial year there are no held for sale balances and no undrawn commitments at 28 February 2026.

Discontinued operations	**2026 £m**	2025 £m
Non-current assets classified as held for sale		
ATM assets	-	1
Assets of disposal group classified as held for sale		
Loans and advances to customers – amortised cost	-	2,542[1]
IFRS 5 fair value adjustment	-	(32)
	-	2,510[2]
Total assets of disposal group and non-current assets classified as held for sale	-	2,511
Liabilities of disposal group classified as held for sale		
Customer accounts	-	(3,109)
ECL for off balance sheet provisions	-	(4)
Provisions for cost of disposal	-	(27)
Net liabilities held for sale associated with discontinued operations	-	(3,140)
Net liabilities held for sale	-	(629)

[1] Carrying value of assets held at amortised cost immediately before reclassification to fair value through profit and loss.
[2] Carrying value of assets immediately after reclassification to fair value through profit and loss.

Assets classified as held for sale

The agreed sale of the Core Banking portfolio to NatWest triggered a change in business model in accordance with IFRS 9 'Financial Instruments' as the objective changed to sell financial assets and no longer to hold for the collection of contractual cashflows. The underlying portfolios within the disposal group have therefore been reclassified from being measured at amortised cost to being measured at fair value through profit and loss. This reclassification was effective from 1 March 2025, being the first day of the reporting period following the change in business model. Prior to the reclassification, the financial assets were classified and subsequently measured at amortised cost using the effective interest method, net of any loss allowance, whilst the disposal group was measured at fair value less costs to sell in accordance with IFRS 5 'Non-current assets held for sale and discontinued operations'.

The below table therefore analyses the Bank's net loans and advances to customers for the prior period all of which was classified as assets held for sale.

	2026 £m	2025 £m
Held for sale assets	-	2,666
Impairment	-	(148)
Adjustment in relation to fair value hedging	-	24
Net unsecured lending	-	2,542
IFRS 5 fair value adjustment	-	(32)
Carrying Value	-	2,510

As a result of moving from amortised cost to fair value through profit and loss in the financial year, the Bank no longer measures lending and related impairment with reference to expected credit loss stages and as a result staging tables have not been presented. Detail on prior year stages can be found in the 2025 Annual Reports and accounts found on the website: https://corporate.sainsburys.co.uk/investors/results-reports-and-presentations. The Bank derecognised the balances in May 2025 upon legal transfer to NatWest. The total value of assets held for sale on the date of derecognition was £2,395m.

13. Assets and liabilities of the disposal group and non-current assets held for sale *(continued)*

Liabilities classified as held for sale

Customer accounts comprise Sterling interest-bearing deposits. Customer deposits of £2,659m were derecognised in May 2025 upon legal transfer to NatWest. Following derecognition of balances on completion of the sale to NatWest, and with a small number of remaining accounts moved into a trust, the Bank has £nil (2025 £3,109m) customer deposits at the reporting date. In the previous reporting period, of the Bank's customer deposits £2,804m qualified for protection under the Financial Services Compensation Scheme.

14. Cash, balances with central banks and other demand deposits

	2026	2025
	£m	£m
Cash and balances with central banks	**334**	1,119
Other demand deposits	**2**	19
	336	1,138

There were no significant credit losses expected on cash and other demand deposits. Included within cash and balances with central banks was £0.9m which was subject to a court freezing order and was not available for general use. A related liability of £0.9m is recognised within other creditors (see note 21).

15. Investment securities

The Bank previously held debt securities as part of its liquidity portfolio, however the majority were sold in the year aligned to the sale of the Banking portfolio and maturity of other deposits raised via deposit aggregators and other wholesale deposits. The only investment securities remaining at the reporting date are a holding of Gilts used to naturally hedge the Bank's Tier 2 subordinated debt.

	2026	2025
	£m	£m
Investment securities comprise the following:		
Gilts	**117**	126
T-Bills	**-**	1,527
Covered bonds	**-**	576
Asset backed securities	**-**	55
	117	2,284
Of which:		
Maturing in three months or less	**-**	915
Maturing between three months and one year	**-**	612
Maturing between 1 and 5 years	**117**	757
	117	2,284

In both the current period and comparative period, the Bank has no collateral prepositioned with the Bank of England at the reporting date.

At 28 February 2026, the Bank does not hold an impairment provision for investment securities (2025: £nil).

16. Intangible assets and Property, Plant and Equipment

The Sainsbury's Group change in strategy to exit Core Banking and move to a fully distributed model was an indicator of impairment triggering a full impairment review in January 2024, resulting in full impairment of all the Bank's property, plant and equipment and intangible assets in the year ended 29 February 2024. There has been no indicator of reversals of impairment at either the current or comparative period ends. The Bank continues to dispose of fixed assets over time as appropriate.

	Intangible Assets £m	Property, Plant and Equipment £m
Cost		
At 1 March 2025	**322**	**15**
Additions	**-**	**-**
Disposals	**(253)**	**(5)**
As at 28 February 2026	**69**	**10**
Accumulated amortisation		
At 1 March 2025	**(322)**	**(15)**
Charge for the year	**-**	**-**
Impairment	**-**	**-**
Disposals	**253**	**5**
As at 28 February 2026	**(69)**	**(10)**
Net book value as at 28 February 2026	**-**	**-**

Within property, plant and equipment, the Bank has land and buildings and fixtures and fittings. At the commencement of a lease, the Bank recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability and any restoration costs. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term and is periodically reduced by impairment losses, if any. Based on depreciation and impairment taken to date, land and buildings right of use assets are £nil related to head office premises (2025: £nil).

On 1 March 2024, the Bank commenced a lease for new head office premises at which point a right of use asset was recognised and immediately impaired in full, following the strategy change announcement. The corresponding impairment charge recognised in the income statement for the prior year is £2m.

17. Investments in subsidiaries

The results of subsidiaries are included in the income statement of the ultimate parent J Sainsbury plc. The Bank's investment in subsidiaries was as follows.

	2026 £m	2025 £m
	1	325

	Country of registration or incorporation	Ownership Interest	Registered address
Home Retail Group Card Services Limited	England	100%	33 Charterhouse Street London EC1M 6HA
Home Retail Group Insurance Services Limited	England	100%	33 Charterhouse Street London EC1M 6HA

The Bank's subsidiary Home Retail Group Card Services Limited paid interim dividends to the Bank in the period totalling £324m and as a result the Bank considered whether there was a potential indicator of impairment on the Bank's investment in Home Retail Group Card Services Limited. An impairment review was undertaken based on the net asset position of the subsidiary and as a result the Bank recognised a £324m impairment on the Investment in subsidiary in the period (see note 8).

18. Other assets

	2026	2025
	£m	£m
Amounts receivable from Sainsbury's Group companies	-	6
Funds in course of settlement	-	42
Prepayments and accrued income	6	17
Insurance instalment debtor	10	30
Current tax asset	-	9
Deferred tax asset	14	15
Derivative assets	-	5
Cash collateral paid	-	18
	30	142

Other than insurance instalment debtors which have a fixed repayment profile of 12 months or less, the Bank's other assets have no fixed maturities. Except for the deferred tax asset. which may be recoverable in greater than 12 months, these are materially expected to be realised within 12 months.

During the year the Bank ceased the use of all derivative financial instruments. Hedge accounting ceased in June 2024 following the sale of the portfolios to NatWest, at which point the fair value movements were recognised in the income statement. Following completion of the sale in May 2025, all remaining derivatives were closed out as the underlying portfolios were derecognised and debts repaid. Derivatives to hedge foreign currency were closed in the year consistent with the sale of travel money portfolio in January 2026. The Bank also closed in June 2025 the derivative previously used to hedge the risk of the Bank's Tier 2 subordinated debt which was replaced with recognition of a Gilt. Further detail can be found in note 15.

The deferred tax asset is in respect of temporary differences which will reverse and result in a higher tax charge in future years, is analysed below. Further detail on the recoverability of this can be found in note 12.

	2026	2025
	£m	£m
At 1 March	15	14
Movement in deferred tax asset (charged)/credited to income statement	(4)	1
Movement in deferred tax asset credited to equity	2	-
Adjustments in respect of prior years	1	-
At 28 February	14	15
Tax effect of timing differences due to:		
Other temporary differences[1]	11	12
Accelerated capital allowances	3	3
	14	15

[1] Other temporary differences predominately relate to the day 1 reduction to retained earnings following adoption of IFRS 9, which is deductible evenly over the 10 year period following adoption, and temporary differences in relation to share based payment charges which are expected to reverse within 24 months of the balance sheet date (2025: 36 months from the balance sheet date).

19. Other deposits

Other deposits, all Sterling denominated, were fully repaid in the year consistent with the Bank's strategy to withdrawal from Core Banking and linked to the completion of migration activity reducing requirement for funding. In the previous reporting period, £1,066m of deposits were obtained via deposit aggregators where the ultimate depositors are retail customers and £1,327m qualified for protection under the Financial Services Compensation Scheme.

	2026	2025
	£m	£m
Repayable:		
Within 3 months	-	1,431
Between 3 months and 1 year	-	524
Between 1 and 5 years	-	13
	-	1,968

20. Subordinated liabilities

	2026 £m	2025 £m
Fixed rate subordinated Tier 2 notes due 2033	**120**	120
Accrued interest	**5**	5
Fair value hedge accounting adjustments	**-**	(1)
	125	124

The Bank issued £120m of fixed rate reset callable subordinated Tier 2 notes on 12 September 2022. These notes pay interest on the principal amount at a rate of 10.5 per cent per annum, payable in equal instalments semi-annually in arrears, until 12 March 2028 at which time the interest rate will reset. The Bank has the option to redeem these notes from 12 September 2027 to 12 March 2028.

21. Other liabilities

All other liabilities are expected to be settled within 3 months with the exception of lease liabilities and deferred income.

	2026 £m	2025 £m
Amounts payable to Sainsbury's group companies[1]	**33**	313
Lease liabilities	**2**	2
Derivative liabilities	**-**	7
Other creditors, accruals and deferred income[2,3]	**52**	92
	87	414

[1] 2025: Includes £286m deposit placed with Bank by HRG Card Services following the sale of the AFS Storecard portfolio on 28 February 2025.
[2] Includes £0.9m subject to a freezing order where the related cash received is not available for general use.
[3] Includes £4m of deferred income (2025: £5m) of which £3m (2025: £4m) is realisable in more than 1 year.

22. Provisions for liabilities and charges

	Onerous contract and supplier restructuring provisions £m	Restructuring provision £m	Cost to sell provision £m	Expected credit loss provisions[3] £m	Other provisions £m	Total £m
At 1 March 2025	**77**	**25**	**-**	**-**	**4**	**106**
Transfer from liabilities held-for-sale	**-**	**-**	**27**	**-**	**-**	**27**
Transfer between provisions	**1**	**-**	**(1)**	**-**	**-**	**-**
Additional provisions[1]	**9**	**1**	**1**	**-**	**4**	**15**
Unused amounts reversed[2]	**(8)**	**(2)**	**(4)**	**-**	**-**	**(14)**
Utilisation of provision	**(56)**	**(13)**	**(22)**	**-**	**(2)**	**(93)**
At 28 February 2026	**23**	**11**	**1**	**-**	**6**	**41**
At 1 March 2024	18	-	-	5	2	25
Additional provisions[1]	63	28	38	-	3	132
Unused amounts reversed[2]	-	-	(3)	(1)	(1)	(5)
Utilisation of provision	(4)	(3)	(8)	-	-	(15)
Transfer to liabilities held-for-sale	-	-	(27)	(4)	-	(31)
At 28 February 2025	77	25	-	-	4	106

[1] £14m (2025: £15m) of the additional provisions charge relates to continuing operations and £1m (2025: £117m) to discontinued operations.
[2] £2m (2025: £1m) of the unused amounts reversed relates to continuing operations and £12m (2025: £4m) to discontinued operations.
[3] The balances on which this provision was recognised were remeasured to fair value through profit and loss on 1 March 2025 and therefore this provision was reversed on remeasurement and not included in the opening position. In 2025, this provision primarily covered expected credit losses on undrawn credit card commitments.

Onerous contact and supplier restructuring provisions

The onerous contract provision primarily relates to the strategic review of the business. At February 2025, the Bank assessed all existing material supplier contracts recognising provisions where the unavoidable costs are greater than expected future benefits under the strategic initiatives as applicable. The provision was determined by estimating future costs and economic benefits associated with the contracts and allocating other costs that directly relate to fulfilling the contracts. The most judgemental aspect of this provision was the estimation of future economic benefits, however as the provision is calculated as the lower of the costs to fulfil the contract or the

22. Provisions for liabilities and charges *(continued)*

costs to exit the contract, it is not particularly sensitive to changes in the estimated economic benefits. The majority of this provision was utilised in the current year as most supplier agreements within this assessment have been terminated, with the provision at February 2026 only reflecting costs for contracts expected to terminate in FY27. In the year, we have also recognised an onerous contract provision for the Insurances business as the costs required to continue servicing existing policyholders up to the point of transfer to Allianz is greater than the ongoing income from these customers, the majority of which is recognised at the point of the policy inception. This provision will continue to be utilised through to November 2026 and includes suppliers costs required to service existing policyholders through to October 2026.

Supplier restructuring provisions represent exit costs payable to suppliers on termination of contractual agreements.

Restructuring provision
The restructuring provision comprises primarily redundancy costs due to the phased withdrawal from the Core Banking business. A large proportion of this provision has been utilised in the year as migration activity progresses and colleagues exit the business alongside key transformation milestones. The remaining provision is expected to be utilised in FY27 as the remaining colleagues who are due to exit the business leave.

Cost to sell provision
The cost to sell provision primarily covers migration costs and data retention costs associated with the sale of portfolios meeting the criteria of cost to sell in accordance with IFRS 5 (2025: migration costs, TSA day 1 readiness costs and data retention costs). As a result, in the prior year this provision was recognised as a liability of the disposal group (see note 13), however following derecognition of the disposal group is now classified within provisions. At February 2026, the majority of this provision has been utilised / reversed with the migrations have taken place and only some data retention costs remaining to be provided at the reporting date.

Other provisions
In the current year other provisions primarily relate to liabilities arising from future complaints associated with portfolios migrated to NatWest and property liabilities for dilapidations and onerous costs (onerous contract provision on the Bank's head office property is classified within other provisions to keep all property provisions together). Other liabilities in the prior year are those arising in regard to property and customer remediation costs.

23. Called up share capital

	2026 £m
900,750,000 Authorised, allotted, called up and fully paid ordinary shares (£0.000833 / £1):	
At 1 March 2025	**701**
Share capital reduction	**(700)**
At 28 February 2026	**1**

On 8 July 2025 the High Court of Justice (Business and Property Courts of England and Wales Companies Court) approved a reduction of the ordinary share capital of the Bank from £700,750,172.25 to £750,324.75, having previously been resolved on and effected by a Special Resolution passed at a General Meeting of the Bank held on 22 May 2025. The reduction became effective on 10 July 2025 upon registration of the court order with Companies House and resulted in an equal and opposite increase to retained earnings.

24. Analysis of assets and liabilities by measurement basis

Financial assets and financial liabilities are measured on an on-going basis either at fair value or at amortised cost. The principal accounting policies describe how financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

24. Analysis of assets and liabilities by measurement basis *(continued)*

At 28 February 2026	Amortised cost £m	FVOCI £m	FVPL £m	Other £m	Total £m
Assets					
Cash, balances with central banks and other demand deposits	**336**	**-**	**-**	**-**	**336**
Investment securities	**-**	**117**	**-**	**-**	**117**
Investments in subsidiaries	**-**	**-**	**-**	**1**	**1**
Assets held for sale	**-**	**-**	**-**	**-**	**-**
Other assets	**16**	**-**	**-**	**14**	**30**
	352	**117**	**-**	**15**	**484**
Liabilities					
Liabilities held for sale	**-**	**-**	**-**	**-**	**-**
Subordinated liabilities	**(125)**	**-**	**-**	**-**	**(125)**
Other liabilities	**(82)**	**-**	**-**	**(5)**	**(87)**
Provisions for liabilities and charges	**-**	**-**	**-**	**(41)**	**(41)**
	(207)	**-**	**-**	**(46)**	**(253)**

At 28 February 2025	Amortised cost £m	FVOCI £m	FVPL £m	Other £m	Total £m
Assets					
Cash, balances with central banks and other demand deposits	1,138	-	-	-	1,138
Investment securities	-	2,284	-	-	2,284
Investments in subsidiaries	-	-	-	325	325
Assets held for sale	-	-	-	2,511	2,511
Other assets	122	-	5	15	142
	1,260	2,284	5	2,851	6,400
Liabilities					
Customer accounts	-	-	-	-	-
Liabilities held for sale	-	-	-	(3,140)	(3,140)
Other deposits	(1,968)	-	-	-	(1,968)
Subordinated liabilities	(124)	-	-	-	(124)
Other liabilities	(401)	-	(7)	(6)	(414)
Provisions for liabilities and charges	-	-	-	(106)	(106)
	(2,493)	-	(7)	(3,252)	(5,752)

25. Risk management

The Bank encounters a range of different risks and uncertainties as it undertakes its day-to-day activities and seeks to achieve its strategic objectives. Our approach to risk management and an overview of the Principal risk types are described in the Risk Overview section on page 13. Further detail on credit and liquidity risk exposures are shown below, with capital adequacy discussed further in note 26.

Credit risk

Credit risk is managed in line with the Board approved risk appetite. As noted within the Principal Risks section (page 13) the Bank's exposure to credit risk has materially changed through the financial year.

Retail credit risk

Retail Credit Risk is the possibility of losses arising from a retail customer failing to meet their agreed repayment terms as they fall due. Retail Credit utilise automated scorecards to assess the credit worthiness and affordability criteria of new applicants and ongoing behavioural characteristics of existing customers. The outcome from all scorecard models is monitored utilising a set of credit quality metrics to ensure actual performance is in line with agreed expectations. Additional expert underwriting of credit applications is undertaken by a specialist operational team where further consideration is appropriate.

25. Risk management *(continued)*

Wholesale and derivative credit risk

The Bank's Treasury liquid asset portfolio is held primarily for liquidity management purposes. and in the case of derivatives, for the purpose of managing market risk. The Treasury liquid asset portfolio is invested in eligible investment securities that qualify for the regulatory Liquidity Coverage Ratio (LCR) and internal Operational Liquidity Pool (OLP). These investments include the Bank of England's (BoE) reserve account, UK government securities (gilts or Treasury bills) in the current financial year, with government guaranteed agency securities, covered bonds and asset backed securities additionally in the prior reporting period.

Throughout the year, the Bank's retail and wholesale credit risk exposures have been decreasing as balances have matured or been sold. As a result, the Committee's previously in place to govern these risks has evolved to more holistic risk management oversight by management.

As the Bank is not exposed to retail or wholesale credit risk at the reporting date and all balances are nil (see note 13) we have not included detailed tables as previously presented covering credit quality, risk concentrations, staging or forbearance arrangement details for the prior year comparatives. These can be found in the Bank's Annual report and financial statements for the year ended February 2025 as found on the Investors page of the website: https://corporate.sainsburys.co.uk/investors/results-reports-and-presentations.

Debt securities, balances with central banks and other eligible investment securities

The total gross amount of individually impaired debt securities, cash and balances with central banks, UK government securities (Gilts and Treasury bills) and other eligible investment securities as at 28 February 2026 was £nil (2025: £nil). The tables below present an analysis of the credit quality of cash and cash equivalents and the treasury assets portfolio by market value.

At 28 February 2026	Cash and balances with central banks £m	UK government securities £m	Other investment securities £m	Total £m
Aaa to A3[1]	-	117	-	117
Cash and balances with central banks	334	-	-	334
Other demand deposits	2	-	-	2
	336	117	-	453

[1] These are entirely non-credit impaired in accordance with IFRS 9 Financial Instruments (Stage 1)

At 28 February 2025	Cash and balances with central banks £m	UK government securities £m	Other investment securities £m	Total £m
Aaa to A3[1]	-	1,653	631	2,284
Cash and balances with central banks	1,119	-	-	1,119
Other demand deposits	19	-	-	19
	1,138	1,653	631	3,422

[1] These are entirely non-credit impaired in accordance with IFRS 9 Financial Instruments (Stage 1)

Financial assets and liabilities subject to offsetting, master netting agreements and similar agreements

The Bank has £nil derivative financial assets (2025: £5m) and £nil derivative financial liabilities (2025: £7m) which are subject to offsetting, master netting and similar agreements.

The Bank's derivatives were governed by the International Swaps and Derivatives Association (ISDA), credit support annex (CSA) and cleared derivatives execution agreement (CDEA) whereby if the fair value exceeds a pre-agreed level, cash collateral is exchanged. The Bank's exposures were held with a central clearing counterparty, the London Clearing House (LCH), the terms of which also required initial margin to be provided. At 28 February 2026, the Bank had posted cash collateral of £nil (2025: £2m) and received cash collateral of £nil (2025: £nil) against its derivative positions and posted £nil of initial margin in the form of cash (2025: £16m).

Liquidity and funding risk

Liquidity risk is the risk that the Bank cannot meet its payment obligations as they fall due or can only do so at excessive cost. The Bank seeks to ensure that financial obligations can be met at all times, even under liquidity stress conditions.

The Bank's Liquidity Coverage Ratio (LCR) has been regularly monitored and forecast alongside net cash flows and key funding ratios. Long and short-term forecasts are produced to assess liquidity requirements and support daily liquidity risk management.

25. Risk management *(continued)*

To meet its internal limits, as well as PRA requirements, the Bank historically maintained a stock of high-quality liquid assets that could be readily monetised to meet the Bank's obligations. Following the significant reduction in potential outflows following conclusion of the Core Banking business sale and the significant proportion of Bank's assets being held as cash with central banks, the holding of such stock is not necessary at the February 2026 reporting date.

26. Regulatory metrics and capital resources (unaudited)

From a prudential perspective, at the reporting date the Bank is monitored and supervised on a standalone basis (in previous periods the capital resources and leverage ratio were supervised on a regulatory consolidated basis with its subsidiary Home Retail Group Card Services Limited, renewal of the waiver enabling this was not sought at its expiry in September 2025).

The key regulatory metrics at the reporting date are as follows:

	2026	2025
Tier 1 Capital[1]	**£230m**	£641m
CET 1 Capital Ratio[1]	**152.9%**	23.0%
Leverage Ratio[1]	**151.5%**	11.5%
Liquidity Coverage Ratio	**1,337.4%**	532%

[1] The current year figures are on a standalone Bank basis, whereas the prior year are on a regulatory consolidated basis including its subsidiary Home Retail Group Card Services Limited

The Bank manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities. The Committee's previously in place to govern capital adequacy has evolved throughout the year as there is a move to more holistic risk management oversight by management. Our submissions to the PRA throughout the year have shown that the Bank has complied with all externally imposed capital requirements. Our current metrics are significantly in excess of regulatory and internal limits prior to us concluding our strategic wind down programme.

27. Fair value of financial instruments

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

Level 1
Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange, New York Stock Exchange) and exchange traded derivatives like futures.

Level 2
Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). The sources of input parameters like SONIA yield curve or counterparty credit risk are Bloomberg and Reuters.

Level 3
Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Bank considers relevant and observable market prices in its valuations where possible.

27. Fair value of financial instruments *(continued)*

The below table provides an analysis of the relevant fair value hierarchy for items recognised at fair value.

At 28 February 2026	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Derivatives designated as fair value hedging instruments	**-**	**-**	**-**	**-**
Derivatives not in fair value hedging relationships	**-**	**-**	**-**	**-**
Investment securities	**117**	**-**	**-**	**117**
Total assets	**117**	**-**	**-**	**117**
Derivatives designated as fair value hedging instruments	**-**	**-**	**-**	**-**
Total liabilities	**-**	**-**	**-**	**-**

At 28 February 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Derivatives designated as fair value hedging instruments	-	1	-	1
Derivatives not in fair value hedging relationships	-	4	-	4
Investment securities	2,104	180	-	2,284
Total assets	2,104	185	-	2,289
Derivatives designated as fair value hedging instruments	-	7	-	7
Total liabilities	-	7	-	7

The table below summarises the fair value of financial assets and liabilities that are not presented in the Bank's statement of financial position at fair value. All financial assets are presented in the Bank's statement of financial position at fair value. The fair values of financial instruments are based on market prices where available or are estimated using other valuation techniques. Where they are short term in nature or re-price frequently, fair value approximates to carrying value.

	2026		2025	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Assets:				
Cash and balances at central banks	**336**	**336**	1,138	1,138
Liabilities:				
Other deposits	**-**	**-**	1,968	1,990
Subordinated debt	**125**	**135**	124	142

The carrying value of other assets and other liabilities is a reasonable approximation of fair value.

27. Fair value of financial instruments *(continued)*

The fair value hierarchy classification adopted by the Bank in respect of assets not presented in the Bank's statement of financial position at fair value is shown in the following table:

At 28 February 2026	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Cash and balances at central banks	-	336	-	336
Total assets	-	336	-	336
Other deposits	-	-	-	-
Subordinated debt	135	-	-	135
Total liabilities	135	-	-	135

At 28 February 2025	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Cash and balances at central banks	-	1,138	-	1,138
Total assets	-	1,138	-	1,138
Other deposits	-	1,990	-	1,990
Subordinated debt	142	-	-	142
Total liabilities	142	1,990	-	2,132

In the prior year, loans and advances to customers have been transferred to assets held for sale and are carried at fair value less costs to sell in accordance with IFRS 5.

28. Parent company

On 28 August 2025, J Sainsbury's plc transferred it's 100% shareholding to Sainsbury's Holdings Limited who are at the reporting date the immediate parent company of the Bank. The ultimate parent company and controlling party of the Bank, pre and post this transfer, is J Sainsbury plc. Both the immediate and ultimate parent company are registered in England with their registered office 33 Charterhouse Street, London, England, EC1M 6HA. J Sainsbury plc forms the only group into which the financial results of Sainsbury's Bank and its subsidiaries are consolidated. Copies of the parent company's financial statements may be obtained from https://corporate.sainsburys.co.uk/investors/results-reports-and-presentations.

29. Share-based payments

The Bank, through schemes operated by its parent company J Sainsbury plc, provides benefits to employees (including Directors) in the form of equity-settled and cash-settled share-based payment transactions, whereby employees render services in exchange for shares, rights over shares or the value of those shares in cash terms.

For equity-settled share-based payments the fair value of the employee services rendered is determined by reference to the fair value of the shares awarded or options granted, excluding the impact of any non-market vesting conditions. All share options are valued using an option-pricing model (Black-Scholes). This fair value is charged to the income statement over the vesting period of the share-based payment scheme with a corresponding increase to equity.

The value of the charge is adjusted in the income statement over the remainder of the vesting period to reflect expected and actual levels of options vesting, with the corresponding adjustments made in equity and accruals.

Income statement

The Bank recognised a total of £8m (2025: £8m) of employee costs related to share-based payment transactions made during the financial year, of which £4m (2025: £3m) related to continuing operations (see note 7). Of these, £nil (2025: £nil) were cash-settled.

The parent company, J Sainsbury plc, operates various share-based payment schemes, in which employees of the Bank participate.

a. Savings Related Share Option Scheme (Sharesave)

The Sainsbury's Group operates a Savings-Related Share Option Scheme, which is open to all UK employees with more than three months' continuous service. This is an approved HMRC Scheme and was established in 1980. Under Sharesave, participants remaining in the Sainsbury's Group's employment at the end of the three-year (and historically also five-year) savings period are entitled to use their savings to purchase shares in J Sainsbury plc at a pre-stated exercise price.

29. Share-based payments *(continued)*

Employees leaving for certain reasons (including redundancy) can use their savings to purchase shares within six months of their leaving.

	2026 Weighted average exercise price pence	2025 Weighted average exercise price pence
Exercisable price range	**161 to 228**	161 to 228
Weighted average share price at date of exercise	**282**	262

The expected volatility is based on the standard deviation of the J Sainsbury plc share price for the period immediately prior to the date of grant of award, over the period identical to the vesting period of the award, adjusted for management's view of future volatility of the share price.

b. Long-Term Incentive Plan

Under the Long-Term Incentive Plan, shares in J Sainsbury plc are conditionally awarded to the senior leaders in the Company. Awards are calculated as a percentage of the participants' salaries and scaled according to grades.

Performance is measured at the end of the three-year performance period. If the required performance conditions, which are financial and non-financial non-market conditions, have been met, the awards vest and the participants are able to exercise 100% of the awards received. For 2020 awards and prior, recipients were only able to receive 50% of their awards after three years and 50% of their awards after four years. From 2021 onwards, schemes vest and participants are able to exercise after three years. Awards will expire five years from the grant date.

For awards granted in and before the year ended 4 March 2023, a core share award was granted which could grow by up to four times, dependent on the level of performance. For awards granted in the years ended 2 March 2024, 1 March 2025 and 1 March 2026, the maximum share award is allocated, and the award will vest between 0 per cent and 100 per cent based on performance against targets. Awards are structured as nil cost.

Dividends will accrue on the shares that vest in the form of additional shares, except for certain colleagues who are unable to receive dividend equivalents due to financial services regulations.

	2026	2025
Weighted average share price at date of exercise	**205 pence**	268 pence

c. Nil-cost Share Award

The nil-cost share schemes include Bonus Share Awards and other Conditional Awards.

Senior Leaders receive a percentage of their bonus award in shares. Bank colleagues have historically been subject to a three year deferral period, in line with financial services regulations. However, awards granted in 2025 have a deferral period of two years reflective of the strategic wind down of the Bank.

Other conditional awards relate to the retention and recruitment of Senior Leaders as part of the wider reward strategy. Awards vest, typically between one and three years, subject to participants remaining in employment at the vesting date.

Dividends accrue on these shares and vest in the form of additional shares released at the end of the deferral period.

	2026	2025
Weighted average share price at date of exercise	**251 pence**	263 pence

30. Related party transactions

a) Transactions with related entities

The Bank has related party transactions with J Sainsbury plc, Sainsbury's Supermarket Limited, Argos Limited, Home Retail Group Card Services Limited and Home Retail Group Insurance Services Limited. As J Sainsbury plc is the ultimate parent company wholly owning all of these entities including Sainsbury's Bank plc, we have taken the exemption in accordance with FRS 101 for the requirements in IAS 24 Related Party transactions.

b) Transactions with key management personnel

The key management personnel of the Bank comprise members of the Sainsbury's Bank Board and the Executive Committees of the Bank, who held office during the year.

Product transactions
Details of transactions, under terms and conditions available to all colleagues, between the Bank and key management personnel are provided below. For this purpose, key management personnel include the Bank's key management personnel and members of their close families.

	Number of key management personnel	Directors £000	Other £000
Credit cards and term loans			
At 29 February 2024	5	2	24
Resignations during the year	(1)	-	-
Amounts advanced during the year	-	2	75
Amounts repaid during the year	-	(4)	(78)
At 28 February 2025	**4**	**-**	**21**
Amounts advanced during the year			**12**
Amounts repaid during the year	**-**	**-**	**(8)**
Amounts derecognised on transfer to NatWest	**(4)**	**-**	**(25)**
At 28 February 2026	**-**	**-**	**-**

Based on the Companies Act definition of Loans to Directors, total lending outstanding at 28 February 2026 was £nil (2025: £nil).

Alternative performance measures

In the reporting of financial information, the Directors use various alternative performance measures (APMs) which they believe provide additional useful information for understanding the financial performance and financial health of the Bank. These APMs should be considered in addition to and are not intended to substitute for IFRS measurements. As they are not defined by International Financial Reporting Standards, they may not be directly comparable with other companies who use similar measures. The following APMs relate to the current period's results and comparative periods where provided.

The Bank also discloses a number of capital and liquidity metrics relevant to its financial position which are required under prudential rules issued by the PRA and FCA. The bases of calculation of those metrics is defined within the relevant legislation and are disclosed in the Glossary.

APM	Definition/Purpose	Reconciliation
Financial services group contribution	Contribution before net amounts payable to Argos and one-off strategic programme costs	A reconciliation profit before tax is provided in the summary income statement in the financial review

Reconciliation management view to statutory view

The financial review utilises management view rather than statutory view. A reconciliation has been provided to reconcile the summary income statement on page 11 to the statutory income statement on page 30.

	2026			2025		
Summary income statement **Discontinued operations**	Management view	Adjustments to statutory presentation[1]	Statutory view	Management view	Adjustments to statutory presentation[1]	Statutory view
	£m	£m	£m	£m	£m	£m
Net interest income	**(14)**	**-**	**(14)**	124	10	134
Net fees and commissions income	**-**	**39**	**39**	-	46	46
Other operating income	**76**	**(39)**	**37**	85	(39)	46
Income	**62**	**-**	**62**	209	17	226
Expenses	**(93)**	**(6)**	**(99)**	(171)	(94)	(265)
Other gains and losses	**26**	**4**	**30**	-	(85)	(85)
Profit / (loss) before impairments	**(5)**	**(2)**	**(7)**	38	(162)	(124)
Impairment losses on investment in subsidiaries	**-**	**-**	**-**	-	-	-
Impairment losses on financial assets	**-**	**-**	**-**	(41)	-	(41)
Profit / (loss) before taxation	**(5)**	**(2)**	**(7)**	(3)	(162)	(165)
Less: one-off items	**(2)**	**2**	**-**	(161)	161	-
Statutory (loss) / profit before taxation	**(7)**	**-**	**(7)**	(164)	(1)	(165)
Taxation			**1**			41
Statutory profit after tax from continuing operations			**(6)**			(124)

[1]Adjustments include reclassification of income and costs to meet statutory reporting requirements and in the comparative period, removal of Drury Lane Funding 2020-1 plc, the securitisation SPV which was previously included in the management view given it's integral to the lending portfolio but was fully redeemed in the previous financial year.

Alternative performance measures

Summary income statement **Continuing operations**	2026 Management view	2026 Adjustments to statutory presentation[1]	2026 Statutory view	2025 Management view	2025 Adjustments to statutory presentation[1]	2025 Statutory view
	£m	£m	£m	£m	£m	£m
Net interest income	**14**	**-**	**14**	46	-	46
Net fees and commissions income	**-**	**24**	**24**	-	22	22
Other operating income	**24**	**300**	**324**	23	7	30
Income	**38**	**324**	**362**	69	29	98
Expenses	**(39)**	**(23)**	**(62)**	(49)	(14)	(63)
Other gains and losses	**1**	**7**	**8**	1	-	1
Profit / (loss) before impairments	**-**	**308**	**308**	21	15	36
Impairment losses on investment in subsidiaries	**-**	**(324)**	**(324)**	-	-	-
Impairment losses on financial assets	**-**	**(1)**	**(1)**	(2)	-	(2)
Profit / (loss) before taxation	**-**	**(17)**	**(17)**	19	15	34
Less: one-off items	**(17)**	**17**	**-**	(15)	15	-
Statutory (loss) / profit before taxation	**(17)**	**-**	**(17)**	4	-	34
Taxation			**4**			(1)
Statutory profit after tax from continuing operations			**(13)**			33

[1]Adjustments include the recognition of dividends received from subsidiaries which are netted off against impairment losses on the investment in subsidiary in the management view and reclassification of income and costs to meet statutory reporting requirements.

Glossary

Tier 1 capital - A measure of the Bank's financial strength as defined by the PRA. It captures Common Equity Tier 1 capital plus other Tier 1 securities in issue, but is subject to a deduction in respect of material holdings in financial companies.

CET 1 (Common equity tier 1) capital ratio - Tier 1 capital as a percentage of risk-weighted assets.

Debt securities – Assets held by the Bank representing certificates of indebtedness of credit institutions, public bodies or other undertakings, excluding those issued by central banks.

Effective interest rate - The effective interest rate method calculates the amortised cost of a financial asset or financial liability and allocates the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or financial liability.

Fair value – The amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.

Financial Services Compensation Scheme (FSCS) – The UK's independent statutory compensation fund for customers of authorised financial services firms and pays compensation if a firm is unable to pay claims against it. The FSCS is funded by management expenses levies and, where necessary, compensation levies on authorised firms.

Full time equivalent - The hours worked by part time employees are accumulated along with the number of full time employees and counted as full time equivalents. This is a more consistent measure of the amount of time worked than employee numbers which will fluctuate as the mix of part time and full time employees changes.

Impaired loans - Impaired loans are loans for which all the full contractual cash flows are no longer expected to be collected or collection of such cash flows will not be as they are contractually due.

Impairment losses - An impairment loss is the reduction in value that arises after the impairment review of an asset that determines that the asset's value is lower than its carrying value.

Interest rate risk - The risk of a reduction in the value of earnings or assets resulting from an adverse movement in interest rates.

Leverage ratio – CET 1 capital divided by the exposure measure.

Liquidity Coverage Ratio (LCR) - Percentage of the stock of highly liquid assets such as cash to net cash outflow over a 30-day period.

Master netting agreement - An agreement between two counterparties that have multiple derivative contracts with each other that provides for the net settlement of all contracts through a single payment, in a single currency, in the event of default on, or termination

Securitisation – This is a process by which a group of assets, usually loans, are aggregated into a pool, which is used to back the issuance of new securities.