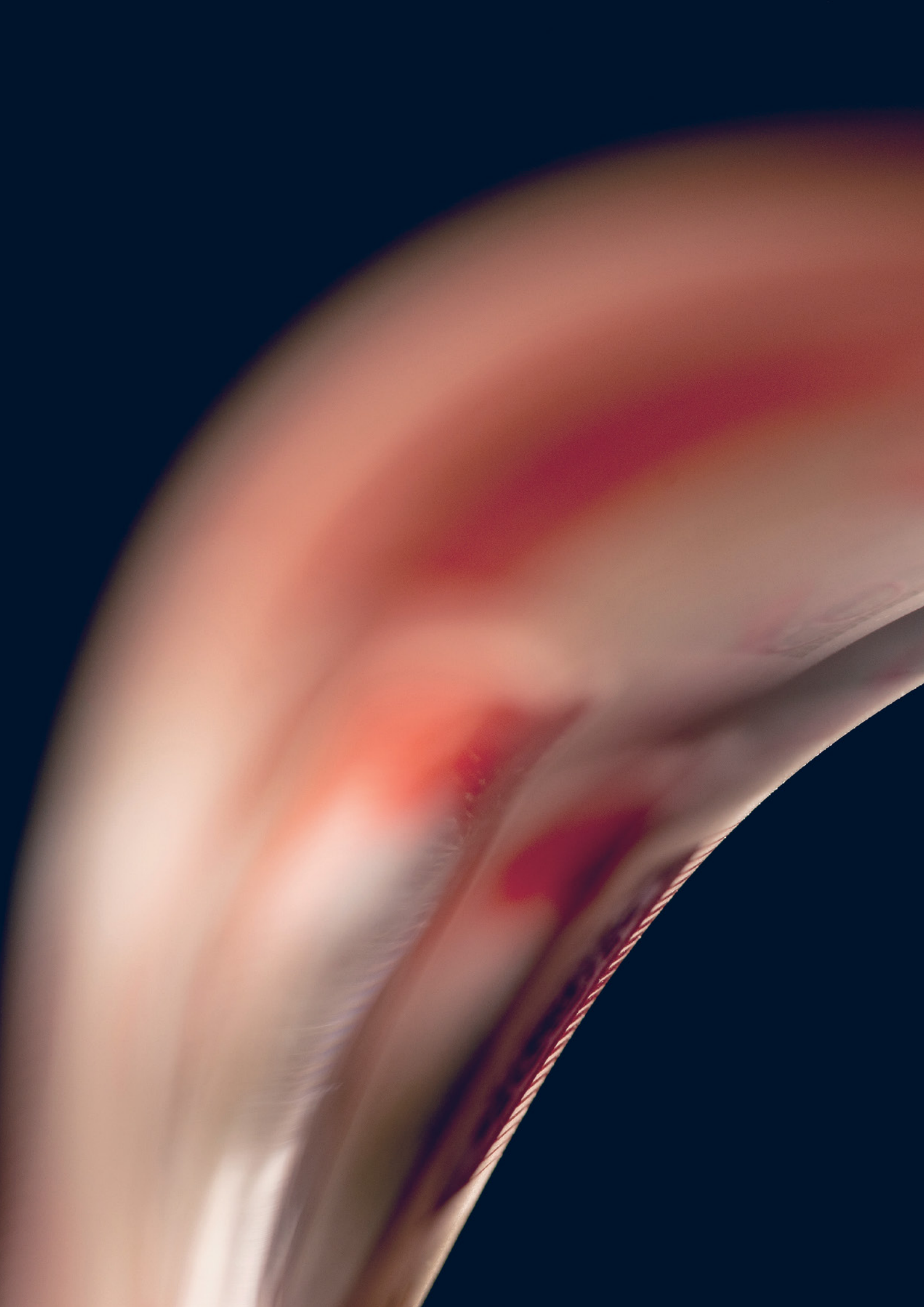


**Bank of England**

# Annual Report and Accounts

1 March 2025–28 February 2026





# **Bank of England**

## Annual Report and Accounts

1 March 2025 to 28 February 2026

Presented to Parliament by the Chief Secretary to the Treasury  
by Command of His Majesty

The contents of this Report encompass the requirements of Section 4 of the Bank of England Act 1998, and include: (1) a report by the Court of Directors (Court) on the matters which it reviews, monitors or otherwise considers in the performance of its oversight functions (S4(2)(a)); (2) a report by Court on the activities of the Financial Policy Committee of the Bank (S4(2)(aa)); (3) a copy of the statements for the year prepared under section 7(2) and 7(2A) and the report of the Bank's auditors on them (S4(2)(b)); (4) a statement of the rates at which Non-executive Directors of the Bank have been remunerated (S4(4)(a)); and (5) a statement of the Bank's objectives and strategy for the next year, as determined by Court (S4(4)(b))

The Bank, in its capacity as the Prudential Regulation Authority, has published a separate report as required by paragraph 19 of Schedule 1ZB of the Financial Services and Markets Act 2000 as amended by the Financial Services and Markets Act 2023. The Bank has also published a separate report, as required by section 203B of the Banking Act 2009, paragraph 33 of Schedule 17A of the Financial Services and Markets Act 2000 as amended by the Financial Services and Markets Act 2023 and Regulation 25 of the Central Counterparties (Amendment, etc, and Transitional Provision) (EU Exit) Regulations 2018/1184, on its supervision of Financial Market Infrastructures.



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## Overview:

# Statement by the Chair of Court

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**David Roberts**  
Chair of Court

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**This year we have seen continuous and significant change in the external environment, most notably in the geopolitical landscape and in the rapid advancements in technology, especially artificial intelligence. The scale, scope, and inherent uncertainty of these changes could challenge the Bank’s ability to deliver its enduring mission of promoting the good of the people of the United Kingdom by delivering monetary and financial stability. We cannot assume the environment will return to previous norms and therefore must expect further turbulence ahead.**

Facing into these challenges will have a major impact on the Bank, both as an organisation, and as a policymaking entity. We have firm foundations on which to build, most notably the talent, skills and commitment of our people. However, to be ‘fit for the future’ we need to invest further to develop the skills and processes required to take advantage of the next phase of the technology revolution. Alongside this, we must ensure our culture and decision-making processes are adaptable, nimble and ready for the unexpected. The challenge for Court and the wider Bank will be to maintain the constant focus on delivering the dual mission, while continuing and accelerating the internal transformation agenda.

The Governor’s report sets out the Bank’s progress in advancing the policy agenda and delivering on its mandate. In this foreword I would like to highlight two initiatives that demonstrate our approach to policy development in a highly uncertain world:

- The significant enhancements to our monetary policy processes and infrastructure following on from the Court commissioned review by Dr Ben Bernanke. These changes are far-reaching and include a strengthened approach to policy formulation and communication in times of uncertainty through greater prominence in exploring differing scenarios. We have made good progress during the year, with further deliveries planned for the year ahead. These initiatives will be critical enablers in supporting the Monetary Policy Committee to deliver on its inflation target.
- The development of the second system-wide exploratory scenario exercise focused on exploring how the private credit ecosystem performs under stress. This approach,

which is a 'world first', will provide market participants and policymakers with insight into system-wide resilience and will support the Financial Policy Committee in delivering on its financial stability mandate.

The Bank continues to make a significant contribution to the public purse from the regular seigniorage return from the Notes operations, which this year amounted to £3.8 billion. We are also pleased to be paying a dividend to His Majesty's Treasury for the first time in six years.

Three years ago the Bank embarked on a programme of modernising our data and technology capabilities and we are now starting to see the return on the investments: technology obsolescence has reduced, and the changes have started to deliver an improved and more efficient work experience for staff, with significant further delivery ahead.

The new Real-Time Gross Settlement (RTGS) infrastructure, implemented in April 2025, continues to operate successfully. Payments in the UK are benefiting from a more modern and resilient infrastructure which allows for future innovation and competition. We continue to improve the platform. Since the system went live hundreds of further enhancements have been delivered, as we move to a world of continuous improvement and fast, agile delivery.

We may also look back on the past year as the moment AI began to transform the economy as a whole – as well as how we all work within it – and I expect this to accelerate in scale and pace in the years ahead. The Bank is no exception. Over 80% of colleagues have access to Large Language Models, with adoption increasing and innovation starting to permeate all parts of the organisation. We are also embedding AI tools into our analytical processes to provide additional insights to aid policy formation and to improve process efficiency. The tools will enable colleagues to focus on the most value-adding activities, thereby enhancing, but not replacing, human judgement. We are conscious of both the risks as well as the opportunities in using the emerging technology and thus always apply caution when interpreting the results.

The new capabilities provide opportunities to improve both effectiveness and efficiency. To capture the benefits and manage our aggregate costs, the Bank launched an efficiency programme with the goal of making a material reduction in its running costs in order to fund investment over the next three financial years, including an 8% saving on running costs in 2026/27. As a consequence, the Bank offered colleagues the opportunity to participate in a Mutually Agreed Resignation (MAR) scheme. This scheme will see the Bank's headcount fall substantially over the next 12 months leading to annualised savings of £35mn per annum. I would like to place on record my thanks to the staff who are leaving for their loyal service at the Bank and wish them all the best for the future.

One element of our transformation programme is the creation of a hub in Leeds. The expectation is that there will be 300 Bank staff in Leeds by the end of 2026, against an end state target of at least 500 staff. The Bank is already benefiting from access to new talent pools in critical skills, such as data analytics. We are nearing the conclusion of the search for a permanent home in Leeds and as the Bank's presence expands, I expect to see the full breadth of the Bank's activities take place in Leeds. Recently, the Court met in Leeds to discuss the Bank's implementation of AI tools, and it was very encouraging to see at first hand the progress being made.

The Bank's mission is to serve all the people of the UK and this year I was pleased to join the Bank's Agents around the UK on visits to the Southwest, Birmingham and Scotland.

I would like to thank my colleagues on Court for their continued contributions to the work of the Bank. I would like to particularly thank Sam Woods, who left the Bank in June, for his contributions as Deputy Governor for Prudential Regulation and CEO of the PRA for the past 10 years and Sir Ron Kalifa, who stood down from Court after serving for over six years in October. I would like to welcome Katharine Braddick to Court as the new Deputy Governor for Prudential Regulation and CEO of the PRA, and I look forward to working with her over the coming years. The process to appoint new Non-executive Directors of Court to succeed Sir Ron Kalifa and Baroness Frances O'Grady is ongoing and an announcement is expected shortly.

Court recognises that the impacts of some of the changes we are making to modernise the Bank can be unsettling for colleagues. We are committed to building a modern, meritocratic, inclusive and rewarding flexible working environment – one that offers individuals the opportunity to contribute to the Bank's mission while developing the skills required to be successful in the future workplace. I am hugely impressed by the dedication and commitment of all colleagues and on behalf of Court would like to thank everyone for their contribution to a successful year.

A handwritten signature in black ink, appearing to read 'David Roberts', with a horizontal line underneath.

David Roberts

15 June 2026

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## Statement by the Governor

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**Andrew Bailey**  
Governor

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**The world has become a more unpredictable, uncertain and volatile place over the past year, with multiple shocks affecting the UK and global economy. This backdrop reinforces the critical role played by monetary and financial stability in underpinning sustainable economic growth. The Bank will always work to meet our inflation target and ensure our financial system is strong. Forces like the ever-quicken advancement of AI technology show the need to invest to ensure we can serve the people of the United Kingdom now and into the future. We will do that, combining modern and resilient systems and technology with the hard work of talented and committed staff. I thank all my colleagues for their work, which has seldom been more important than it is today.**

Despite geopolitical unpredictability and uncertainty, significant progress was made in driving down underlying inflationary pressures over the last year. CPI inflation fell to 3% in February 2026, which allowed the MPC to cut Bank Rate three times in 2025/26. Prior to the conflict in the Middle East CPI was expected to be around its target of 2% in mid-2026. However, it is now likely to be higher later this year as the effects of higher energy prices pass through. While monetary policy cannot influence energy prices it will be set to ensure that the economic adjustment to them occurs in a way that achieves the 2% inflation target sustainably.

I again visited all regions of the UK during the year, and as ever I am grateful for the crucial insights shared with the Bank by our business and financial market contacts. The Bank also continues to transform how monetary policy is made, with 2025/26 seeing the introduction of new analytical tools; greater scenario and risk-based analyses; and changes to how policy is communicated to build understanding of the committee's stance and individual members' positions.

Heightened uncertainty underscores the importance of a resilient financial system. This has been illustrated by real-world developments and by stress tests which confirmed the ability of banks, central counterparties and life insurers to withstand severe economic and market scenarios. I remain of the view that this strength should not be seen as evidence of

over-regulation, since financial stability is a fundamental foundation for sustainable growth. Where changes can make regulation more efficient, and support growth without exposing taxpayers to undue risk, we will continue to make them – as in our Strong and Simple framework for small banks, the wider UK implementation of Basel 3.1, and updates to our bank resolution regime. But, as discussed in the FPC's recent assessment of bank capital, we stand behind post-crisis reforms that have rightly reduced the risk of costs falling on the public. It is at times like these that we benefit most from this stability.

Looking ahead, the Bank continues to lead the way in enhancing the resilience of market-based finance. A focus has been growth in private markets, which increases the availability of long-term capital but can pose risks to financial stability that warrant scrutiny. Building on our first system-wide exploratory scenario in 2024, in December 2025 we launched an exercise to understand interconnections between the private market ecosystem and banks, institutional investors and leveraged finance markets, and to probe vulnerabilities related to leverage and valuation challenges. We also published a discussion paper in September 2025 on measures to enhance the resilience of the gilt repo market.

I emphasised in previous forewords the importance of the Bank keeping pace with a changing world. We are building on the success of the new Real-Time Gross Settlement to drive innovation across wholesale and retail digital payments. This includes developing a regime for systemic stablecoins in the UK, as well as working with industry to design and deliver a next-generation retail payments infrastructure. The Bank remains committed to faster, cheaper retail and wholesale payments, but also to providing more traditional means of payment – shown by the launch of a new long-term banknote printing tender alongside our announcement that wildlife will feature on future notes. As I have said before, we will issue banknotes so long as there is demand for them.

Market developments and structural changes driven by forces like AI impact not just our policymaking but also the services the Bank provides and how we are organised. This need for continuous renewal is why the Bank will invest over £100mn in each year between 2025/26 and 2028/29. We will strengthen our technology and operational capabilities to address obsolescence and ensure we can support innovation, and we will continue to build colleagues' skills to equip us for future challenges.

Within the Bank, our Data and Analytics Transformation programme has continued, with investment to enable our use of AI through strong governance and a robust training curriculum. We have also begun introducing modernised front-office, payments messaging and treasury management systems as part of moves towards a repo-led balance sheet, where we also recalibrated pricing for market-wide liquidity facilities to support the transition to an environment of less abundant reserves.

In terms of the Bank's physical footprint, this year saw our presence in Leeds grow to approximately 240 staff. Recruitment in Leeds enables the Bank to benefit from the rich array of talent available in the city, and the establishment of a Banking and Payments operations centre means more of our core functions can be operated from either London or Yorkshire.

Such ambitious investment plans require us to prioritise the right changes and deliver them at a reasonable cost. We will therefore make a material reduction to the Bank's running costs between 2026/27 and 2028/29 in order to fund investment. This includes achieving sustainable savings through a Mutually Agreed Resignation scheme which will see 446 members of staff leave the Bank to help us towards an 8% saving on running costs in 2026/27. I want to thank everyone who is leaving for their contributions to the Bank.

Finally, I would also like to thank Sam Woods for his 10 years' service as Deputy Governor for Prudential Regulation and his contribution to the Bank, PRA and FSA since 2011. I am delighted to welcome Katharine Braddick back to the Bank as Sam's successor.

A handwritten signature in black ink that reads "Andrew Bailey". The signature is written in a cursive style with a prominent loop at the end of the name.

Andrew Bailey  
15 June 2026

# Court and the Bank's policy committees

## The Court of Directors

Members as at 15 June 2026<sup>[1]</sup>



**David Roberts (NED)**  
Chair of Court and NomCo  
Appointed 24 October 2022  
Term expires 25 October 2030



**Andrew Bailey**  
Governor  
Appointed 16 March 2020  
Term expires 15 March 2028



**Jonathan Bewes (NED)**  
Chair of ARCo  
Appointed 1 October 2023  
Term expires 30 September 2027



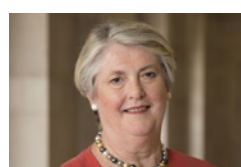
**Sarah Breeden**  
Deputy Governor,  
Financial Stability  
Appointed 1 November 2023  
Term expires 31 October 2028



**Sabine Chalmers (NED)**  
Appointed 1 January 2023  
Term expires 31 December 2026



**Lord Jitesh Gadhia (NED)**  
Appointed 24 October 2022  
Term expires 23 October 2026



**Dame Anne Glover (NED)**  
Senior Independent  
Director  
Appointed 1 June 2018  
Term expires 31 May 2028



**Clare Lombardelli**  
Deputy Governor,  
Monetary Policy  
Appointed 1 July 2024  
Term expires 30 June 2029



**Diana Noble (NED)**  
Deputy Chair of Court,  
Chair of RemCo  
Appointed 1 June 2018  
Term expires 31 May 2027



**Sir Dave Ramsden**  
Deputy Governor, Markets,  
Banking, Payments and  
Resolution  
Appointed 4 September 2017  
Term expires 3 September 2027



**Tom Shropshire (NED)**  
Appointed 1 November 2022  
Term expires 31 October 2026



**Sam Woods**  
Deputy Governor,  
Prudential Regulation,  
and Chief Executive  
Officer of the PRA  
Appointed 1 July 2016  
Term expires 30 June 2026

1. Sir Ron Kalifa was a member of Court until 31 October 2025. Sam Woods will end his term on 30 June 2026. Katharine Braddick will start her term on 1 July 2026.

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**The Court of Directors acts as a unitary Board, with executive and non-executive members and an independent non-executive chair.**

Court sets the Bank's strategy and budget, takes key decisions on resourcing and appointments, and keeps the Bank's performance and financial management under review. The Court meets at least seven times a year, and its minutes are published.<sup>[2]</sup>

Members of Court are appointed by the Crown, for periods of eight years in the case of the Governor, five years per term for the Deputy Governors, and up to four years per term for the Non-executive Directors (NEDs). The Chancellor of the Exchequer appoints a Chair to lead Court as a NED. In the interests of transparency, the Bank maintains a public register of interests for its most senior officials.<sup>[3]</sup>

Court delegates the day-to-day management of the Bank to the Governor and through him to other members of the executive. But it reserves to itself a number of key decisions, including:

- the Bank's strategy and objectives;
- the Bank's (including the PRA's) expenditure budget;
- major capital projects;
- the Bank's financial framework;
- the Bank's risk tolerance framework;
- approval of the accounts and the appointment of auditors;
- the remit for managing the Bank's balance sheet;
- senior appointments within the Bank and succession planning; and
- major changes in staff remuneration and pension arrangements.

The permanent sub-committees of Court are the Audit and Risk Committee, the Remuneration Committee and the Nominations Committee. Terms of reference of these and other committees are published on the Bank's website.<sup>[4]</sup>

Members of Court and the Chief Operating Officer have been indemnified by the Bank against personal civil liability arising from the carrying out or purported carrying out of their functions, provided they have acted honestly and in good faith and have not acted recklessly. These indemnities were first granted in 2000 and approved by HM Treasury in accordance with the practice of the Government in relation to board members of Non-Departmental Public Bodies.

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2. [www.bankofengland.co.uk/about/people/court-of-directors](http://www.bankofengland.co.uk/about/people/court-of-directors).

3. [www.bankofengland.co.uk/-/media/boe/files/about/register-of-interests.pdf](http://www.bankofengland.co.uk/-/media/boe/files/about/register-of-interests.pdf).

4. [www.bankofengland.co.uk/about/people/court-of-directors/governance-of-the-bank-of-england-including-matters-reserved-to-court](http://www.bankofengland.co.uk/about/people/court-of-directors/governance-of-the-bank-of-england-including-matters-reserved-to-court).

## Policy committees: Monetary Policy Committee (MPC)

Members as at 15 June 2026



**Andrew Bailey**  
Governor,  
Chair of the MPC



**Sarah Breedon**  
Deputy Governor,  
Financial Stability



**Dr Swati Dhingra**  
External member  
Term: 9 August 2022  
– 8 August 2028



**Megan Greene**  
External member  
Term: 5 July 2023  
– 4 July 2029



**Clare Lombardelli**  
Deputy Governor,  
Monetary Policy



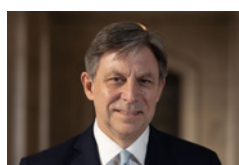
**Catherine L Mann**  
External member  
Term: 1 September 2021  
– 31 August 2027



**Huw Pill**  
Executive Director,  
Monetary Analysis and  
Chief Economist  
Term: 6 September 2021  
– 5 September 2027



**Sir Dave Ramsden**  
Deputy Governor,  
Markets, Banking,  
Payments and  
Resolution



**Professor Alan Taylor**  
External member  
Term: 2 September 2024  
– 1 September 2027

The Bank of England's MPC contributes to the Bank's mission to achieve monetary stability by setting monetary policy to:

- maintain price stability; and, subject to that,
- support the Government's economic policies, including its objectives for growth and employment.

At least once a year, the Government updates its definition of price stability and the description of its economic policy in the MPC's remit. In November 2025, the Chancellor of the Exchequer reconfirmed the target as an inflation rate of '2 per cent as measured by the 12-month increase in the Consumer Prices Index (CPI)'. The Government's economic policy objective is 'to restore broad-based and resilient growth built on strong and secure foundations'.<sup>[5]</sup>

The MPC has nine members. Five members are Bank of England staff: the Governor; three Deputy Governors; and the Chief Economist and Executive Director for Monetary Analysis. The Committee also includes four external members appointed by the Chancellor of the Exchequer. A non-voting representative from HM Treasury also sits with the Committee at its meetings.

The MPC meets at least eight times a year to set policy and the MPC's minutes are published alongside the Committee's decisions after each meeting. The Bank's quarterly Monetary Policy Report includes the MPC's projections for inflation and output.

Members of the MPC are indemnified by the Bank against personal civil liability on the same terms as members of Court (refer to page 13).

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5. [www.bankofengland.co.uk/letter/2025/november/mpc-remit-2025](https://www.bankofengland.co.uk/letter/2025/november/mpc-remit-2025).

## Financial Policy Committee (FPC)

Members as at 15 June 2026<sup>[6]</sup>

	<b>Andrew Bailey</b> Governor, Chair of the FPC		<b>Nathanaël Benjamin</b> Executive Director, Financial Stability Strategy and Risk
	<b>Stephen Blyth</b> External member Term: 1 November 2025 – 31 October 2028		<b>Sarah Breedon</b> Deputy Governor, Financial Stability
	<b>Jonathan Hall</b> External member Term: 1 September 2020 – 31 December 2026		<b>Randall Kroszner</b> External member Term: 1 February 2023 – 31 January 2029
	<b>Clare Lombardelli</b> Deputy Governor, Monetary Policy		<b>Liz Oakes</b> External member Term: 3 June 2024 – 2 June 2027
	<b>Sir Dave Ramsden</b> Deputy Governor, Markets, Banking, Payments and Resolution		<b>Nikhil Rathi</b> Chief Executive of the FCA Term: 1 October 2020 – 30 September 2030
	<b>Carolyn A Wilkins</b> External member Term: 21 June 2021 – 20 June 2027		<b>Sam Woods</b> Deputy Governor for Prudential Regulation, and Chief Executive Officer of the PRA

The Bank of England's FPC contributes to the Bank's mission to achieve financial stability by:

- identifying, monitoring and taking action to reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system; and, subject to that,
- supporting the Government's economic policies, including its objectives for growth and employment.

6. Dame Colette Bowe was an FPC member until the end of her term on 31 August 2025. Stephen Blyth's term on the FPC started on 1 November 2025. Sam Woods will end his term on 30 June 2026. Katharine Braddick will start her term on 1 July 2026.

The FPC also advises Court on the Bank's Financial Stability Strategy.

At least once a year, the Government must make recommendations on the FPC's responsibilities for financial stability, as well as its objectives for growth and employment. The FPC must respond formally to these recommendations and provide reasons if it proposes not to follow them.<sup>[7]</sup>

The FPC has 13 members. Six members are Bank of England staff: the Governor; four Deputy Governors; and the Executive Director for Financial Stability Strategy and Risk. The Committee also includes the Chief Executive of the Financial Conduct Authority (FCA), five external members appointed by the Chancellor of the Exchequer, and a non-voting representative from HM Treasury.

The FPC meets at least quarterly. It may give directions to the Prudential Regulation Authority (PRA) and the FCA in relation to macroprudential measures prescribed by secondary legislation under the Bank of England Act 1998. The FPC also has powers to make recommendations to any other body. It publishes a record of its formal policy meetings and is responsible for producing the (at least) twice yearly Financial Stability Report.

Members of the FPC are indemnified by the Bank against personal civil liability on the same terms as members of Court (refer to page 13).

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7. The most recent remit and recommendations and the FPC's response are at [www.bankofengland.co.uk/letter/2025/november/fpc-remit-2025](https://www.bankofengland.co.uk/letter/2025/november/fpc-remit-2025).

## Prudential Regulation Committee (PRC)

Members as at 15 June 2026<sup>[8]</sup>

	<b>Andrew Bailey</b> Governor, Chair of the PRC		<b>Sarah Breeden</b> Deputy Governor, Financial Stability
	<b>Tanya Castell</b> External member Term: 1 September 2021 – 31 August 2027		<b>Andrea Enria</b> PRA Senior Adviser Term: 20 March 2025 – 19 March 2028
	<b>Antony Jenkins</b> External member Term: 5 April 2021 – 4 April 2027		<b>Niamh Moloney</b> External member Term: 20 March 2025 – 19 March 2028
	<b>Marjorie Ngwenya</b> External member Term: 5 September 2022 – 4 September 2028		<b>Sir Dave Ramsden</b> Deputy Governor, Markets, Banking, Payments and Resolution
	<b>Nikhil Rathi</b> Chief Executive of the FCA Term: 1 October 2020 – 30 September 2030		<b>David Soanes</b> External member Term: 20 March 2025 – 19 March 2028
	<b>John Taylor</b> External member Term: 14 January 2021 – 13 January 2027		<b>Sam Woods</b> Deputy Governor, Prudential Regulation, and Chief Executive Officer of the PRA

The PRC is the body within the Bank responsible for exercising the Bank's functions as the Prudential Regulation Authority (PRA) as set out in the Bank of England Act 1998 and the Financial Services and Markets Act 2000 (FSMA). The PRC is on the same legal footing as the Monetary Policy Committee and the Financial Policy Committee.

The PRC's terms of reference provide for 12 members. Five members are Bank of England staff: the Governor; three Deputy Governors, and a PRA Senior Adviser. The Committee also includes the Chief Executive of the Financial Conduct Authority (FCA), and at least six members appointed by the Chancellor of the Exchequer.

8. Sam Woods will end his term on 30 June 2026. Katharine Braddick will start her term on 1 July 2026.

The PRC has several non-delegable statutory responsibilities, including:

- The PRC is independent in all its decision-making functions, including making rules and the PRA's most important supervisory and policy decisions.
- The PRA functions are exercised by the Bank and are funded by PRA fees, with the PRC responsible for consulting on and setting the level of those fees.
- The PRC is required to report annually to the Chancellor of the Exchequer on the adequacy of resources allocated to the PRA functions and the extent to which the exercise of those functions is independent of the exercise of the Bank's other functions.<sup>[9]</sup>

Members of the PRC are indemnified by the Bank against personal civil liability on the same terms as members of Court (refer to page 13).

The statutory objectives of the PRA, which underpin its forward-looking, judgement-based approach to supervision, are:

- a general objective to promote the safety and soundness of the firms it regulates;
- specifically for insurers, to contribute to the securing of an appropriate degree of protection for those who are or may become insurance policyholders;
- a secondary objective to, so far as is reasonably possible, act in a way which facilitates effective competition in the markets for services provided by PRA-authorized persons in carrying on regulated activities; and
- a further secondary objective to, so far as is reasonably possible, act in a way that facilitates, subject to aligning with relevant international standards, (a) the international competitiveness of the UK economy (including, in particular, the financial services sector through the contribution of PRA-authorized persons); and (b) its growth in the medium to long term.

In November 2024, HM Treasury issued 'Recommendations for the Prudential Regulation Committee'.<sup>[10]</sup> This sets out HM Government's economic policy to which the PRC should have regard when considering how to advance its objectives. The PRA's response emphasised its commitment to supporting sustainable economic growth and responsible risk-taking while facilitating innovation.

FSMA also requires the PRA to review, if necessary revise, and publish annually its strategy in relation to how it will deliver its statutory objectives. The strategy is set by the PRC, in consultation with the Bank's Court of Directors. The PRA's strategy was published with the PRA Business Plan 2026/27 in April 2026.<sup>[11]</sup>

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9. [www.bankofengland.co.uk/prudential-regulation/publication/2026/june/pru-annual-report-2025-26](https://www.bankofengland.co.uk/prudential-regulation/publication/2026/june/pru-annual-report-2025-26).

10. The most recent remit and recommendations and the PRC's response are at [www.bankofengland.co.uk/letter/2024/november/prc-remit-2024](https://www.bankofengland.co.uk/letter/2024/november/prc-remit-2024).

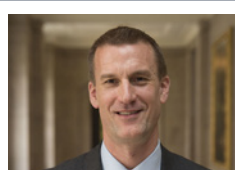
11. [www.bankofengland.co.uk/prudential-regulation/publication/2026/april/pru-business-plan-2026-27](https://www.bankofengland.co.uk/prudential-regulation/publication/2026/april/pru-business-plan-2026-27).

## Financial Market Infrastructure Committee (FMIC)

### Members as at 15 June 2026



**Andrew Bailey**  
Governor



**David Bailey**  
Executive Director,  
Prudential Policy



**Julia Black**  
External member  
Term: 1 January 2024  
– 30 June 2027



**Sarah Breedon**  
Deputy Governor,  
Financial Stability



**Randall Kroszner**  
External Member  
Term: 1 January 2024  
– 31 December 2029



**Sasha Mills**  
Executive Director,  
Financial Market  
Infrastructure



**Martin Pluves**  
External Member  
Term: 1 January 2024  
– 30 September 2028



**David Rule**  
PRA Senior Adviser



**Victoria Saporta**  
Executive Director,  
Markets



**David Soanes**  
External member  
Term: 25 September 2025  
– 24 September 2028

**The FMIC is the body within the Bank responsible for exercising the Bank's functions in relation to FMI and critical third parties as set out in the Bank of England Act 1998 and the Financial Services and Markets Act 2000 and 2023.**

The FMIC's terms of reference state that the members of the FMIC are: the Governor; the Deputy Governor for Financial Stability, the Executive Director for Financial Market Infrastructure, three Bank members appointed by Court, and at least three independent members appointed by Court. The FMIC is chaired by the Governor or the Deputy Governor for Financial Stability.

Moreover, where possible, one independent member should also be an independent member of the FPC, and one independent member should also be an independent member of the PRC. Independent members will normally serve for a maximum of two three-year terms.

The Governor or Deputy Governor for Financial Stability, as Chair, may summon a meeting of the FMIC at any time by giving such notice as he or she thinks the circumstances require.

Decisions on FMI functions that the FMIC can exercise include but are not limited to: making rules; making technical standards; preparing and issuing codes; and determining general policy and principles in relation to FMI entities.

## Our organisation as at 15 June 2026<sup>[12]</sup> <sup>[13]</sup>

The senior executive and their membership, where relevant, of the Bank's policy committees are indicated below.



**Andrew Bailey**  
Governor,  
(FPC, MPC, PRC,  
FMIC)



**David Bailey**  
Executive Director,  
Prudential Policy  
(FMIC)



**James Bell**  
Executive Director,  
Communications



**Nathanaël Benjamin**  
Executive Director,  
Financial Stability  
Strategy and Risk  
(FPC)



**Sarah Breeden**  
Deputy Governor,  
Financial Stability  
(MPC, FPC, PRC,  
FMIC)



**Jane Cathrall**  
Executive Director,  
People



**Rohan Churm**  
Executive Director,  
Monetary Analysis



**Victoria Cleland**  
Chief Cashier and  
Senior Adviser to the  
Governors



**Charlotte Gerken**  
Executive Director,  
UK Deposit Takers  
Supervision



**Vivienne Grafton**  
Executive Director,  
Real Estate and  
Location Strategy



**Jo Hill**  
Executive Director,  
Change and  
Planning



**Rebecca Jackson**  
Executive Director,  
Authorisations,  
Regulatory Technology  
and International  
Supervision



**Sarah John**  
Chief Operating  
Officer



**George Johnston**  
General Counsel and  
Executive Director,  
Legal



**Afua Kyei**  
Chief Financial  
Officer and Executive  
Director, Finance



**Clare Lombardelli**  
Deputy Governor,  
Monetary Policy  
(MPC, FPC)

12. The following commenced their appointments in 2025/26: Rohan Churm (May 2026), Ben Martin (December 2025), Clair Mills (September 2025), Tom Mutton (March 2026) and Jonathan Rand (January 2026).

13. The following held posts during 2025/26: James Benford (Data and Analytics Transformation, August 2025), Sonya Branch (General Counsel, until October 2025), Victoria Cleland (Payments, December 2025), Jonathan Rand (Risk, interim, until January 2026) and Sebastian Walsh (Secretary of the Bank and Head of Leeds, until April 2026).



**Duncan Mackinnon**  
Executive Director,  
Supervisory Risk  
Specialists



**Ben Martin**  
Chief Data Officer  
and Executive  
Director, Data  
and Analytics  
Transformation



**Clair Mills**  
Executive Director,  
Banking and  
Payments  
Operations



**Sasha Mills**  
Executive Director,  
Financial Market  
Infrastructure (FMIC)



**Nathan Monk**  
Chief Information  
Officer and Executive  
Director, Technology



**Tom Mutton**  
Executive Director,  
Payments Innovation  
and Fintech



**Huw Pill**  
Chief Economist and  
Executive Director,  
Monetary Analysis  
(MPC)



**Rob Price**  
General Counsel and  
Executive Director,  
Legal



**Sir Dave Ramsden**  
Deputy Governor,  
Markets, Banking,  
Payments and  
Resolution (MPC,  
FPC, PRC)



**Jonathan Rand**  
Executive Director,  
Risk



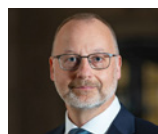
**Victoria Saporta**  
Executive Director,  
Markets (FMIC)



**Ruth Smith**  
Executive Director,  
Resolution



**James Talbot**  
Executive Director,  
International



**Gareth Truran**  
Executive Director,  
Insurance  
Supervision



**Sam Woods**  
Deputy Governor,  
Prudential  
Regulation and  
Chief Executive of  
the PRA (FPC,  
PRC)

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## Review of 2025–26

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**Our timeless mission, as set out in our original Charter in 1694, is to ‘promote the good of the people of the United Kingdom’. The way in which we have discharged this mission has evolved over time, and it continues to change as we keep step with the changing world around us.**

**In this Review we summarise how we have made full use of the knowledge, resources and skills from across the organisation in support of our mission and timeless outcomes: stable prices; a resilient financial system; secure and reliable payments, banking services, and banknotes; and safe, sound and resolvable firms.**

**The Review also outlines our strategic investment priorities, with a focus on ensuring the Bank is fit for the future so we can continue to work towards our mission.**

### Stable prices

We carry out our mission to maintain monetary stability by working to keep inflation low and stable in the UK. HM Government has set us a target of keeping annual inflation at 2%.

The Monetary Policy Committee (MPC) is responsible for our work in this area. It meets eight times a year to decide what interest rate is needed to return inflation to, or keep it at, the 2% target over time.

Over the past year, monetary policy has continued to support a sustained reduction in inflationary pressures following the earlier period of tightening. Bank Rate has been maintained at 3.75% as inflation has fallen back from its earlier peak and underlying domestic cost pressures had been easing.

At its meeting in April 2026, the MPC voted to maintain Bank Rate at 3.75%. The Committee judged that inflation is likely to be higher later in the year as the effects of higher energy prices pass through to consumer prices, following developments in the Middle East that have made global energy price prospects highly uncertain. Monetary policy cannot influence global energy prices, but it is being set to ensure that the adjustment to these shocks occurs in a way that achieves the 2% inflation target sustainably in the medium term.

The outlook for inflation remains uncertain. The MPC is alert to the risk that higher energy prices could give rise to more persistent domestic inflationary pressures through second-round effects in wage and price-setting, which policy would need to lean against. At the same time, the Committee is assessing the extent to which higher energy costs, tighter financial conditions and a loosening labour market may weigh on economic activity and help to contain medium-term inflationary pressures.

Monetary policy will continue to be set to ensure that inflation returns sustainably to the 2% target. The Committee will monitor closely developments in global energy markets and how their impact propagates through the UK economy, and it stands ready to act as necessary to ensure that inflation remains on track to meet the target in the medium term.

Colleagues from across the organisation have worked together to provide economic and financial analysis to support the MPC's decision-making this year. This analysis and the rationale for the MPC's decisions are set out more fully in the published minutes of the Committee's policy meetings and its Monetary Policy Reports.

We have continued to make progress in responding to the Bernanke Review in our forecasting and related processes during times of significant uncertainty. The MPC has further embedded the use of scenarios into policy discussions and communications, using them to explore a wider range of economic outcomes and sources of uncertainty, including the persistence of domestic inflation pressures and the response of demand and the labour market.

We have also continued to invest in our forecasting infrastructure, modelling suite and data capabilities, as part of a broader Monetary Policy Transformation Programme. This programme is strengthening how the MPC assesses uncertainty, supports decision-making, and communicates the outlook and risks to Parliament, markets and the wider public. While important progress has been made, this remains a multi-year programme of reform. Further work is under way to implement new data systems, refine the use of scenarios in policy deliberations, and continue to evolve our external communications.

It is important that we are transparent and accountable to Parliament. During the year, the MPC has presented evidence at six Parliamentary hearings, including those of the Treasury Committee and Economic Affairs Committee, and MPC members have given around 200 interviews and speeches and have made over 60 agency visits.

## A resilient financial system

The financial system is a vital part of our economy. It enables households and businesses to make payments, borrow, save and invest, and insure against risks.

Our objective is to maintain financial stability in the UK, and the Financial Policy Committee (FPC) and Prudential Regulation Authority (PRA) leads much of our work in this area. The FPC's role is to identify, monitor and take action to remove or reduce systemic risks with a view to protecting and enhancing the resilience of the UK financial system (refer to pages 16–17). The PRA is responsible for the prudential regulation and supervision of around 1,250 banks, building societies, credit unions, insurers and major investment firms.

At its March 2026 meeting, the FPC judged that the global risk environment had become materially more unpredictable, following a period in which risks were already elevated, and that uncertainty had intensified. Global risks remained high, including those associated with geopolitical conflict, fragmentation of trade and financial markets, and vulnerabilities in sovereign debt markets. As an open economy with a large and internationally connected financial sector, the UK remains exposed to these global risks, which could transmit through multiple and potentially overlapping channels.

Colleagues from across the organisation have worked together to provide economic and financial analysis to support the FPC's decision-making this year. This analysis and the rationale for the FPC's decisions are set out more fully in the twice-yearly Financial Stability Report and in the records of the FPC's quarterly policy meetings. During the year, the FPC has presented evidence at six Parliamentary hearings, including those of the Treasury Committee, and FPC members have given over 60 interviews and speeches and have made over 10 agency visits.

More detail on the PRA's activities is provided in the PRA's Annual Report, which is published alongside this Report. During the year, the Prudential Regulation Committee (PRC) presented evidence at five Parliamentary hearings, and PRC members have given around 30 interviews and speeches and have made two agency visits.

### Banking system

At its March 2026 meeting, the FPC judged that the UK banking system remained resilient and well placed to support households and businesses, even if economic and financial conditions were to become significantly worse than expected. UK banks remain well capitalised, with strong asset quality and capital positions that provide substantial loss-absorbing capacity, enabling the system to absorb shocks rather than amplify them.

The FPC reviewed the appropriate level of capital requirements for the UK banking system during the year. In its assessment, the FPC judged that the appropriate benchmark for system-wide Tier 1 capital requirements is around 13% of risk-weighted assets, equivalent to a Common Equity Tier 1 ratio of around 11%. This assessment reflects improvements in banks' risk management and balance sheet strength since the global financial crisis, while maintaining sufficient resilience to support sustainable growth over the long term.

The FPC sets the UK countercyclical capital buffer (CCyB) rate on a quarterly basis. The CCyB provides banks with an additional reserve that can be released to absorb losses and support lending to households and businesses during periods of stress. At its March 2026 meeting, the FPC judged that risks were at a level consistent with maintaining the UK CCyB at its neutral setting of 2%, balancing the need to ensure resilience in the financial system while continuing to support sustainable growth.

We also regularly stress test the UK's largest banks to assess their resilience to severe but plausible stress scenarios. These stress tests inform the FPC's and PRA's assessment of bank capital adequacy and the ability of the banking system to support the real economy in stress. The FPC's latest assessment confirms that, under stressed conditions, the UK banking system has the capacity to absorb losses while continuing to provide essential services. From 2025 onwards, we have moved to a biennial frequency for our main bank capital stress test, supplemented by desk-based stress tests and exploratory exercises where appropriate. This approach allows us to assess a broader range of risks over time while maintaining robust standards for capital adequacy and supervisory scrutiny.

In February 2026, we wrote to major UK firms to set out our approach to the third Resolvability Assessment Framework (RAF) assessment, which will take place in 2026–27. The assessment will evaluate firms' overall ability to achieve the three resolvability outcomes: having adequate financial resources in resolution; being able to continue critical services through resolution and restructuring; and co-ordinating and communicating effectively with authorities and markets to support an orderly resolution. The assessment will also consider firms' progress in addressing issues identified in previous assessments and include targeted testing of key capabilities, as part of our ongoing programme to enhance resolvability.

## **Market-based finance**

Market-based finance, also known as non-bank finance, is an increasingly important source of funding for UK firms and plays a significant role in UK financial markets. It provides households and businesses with a wider range of financing options and can support innovation and risk sharing across the financial system. However, past episodes of stress have shown that vulnerabilities in parts of market-based finance can amplify shocks and transmit stress to core UK financial markets.

At its March 2026 meeting, the FPC judged that vulnerabilities in market-based finance remained a key risk to UK financial stability, particularly in an environment of heightened global uncertainty and the increased potential for sharp asset price adjustments. Stress in one part of the financial system could spill over rapidly to others, including through fire sales and correlated deleveraging by banks and non-banks, tightening financial conditions for UK households and businesses. Moreover, multiple vulnerabilities could be triggered at the same time, reinforcing the need for active risk management.

In September 2025, we published a discussion paper seeking views on potential measures to enhance the resilience of the UK government bond (gilt) repo market. The gilt repo market plays a critical role in supporting the functioning of government bond markets and broader UK financial stability, including during periods of stress. The discussion paper explored options to strengthen market resilience, including greater central clearing of gilt repo and the use of minimum haircuts on non-centrally cleared transactions, and sought feedback on how such measures could be designed and implemented, alongside their potential costs. In April 2026 we published a statement that summarised the feedback and outlined next steps including the intention to publish a comprehensive update, and potential policy proposals, in early 2027

In December 2025, we launched our second system-wide exploratory scenario exercise focused on private markets and the activities of non-bank financial institutions. This work is ongoing and will continue through 2026, improving our understanding of how the behaviour and interconnectedness of banks and non-banks could amplify stress in financial markets and pose risks to UK financial stability. Insights from the exercise will inform our ongoing supervisory, policy and risk assessment work.

We have also continued to work with domestic and international authorities to improve the resilience of market-based finance. This includes monitoring leverage and liquidity risks, improving data and transparency, and contributing to international work to address vulnerabilities in non-bank financial intermediation.

### **Financial market infrastructure firms (FMIs)**

FMIs are a critical part of the financial system, and the public rely upon their smooth and safe operation in both normal times and periods of stress. The services FMIs provide underpin payments, clearing and settlement activity across the economy and play a central role in managing and reducing risk in financial markets.

The Financial Market Infrastructure Committee (FMIC) leads our work in this area (refer to pages 20–21). The FMIC's primary objective is to protect and enhance UK financial stability by ensuring that the FMIs we supervise are financially and operationally resilient. In addition,

FMIC has a secondary objective to facilitate innovation in the provision of FMI services, where this supports our primary objective.

During the year, we continued to strengthen our supervisory framework for FMIs, with a focus on financial resilience, operational resilience, and safe and resilient innovation. In July 2025, we published our final policy on the Fundamental Rules for FMIs, setting out a clear, outcomes-based framework that articulates the standards FMIs are expected to meet. The Fundamental Rules enhance transparency and consistency in supervision and will take effect from July 2026.

Alongside this, the FMIC continued to focus on ensuring that FMIs are resilient to a wide range of risks, including operational disruption and cyber threats, while facilitating responsible innovation. Supervisory activity during the year included ongoing assessment of the financial resilience of central counterparties, monitoring of payment systems, and a strengthened focus on operational resilience, including firms' ability to remain within impact tolerances under severe but plausible disruption scenarios.

We also progressed policy and supervisory initiatives to support innovation that improves the quality, efficiency and economy of FMI services, consistent with the secondary innovation objective. This included engagement with industry on evolving market practices, collaboration with domestic and international authorities, and continued work to ensure that regulatory frameworks remain proportionate, coherent and aligned with international standards, while maintaining high levels of resilience in support of UK financial stability.

More details on these and other activities is provided in 'The Bank of England's supervision of financial market infrastructures Annual Report', which is published alongside this Report.

## **Secure and reliable payments, banking services and banknotes**

### **Payments**

Payments are essential to the UK economy, enabling households and businesses to buy goods and services, receive salaries and benefits, and access cash.

We play a major role in supporting payments in the UK through our Real-Time Gross Settlement (RTGS) service. RTGS lies at the heart of retail and wholesale payments in the UK, including those made using Visa, MasterCard and the Faster Payments system. RTGS also supports our high-value CHAPS system that is used, for example, when buying property.

Alongside maintaining the resilience of RTGS, we are exploring how settlement in central bank money can continue to support innovation as financial markets adopt new technologies. In October 2025, we launched the Synchronisation Lab to support industry experimentation with instant and simultaneous settlement, and interoperability between different platforms, while ensuring that settlement remains anchored in central bank money.

This work builds on the successful delivery of the renewed RTGS core ledger and settlement engine in 2025, which provides a more flexible and resilient foundation for the evolution of the service. The renewed platform supports ongoing enhancements to connectivity, resilience and functionality, enabling RTGS to continue to meet the needs of the UK financial system as payment technologies and market practices evolve.

In July 2025, HM Treasury set out a new institutional model to deliver the UK's next-generation retail payments infrastructure. Under this model, public authorities set the strategic direction for retail payments, while a new Bank chaired committee, comprising industry participants, leads the design of the new infrastructure, with industry responsible for its delivery. The model is intended to support competition, innovation and resilience, while ensuring trust in money as retail payments evolve. During the transition, existing retail payment systems will continue to be maintained and enhanced, while the new infrastructure is developed through close collaboration between the public and private sectors.

In 2025/26 RTGS settled, on average, close to £850bn of payments every working day. Disruption to this service could have a significant impact on wholesale and retail payments. So, we have a target that it should be available at least 99.95% of the time. We met this target.

## **Banknotes**

Maintaining confidence in cash remains an important part of our mission. We continue to ensure that banknotes are high quality, long lasting and difficult to counterfeit, and that people can access and use cash where they need to.

In July 2025, we launched a public consultation seeking views on the theme for the next series of banknotes. The consultation invited people to share their preferences on how the UK could be represented on future banknotes, including through themes such as notable historical figures, architecture and landmarks, arts, culture and sport, noteworthy events in history, innovation, and nature.

In March 2026, we announced that images of the UK's wildlife would feature on the next series of banknotes. The nature theme received the highest proportion of nominations in the consultation, as well as support in the focus groups we commissioned. Within the nature

theme, much of the feedback referred to wildlife that is native to the UK. We also judged that wildlife images would be most effective for developing banknotes with security features that are easy for the public to recognise and distinguish. In June 2026, we ran a second consultation to gather the public's views on the specific wildlife they would like to feature.

Future banknotes will continue to feature a portrait of the monarch. Designing and issuing new banknotes is a detailed, multi-year process to ensure notes remain secure, resilient and accessible, and we will consider consultation responses in line with our objectives for banknote design before announcing next steps.

## **Stablecoins**

Stablecoins are a new form of digital money designed to maintain a stable value and could, if widely used, play a role in retail payments and wholesale settlement. In November 2025, we launched a consultation setting out our proposed regulatory regime for sterling denominated systemic stablecoins. We have since continued to develop and refine this proposed regime, informed by consultation responses, international engagement and evolving market developments. The regime is intended to ensure that systemic stablecoins are safe, reliable and trusted as money, supporting innovation while maintaining financial stability. It would apply only to stablecoins that are, or could become, systemically important for UK payments, and would not cover stablecoins used solely for non systemic purposes such as the buying and selling of cryptoassets.

## **Digital pound**

Together with HM Treasury, we continue to explore the case for a digital pound as a potential complement to cash and existing forms of digital money. A digital pound would be a new form of central bank money, issued by us in electronic form, and available for use by households and businesses for everyday payments. It would be accessed through digital wallets provided by private sector payment service providers.

During the year, work continued in the design phase of the digital pound project, which runs through 2026. This has focused on developing a detailed blueprint for any potential digital pound, supported by experimentation through the Digital Pound Lab and engagement with a wide range of stakeholders. This work will inform a joint, evidence-based assessment with HM Treasury on whether to proceed, and any digital pound would require primary legislation before it could be introduced.

Work on the digital pound also continues to inform our broader payments agenda. The design work, experimentation and stakeholder engagement undertaken during the year have helped deepen our understanding of how new forms of digital money could interact with existing retail and wholesale payment infrastructures, including RTGS, CHAPS and other UK

payment systems. Insights from the Digital Pound Lab are also being used to assess interoperability, settlement, resilience and access issues that are relevant across the payments landscape, supporting joined up policy development and ensuring that innovation in payments is consistent with our objectives for monetary and financial stability.

## **Our strategic investment priorities**

Over the next three years, our focus is on ensuring the Bank is fit for the future. This means transforming our operational foundations so that we can continue to deliver modern core central banking and prudential regulation, underpinned by the right skills, technology and data.

To support this aim, we have identified six Strategic Investment Priorities shown on page 34. These priorities bring greater clarity and focus to our investment decisions, support stronger cross-Bank collaboration, improve decision-making and provide a clearer framework for measuring success. Progress during the year on initiatives such as the Monetary Policy Transformation Programme, the renewal of RTGS, and enhancements to supervisory data and analytics illustrates how these priorities are already supporting delivery across our policy and operational responsibilities.

To support the delivery of these priorities, our investment spending is managed as a portfolio, grouped under four broad categories:

- Strengthening data, technology and economic modelling capability – supporting improved analysis, scenario-based policymaking and delivery of the recommendations of the Bernanke Review.
- Modernising central banking operations – ensuring that core services such as payments and banking operations remain resilient, efficient and capable of adapting to a changing financial system.
- Dealing with obsolescence in, and future proofing, our technology – reducing operational risk by replacing ageing infrastructure and creating platforms that can support future change more efficiently.
- Enhancing data collection, storage and analytics – improving how data is collected, shared and analysed across the Bank to support better decision-making and innovation.

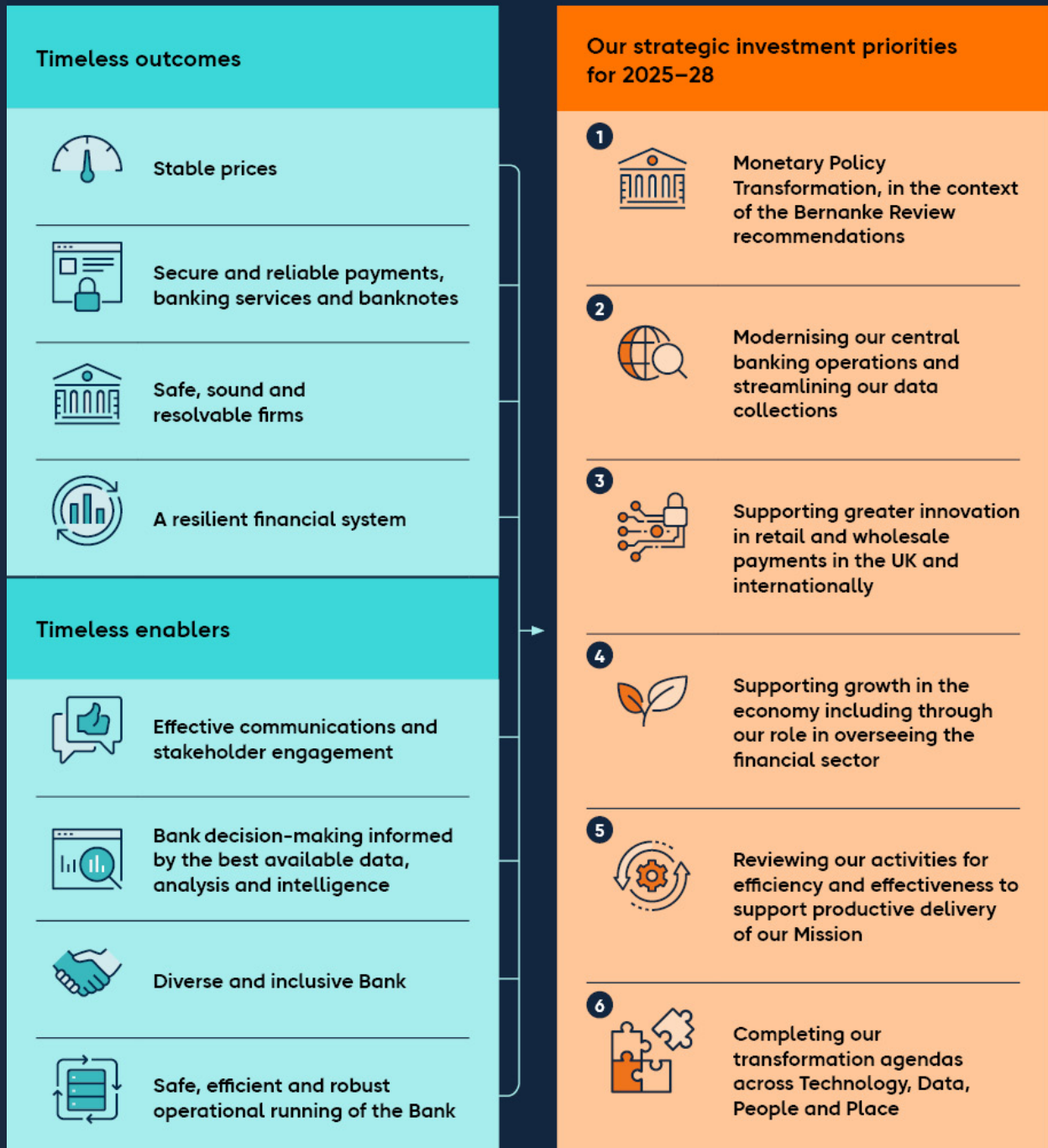
We have also allocated some investment to respond to pressing and emerging priorities, ensuring flexibility and agility in our delivery.

Taken together, these investments are intended to improve analytical capability, enhance operational resilience and deliver better value for money, while supporting the people who carry out the Bank's work every day. Oversight of the investment portfolio sits with the Executive Operational Coordination Committee, with delivery assurance and day-to-day governance delegated to the Investment Portfolio Committee.

As a publicly funded institution, we operate within a clearly defined budget, and savings in regular operating costs are being reallocated to support the investment needed to build a Bank that is fit for the future. Specifically, we are making a material reduction in our running costs over the next three years, including through a significant reduction in staff numbers. That will allow around £100mn in each of the three coming years to be allocated to investment. The table below illustrates how our investment plans are split between the areas described above.

	2026/27 (£mn)
Strengthening data, technology and economic modelling capability	11
Modernising central banking operations	28
Dealing with obsolescence in, and future proofing, our technology	20
Enhancing data collection, storage and analytics	21
Other emerging investment priorities	21
<b>Total investment portfolio</b>	<b>101</b>

Figure A: Bank of England strategic investment priorities: 2025–28



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## Financial review of 2025–26

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### Financial statements highlights

The Bank operates as ‘One Bank’, a single unified institution, and the financial review is presented in a way that is consistent with this operating principle.

In accordance with the terms of the 1844 Bank Charter Act, the Bank was divided for accounting purposes into the Issue Department, covering banknote issuance activity, and the Banking Department, which encompasses all other activities.

Under the Bank of England and Financial Services Act 2016 separate PRA disclosures are presented in the Annual Report on pages 194–203, these reflect the operations of the Bank acting as the PRA, and are a subset of the Banking Department.

Under the Bank of England Act 1998, the financial statements are prepared on a non-consolidated basis. The ‘combined’ income statement and balance sheet data in this section represent the aggregation of the Banking Department and Issue Department, and are presented for information purposes only.

Court considers the operation of the Bank’s financial framework in fulfilling its responsibilities under the Bank of England Act 1998. The key elements of the financial framework of the Bank are detailed below. For the Banking Department, the Bank compiles its medium-term spending plans within a financial framework which has four main tenets.

First, that under the Bank of England Act 1998 the policy functions of the Bank (defined as activities undertaken in pursuance of the Bank’s monetary policy and financial stability objectives) are financed by the Bank of England Levy (BoE Levy) following transition as of 1 March 2024 from the previous funding mechanism, the Cash Ratio Deposit (CRD) scheme.

Second, that the remunerated activities of the Bank – banking services, services to HM Treasury and lending operations for the Bank’s own account – will be expected to break even over the medium term, although the Bank remains committed to providing value for money, and so manages its cost base in this context. Any gains or losses from these activities are recognised in the Bank’s capital.

Third, the Bank acting as the PRA, operating under FSMA 2000, may levy regulated firms to recover all costs incurred in the performance of the PRA’s functions under the Act. The Bank

covers its Financial Market Infrastructure (FMI) supervisory costs via a levy charged to all FMIs which are supervised by the Bank under the Banking Act 2009 or FSMA 2000.

Fourth, on the basis that spending on policy and supervisory functions is fully recovered and other functions break even, the profit of the Bank should be broadly equivalent to the return on the assets in which its capital and reserves are invested – largely gilts.

## Capital

	2026 (£mn)	2025 (£mn)
Total capital	5,977	5,597
Deductions (net of deferred tax):		
Intangible assets	(206)	(227)
Pension and property reserves	(692)	(661)
Illiquid investments	(1,538)	(1,273)
<b>Loss-absorbing capital</b>	<b>3,541</b>	<b>3,436</b>

The capital framework, as agreed between HM Treasury and the Bank, states that the proportion of Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital (LAC) held by the Bank and where this sits within a set of agreed parameters. Following the five-yearly review of the parameters by the Bank and HM Treasury, the updated Memorandum of Understanding (MoU) on the Financial Relationship between HM Treasury and the Bank was published in February 2025.<sup>[14]</sup>

LAC is the Bank's total capital less any capital components that cannot absorb losses, which include: intangible assets (net of deferred tax); net pension scheme assets and property revaluation reserves (net of deferred tax); and illiquid investments (net of deferred tax).

The Bank's LAC increased to £3,541mn (2025: £3,436mn), driven by profit after tax for the year.

For 2025/26, the Bank will make a £66mn payment in lieu of dividend to HM Treasury in line with the capital framework. This marks the first dividend which will be paid by the Bank since the financial year end 2020. Refer to note 27 for further details.

14. Refer to Section 2.B of the agreed financial relationship between HM Treasury and the Bank of England: Memorandum of Understanding for detail of the parameters; [www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship](http://www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship).

## Financial statement highlights

The table below presents highlights of the combined 2026 financial statements. Further explanation and commentary are provided below.

	2026 (£mn)	2025 (£mn)	Movement (£mn)
<b>Balance sheet</b>			
Combined balance sheet <sup>(a)</sup>	820,809	870,078	(49,269)
of which:			
Combined loans and advances	780,425	833,384	(52,959)
Notes in circulation	96,209	90,593	5,616
TFSME	41,894	96,745	(54,851)
Funded pension scheme net assets	793	734	59
Loss-absorbing capital <sup>(b)</sup>	3,541	3,436	105
<b>Income statement</b>			
Combined income	1,083	983	100
of which:			
Income from PRA regulatory activity	350	344	6
BoE Levy income <sup>(c)</sup>	333	299	34
Trading income	185	213	(28)
Management fees	84	76	8
Combined expenditure <sup>(d)</sup>	940	855	85
Combined profit before tax	143	128	15
Combined profit after tax	132	98	34
Payment to HM Treasury in lieu of dividend	66	–	66
<b>Other items of note</b>			
Net seigniorage income paid to the National Loans Fund	3,808	4,438	(630)
TFSME income <sup>(e)</sup>	2,875	6,335	(3,460)
Average number of employees (headcount) <sup>(f)</sup>	5,770	5,731	39

- (a) Banking Department total assets (£819,707mn) plus Issue Department total assets (£96,209mn) less Issue Department deposit with Banking Department (£95,107mn).
- (b) Refer to page 36.
- (c) Refer to page 43.
- (d) Refer to page 40.
- (e) Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) income reflects Bank Rate on TFSME loans, and TFSME fees receivable in the year.
- (f) Refer to page 156.

## Balance sheet movements

The combined balance sheet decreased by £49.3bn in 2026. The largest movement in assets was a decrease in 'Loans and advances' of £53.0bn, primarily attributable to a decrease in the loan to the Bank of England Asset Purchase Facility Fund (BEAPFF) offset by an increase in repo activity. Over the course of the year, the Bank has continued to enact the programme set out by the Monetary Policy Committee (MPC) to reduce the stock of gilts held in the Asset Purchase Facility (APF) via maturities and sales.

There has been an increase in notes in circulation over the year of £5.6bn, bringing the total value to £96.2bn (2025: £90.6bn). This has been driven by a combination of factors including a slowing of the cash cycle, as people and businesses hold onto cash for longer before spending or depositing it, and increased holdings of cash for precautionary or contingency purposes.

The balance of the TFSME decreased to £41.9bn from £96.7bn primarily driven by early part and full terminations from participants of the scheme and maturities.

## Income statement movements

Combined profit before tax for the year was £143mn, an increase of £15mn on the prior year. Combined income increased by £100mn in 2026, driven by levies and other cost recoveries including the BoE Levy, which recovers the majority of the Bank's cost, alongside higher income from increased repo activity. Fee income increased as we begin to recover cost of the renewal of RTGS via the RTGS tariff. The year-on-year growth in the Bank's costs was driven by multi-year strategic investment to ensure the Bank is fit for the future including seed investment to streamline data collection and improve the quality and timeliness of regulatory reporting.

## Other items of note

### Funding arrangements for Issue Department

The Issue Department is funded by interest-yielding assets which are held to back the notes in circulation. The interest earned on these assets is used to fund the costs of note production and supply. The net profits/losses of the Issue Department are referred to as seigniorage, and paid/claimed directly to/from HM Treasury via the National Loans Fund (NLF), an account held at the Bank by HM Treasury. The £3.8bn net seigniorage income is comprised of income and profits of £3.9bn, less £61mn expenses and a buffer withheld by the Bank of £8mn. The increase in income and profits is mainly driven by increased interest earned on the deposit with the Banking Department.

### TFSME income

TFSME income fell year on year to £2.9bn, a decrease of £3.5bn, as a result of early part and full terminations of TFSME loan as well as maturities during the year. The income is largely offset as corresponding reserve balances are remunerated at Bank Rate. The Bank earns a small amount of penalty fee income for those participants whose net lending over the TFSME reference period was negative.

## Combined income statement

### Combined expenditure by function<sup>(a)</sup>

	2026 (£mn)	2025 (£mn)
<b>Policy functions</b>		
Total policy expenditure	337	303
<b>Expenditure on policy functions</b>	<b>337</b>	<b>303</b>
<b>Remunerated functions</b>		
Notes issue costs recharged to the Issue Department	70	60
Government agency services	17	16
Payment and settlement	97	94
Banking services	39	36
Other functions	2	8
<b>Expenditure on remunerated functions</b>	<b>225</b>	<b>214</b>
<b>Operations funded by levies</b>		
PRA operational expenditure	338	330
PRA special projects	11	12
PRA enforcement expenditure	1	2
Financial Market Infrastructure	18	17
<b>Expenditure on operations funded by levies</b>	<b>368</b>	<b>361</b>
Net items funded from retained earnings	10	(23)
<b>Expenditure on other functions</b>	<b>10</b>	<b>(23)</b>
<b>Total Banking Department</b>	<b>940</b>	<b>855</b>
<b>Issue Department</b>	<b>61</b>	<b>57</b>
Internal charges and settlements under seigniorage arrangements	(61)	(57)
<b>Total combined expenditure</b>	<b>940</b>	<b>855</b>

(a) Combined expenditure by function represents the aggregation of the Banking Department and Issue Department, adjusted for internal charges and eliminations under seigniorage arrangements. The separation of Banking and Issue Department for accounting purposes is required by statute. A summary 'combined' income statement and balance sheet as at 28 February 2026, aggregating the Banking Department and Issue Department is provided in this financial review. It is provided for information purposes only.

## Combined expenditure highlights

During the year, the Bank remained focused on delivering its core purposes of monetary and financial stability in line with its statutory objectives, against a backdrop of heightened geopolitical risk and continued volatility in the UK and global economy. At the same time, the Bank has remained committed to targeted, multi-year strategic investment to ensure the Bank is fit for the future (refer to pages 32–33).

The Bank manages its budget within the Bank's financial and budget framework. This requires us to make decisions in a constrained environment. The Bank has adopted a new budget framework from next year which reflects the move to being a predominantly levy funded institution.

The Bank has continued to take a disciplined approach to managing its underlying operating costs, enabling resources to be reprioritised towards strategic investment into building a fit for the future organisation. As part of this approach, the Bank formally announced a Mutually Agreed Resignation (MAR) scheme during the year, supporting organisational change while ensuring affordability and sustainability over the medium term. MAR reflects a one-off opportunity for colleagues to leave the Bank voluntarily with a financial settlement. A provision of £40mn (2025: £nil) has been recognised representing the direct costs of the agreed staff exits. Refer to Note 31 for further details.

Total expenditure for 2026 was £940mn. This was slightly lower than the Bank's expenditure budget of £943mn.

## Remunerated functions

Expenditure increased by £11mn to £225mn (2025: £214mn). This was driven by increased notes costs as a result of increased banknote production volumes and investment in the design and production of a new series of banknotes. In addition, payment and settlement costs increased following the launch of the new RTGS service. This included the implementation of a new target operating model and ongoing system enhancements, reflecting planned operational activity to support delivery of our statutory objectives and system modernisation, ensuring it remains fit for the future.

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## Prudential Regulation Authority

Combined expenditure increased by £6mn to £350mn (2025: £344mn). This increase reflects upfront investment in streamlining data collection with the aim of delivering more cost-effective bank regulatory reporting.

## Net items funded from retained earnings

Expenditure on these items increased by £33mn to £10mn (2025: credit of £23mn), due to the recognition of a restructuring provision for MAR (refer to other liabilities note 31).

## Issue Department

Expenditure on the Issue Department increased by £4mn to £61mn (2025: £57mn), due to higher note production volumes.

## Policy functions

	2026 (£mn)	2025 (£mn)
<b>Income</b>		
BoE Levy income <sup>(a)</sup>	333	299
SONIA (Sterling Overnight Index Average) licence income	2	2
Access to the Sterling Monetary Framework (SMF) income	2	2
<b>Total policy income<sup>(b)</sup></b>	<b>337</b>	<b>303</b>
<b>Expenditure (by policy area)</b>		
Monetary Analysis and MPC	66	55
Markets, Banking and Payments	94	80
Research, Data and Analytics	46	49
Financial Stability Strategy and Risk	35	31
Resolution	22	20
FMI <sup>(c)</sup>	15	17
PRA <sup>(d)</sup>	18	16
International	17	17
Central Bank Digital Currency (CBDC) and Fintech	24	18
<b>Expenditure on policy functions<sup>(e)</sup></b>	<b>337</b>	<b>303</b>

- (a) BoE Levy income is the total amount charged to industry for recovery of operational policy costs. Transitional costs for the replacement of the CRD scheme with the BoE Levy net to nil and comprise the net interest cost of retaining the legacy CRD gilt portfolio and the costs of transition charged to industry.
- (b) SONIA Licence and SMF access fee income are specific income streams for activities included within policy function expenditure.
- (c) Relates to FMI policy costs that are funded by the BoE Levy (previously the CRD scheme). A portion of FMI costs are separately funded by an FMI levy.
- (d) Relates to work completed by the PRA on behalf of the Bank's financial policy areas. These costs are recovered through the BoE Levy and not the PRA levy.
- (e) The policy costs by business area are split between monetary policy and financial stability based on the cost of the activities in each area that are deemed to support monetary policy and financial stability objectives respectively.

## Policy functions

Monetary policy and financial stability costs are funded by the BoE Levy. Expenditure on these policy functions was £34mn higher than the prior year at £337mn. This was driven by the Bank's strategic investment agenda including the Monetary Policy Transformation Programme, the future of the Bank's balance sheet and continued research into the case for a UK retail CBDC.

## Combined balance sheet

	2026 (£mn)	2025 (£mn)
<b>Assets</b>		
Loans and advances	780,425	833,384
Securities held at fair value through profit or loss	20,067	14,367
Financial instruments held	14,915	16,427
Other assets	5,402	5,900
<b>Total assets</b>	<b>820,809</b>	<b>870,078</b>
<b>Liabilities</b>		
Deposits	694,762	755,079
Notes in circulation	96,209	90,593
Foreign currency commercial paper in issue	12,263	9,006
Foreign currency bonds in issue	8,526	6,666
Other liabilities	3,072	3,137
Capital and reserves	5,977	5,597
<b>Total equity and liabilities<sup>(a)</sup></b>	<b>820,809</b>	<b>870,078</b>

(a) Banking Department total assets (£819,707mn) plus Issue Department total assets (£96,209mn) less Issue Department deposit with Banking Department (£95,107mn).

The combined balance sheet decreased by £49.3bn in 2026, primarily due to the decrease in the loan to the BEAPFF. This was in line with the reduction in the stock of assets held by the BEAPFF, as the Bank undertakes quantitative tightening in line with MPC decisions.

## Financial review of the Banking and Issue Departments

### Banking Department

The Banking Department's financial statements for the year ended 28 February 2026 are shown on pages 98–188 and reflect a profit before tax of £143mn (2025: £128mn) and tax charge of £11mn (2025: £30mn). The profit after tax was £132mn (2025: £98mn), and the amount payable to HM Treasury in lieu of dividend amounts to £66mn (2025: £nil) reflecting the Bank's LAC position being in excess of the £3.5bn threshold. Refer to note 27 for further details.

The statement of comprehensive income reflects a net increase year on year of £257mn (2025: increase of £205mn).

'Other comprehensive income/(loss)' includes a net increase in assets held at 'fair value through other comprehensive income' of £265mn, net of deferred tax (2025: increase of £128mn), retirement benefit remeasurement increase of £64mn, net of deferred tax (2025: decrease of £20mn) and property revaluation losses of £15mn, net of deferred tax (2025: loss of £17mn).

The balance sheet of the Banking Department decreased during the year to £819.7bn as at 28 February 2026 from £868.6bn as at 28 February 2025.

Banking Department assets decreased primarily due to a reduction in the loan to the BEAPFF, reflecting a decline in the stock of assets held in the APF under the Bank's quantitative tightening programme. The pace of unwind is set by the MPC, most recently updated at its September 2025 meeting, with the proceeds used to repay the loan from the Bank. 'Capital and reserves' increased to £6.0bn (2025: £5.6bn). The Bank's retained earnings are predominantly invested in gilts. The Banking Department's holdings of gilt securities totaled £12.1bn at 28 February 2026 (2025: £13.6bn).

At 28 February 2026, the Banking Department balance sheet contained £20.8bn of liabilities associated with the management of the Bank's foreign exchange reserves (2025: £15.7bn).

### Issue Department

The statements of account for the Issue Department (which are provided on pages 189–93) reflect net profits from note issue of £3.8bn (2025: £4.4bn), payable in full to HM Treasury. The decrease of £630mn was due to decreased interest earned on the deposit with the Banking Department during the year and higher note production costs. In 2026, gilt revaluations contributed £1mn to income (2025: £11mn).

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Notes in circulation increased year on year, totalling £96.2bn as at 28 February 2026 (2025: £90.6bn). The market valuation of gilts held by the Issue Department was £0.7bn as at 28 February 2026 (2025: £1.1bn). The 'Ways and Means advance' to HM Treasury remained unchanged at £370mn as at 28 February 2026.<sup>[15]</sup>

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15. The Ways and Means facility functions as the Government's overdraft account with the Bank of England (the Bank), ie the facility which enables sterling cash advances from the Bank to the Government.

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# Risk management

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**In order to discharge our mission the Bank must ensure its own financial and non-financial risks are well managed.**

**Global risks associated with geopolitical developments, fragmentation and pressures on sovereign debt levels continue to be significant, and indicators of global financial market volatility remain elevated. The Bank monitors the potential impact of volatility on its own risk profile, and conducts stress tests to confirm the Bank's resilience to shocks that may arise.**

**The Bank continues to advance an ambitious transformation programme to become fit for the future and to manage its operational risks.**

## Risk governance

### The Court of Directors

Court has responsibility for the overall governance of the Bank, including the Bank's risk management and internal control systems. It takes the lead in setting a strong risk management culture across the Bank and oversees the governance structures through which the Bank's risk management strategy is implemented.

Court has monitored the Bank's risk profile throughout the year, including reporting directly from the Executive Director, Risk and via the Bank's Audit and Risk Committee.

Court has also performed its annual review of the effectiveness of the Bank's risk management and internal control systems and assessed the Bank's principal and emerging risks. Court's review was facilitated by an attestation exercise through which Executive Directors and Directors with a direct reporting line to a Governor or the Chief Operating Officer confirm compliance with the Bank's risk management and internal control requirements in the areas for which they are responsible. In the small number of cases where weaker controls were identified, compensating controls are implemented and remediation plans are monitored.

Based on its monitoring and annual review, Court confirms that appropriate risk management and internal control systems were in place and operated effectively throughout the year covered in this Report and up to the date of its approval sufficient to ensure the accuracy of the Bank's financial statements.

Court recognises the Bank's progress in modernising its technology estate and moving forward the people and data transformation programmes over the past year. The Bank's successful renewal and operation of the Real-Time Gross Settlement system marked a significant achievement in strengthening operational resilience and supporting future innovation. Furthermore, completion of the technology and systems modernisation programmes in the coming years, will underpin the future effectiveness of the Bank's internal control environment.

However, Court acknowledges that completion of these multi-year programmes to transform the Bank's technology and systems, people and data arrangements will take time and that they need to be carefully prioritised in line with the Bank's budget and capacity. This will lead to longer periods of risk exposures in some areas than the Bank would ideally seek, albeit reducing the risk of unsuccessful and disrupted programmes.

### **The Audit and Risk Committee (ARCo)**

ARCo, a sub-committee of Court, assists Court in its responsibilities relating to risk management, internal controls, and financial reporting. ARCo receives reports on the Bank's risk profile, the operation of the risk framework and management of key processes. It reviews internal and external audit findings, ensuring timely completion of actions. The Chair of ARCo oversees the integrity and independence of the Bank's Internal Audit function. A report on the work of ARCo over the past year is included at pages 87–89.

### **Executive responsibility for risk**

The Governor has overall executive responsibility for risk management. First-line risk management is delegated to Deputy Governors, the COO, Executive Directors and Directors. The Risk Directorate has unrestricted access to other specialist risk and compliance functions, for example anti-money laundering teams, ensuring a comprehensive view of the Bank's risk profile.

Second line financial and non financial risk management functions are consolidated under the Executive Director, Risk, who reports directly to the Governor and indirectly to the Chair of ARCo.

The Bank's Executive Risk Committee (ERC) oversees and challenges material risks to delivering the Bank's mission and prioritises the related mitigating actions. ERC is chaired by a Deputy Governor and its membership comprises other key executives; it meets at least six times a year. Quarterly risk reporting is shared and agreed with ERC, Governors and COO, before submission to ARCo and Court.

## Three Lines of Defence

The Bank operates a 'Three Lines of Defence' model:

**First Line:** The first line own risk and implement controls. The Governors and the Executive Directors manage, assess and mitigate day-to-day risks to the Bank's processes and systems.

**Second Line:** The Risk Directorate enables the Bank to take risk with confidence by making sure it is managed within the tolerances approved by Court. The Risk Directorate owns the Bank's risk management framework and provides independent forward-looking assessment, oversight and challenge.

**Third line:** Internal Audit independently evaluates internal controls, risk management, and governance processes.

## The Bank's Risk Management Framework

Policy decisions are made by the Bank's statutory committees,<sup>[16]</sup> which the Bank implements. While the management of policy risks are reserved to the committees, the implementation of policy decisions exposes the Bank to a wide variety of risks which it manages through its risk framework.

The Bank's Risk Management Framework supports consistent risk identification, assessment, monitoring, and oversight of the material controls in place to mitigate them. The framework specifies risk tolerances and outlines the mechanisms through which these are operationalised. Where risks are out of tolerance, action plans are developed to bring those risks back within tolerance within agreed timescales.

During the year, the Risk Directorate continued preparations for alignment with UK Corporate Governance Code 2024 for the next financial year end.

## Principal risks

Risks are categorised into principal risk types which include: operational risks; financial risks; compliance risks; and financial reporting risks. In addition, the Bank monitors the principal risks to its important business services (IBSs). These IBSs are: the RTGS service; determining and communicating the stance of monetary policy; communicating

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16. The Monetary Policy Committee, Financial Policy Committee, Prudential Regulation Committee and Financial Market Infrastructure (FMI) Committee.

recommendations and/or directions on financial policy; prudential regulation and supervision over financial institutions; statutory supervision of financial market infrastructures; resolution and provision of emergency liquidity; banknote production; operating in sterling and foreign exchange markets, providing banking services, and gathering market intelligence; and publishing financial benchmarks.

## Operational risks

During the year, the Bank continued to invest in mitigating prominent operational risk themes including:

**Technology obsolescence:** Over the year, the Bank maintained stable operation of technology services while continuing to make progress implementing a multi-year, large-scale programme to address significant levels of obsolescence and modernise its technology. The extent and complexity of change has required careful prioritisation to balance delivery capacity and budget, with the operational risks associated with obsolete technology. The programme delivers strategic mitigants to upgrade a number of existing controls across both the Bank's internal operations and those that directly support its IBSs.

**Projects and change management:** The Bank's complex change portfolio spans many key functions and IBSs, with specialist technical requirements and significant interdependencies. The Bank continues to progress a broad range of change initiatives including: technology modernisation; finance system modernisation; data and document management; and responding to the Bernanke Review model governance recommendations.

**Payments:** Last year, the Bank successfully launched the new RTGS service, which has since operated within expected service levels, and introduced new functionality providing a platform for future innovation. The Bank is also driving forward the next generation of retail payment systems in collaboration with industry. There continues to be close management of operational risks (including third-party risks) for live operations, and innovation workstreams.

**People:** The Bank's workforce is central to its success. During the year, the Bank progressed a range of people-related projects aimed at operating more efficiently and rebalancing our cost base. Controls were established to ensure that risks associated with the loss of key skills and experience – for the delivery of both internal business functions and those directly supporting the Bank's IBSs – were properly managed. The Bank remains committed to managing the risks and taking the opportunities associated with its people transformation initiatives.

**Security risks:** The evolving external threat environment remains elevated globally, heightening both physical and cyber security risks and underscoring the importance of work to ensure the Bank's operational resilience. Threat actors' expanding use of artificial intelligence in particular, is amplifying cyber risk. During the year, several targeted improvements were implemented to strengthen the Bank's security posture, and response and recovery capabilities will remain in focus in the coming year.

**Third party:** The growing use of externally hosted services and consequent reliance on third-party providers, especially in IT, raises operational, cyber and information security risks along the length of the supply chain. Like many organisations the Bank continues to enhance its third-party risk management capabilities and associated tooling, and strengthen supply chain resilience, particularly with regard to firms that are critical to the provision of the Bank's IBSs.

**Artificial intelligence (AI):** AI adoption across the Bank continues to accelerate, delivering new tools, insights and process efficiencies. The safe and ethical use of AI at the Bank is governed by an AI Policy and overseen by an Internal Innovation Committee.

**Operational resilience:** With oversight from the Risk Directorate, the Bank maintains business continuity arrangements such that mission-critical processes are resilient to disruptive events. The Bank's approach to operational resilience is aligned to the expectations that have been set for firms and FMIs. The Bank has an ongoing programme of work to test its ability to meet impact tolerances and rehearse roles and responsibilities under its Critical Incident Management Framework.

## Financial risks

The Bank is exposed to credit, market and liquidity risk in its operations to implement monetary and financial stability policies. The Bank seeks to maintain a level of its own financial resources that provides it with sufficient resilience to be able to withstand a set of severe stress scenarios without its capital falling below a defined threshold.

Financial risk management at the Bank is underpinned by a financial framework agreed with HM Treasury and codified in a Memorandum of Understanding (MoU).<sup>[17]</sup> The MoU describes the framework for determining the Bank's capital, ensuring it has the financial resources to meet its objectives. The financial backing for certain operations, where exposures exceed the Bank's loss-absorbing capital, may be backed by an indemnity from HM Treasury.

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17. [www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship](https://www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship).

**Balance sheet transition:** The Bank is shifting to a new, demand-driven and repo-led operating framework, which must be managed prudently to ensure continued alignment with the Bank's risk appetite. Continuing work to enable this transition includes reviewing and updating the Financial Risk Framework to support the evolving balance sheet risks and providing forward-looking analysis to identify and monitor emerging risks to the Bank's capital and balance sheet. To maintain resilience through the transition, we will undertake continuous monitoring, including stress testing and analysis.

**Quantitative easing:** The Bank's quantitative easing (QE) programme assets are held in the Asset Purchase Facility (APF). Purchases made by the APF are funded by a loan from the Bank, with interest charged at Bank Rate. As of 28 February 2026, the APF portfolio value was £553.2bn (down from £654.5bn as of 28 February 2025). The APF is indemnified by HM Treasury, with gains or losses accruing to them. Net cash flows under the indemnity are transferred quarterly between the APF and Treasury. Detailed future cash-flow modelling is conducted, with key scenarios published quarterly.

## Compliance risks

The Bank faces conduct risk if staff fail to comply with policies or if staff otherwise undermine public trust in the Bank. The Compliance Division, which sits within the Risk Directorate, has adopted a risk-based operating model to work with areas to ensure policy awareness, understanding and compliance. A new testing programme focusing on the highest-priority policy controls has been embedded, strengthening control effectiveness oversight. The Compliance Division also determines the consequences for breaches of internal policies and works to foster a culture of policy adherence through training and other activities. Within the Compliance Division, the Data Protection Officer and Privacy team enable the Bank to use personal data efficiently while maintaining compliance with data protection laws.

## Financial reporting risks

The Bank maintains processes to manage risks to the accuracy of its financial reporting, to ensure that financial statements are prepared completely and accurately in accordance with relevant accounting and legal standards. As noted above, the Bank is progressing a project to modernise its financial reporting systems.

## Emerging risks

The Bank scans for emerging operational and financial risks within the changing external environment. Key emerging risks include:

- **Geopolitical risks:** Global fragmentation of trade and financial markets, pressures on sovereign debt markets, and elevated geopolitical tensions increase the likelihood of financial, operational and cyber-related disruptions.

- **Systemic stablecoins:** The introduction of systemic stablecoins (SSCs) in the UK may pose new risk channels for the Bank including balance sheet risks associated with lending to new non-bank counterparties. The Bank is working to calibrate and evolve its management of balance sheet risks to support the safe adoption of SSCs.
- **Market-based finance (MBF):** Emerging vulnerabilities in MBF highlighted in the Bank's recent Financial Stability Reports, include high leverage, opaque asset valuations and limited oversight. The Bank has policy tools to respond if needed, and would manage any consequent operational risks accordingly.

## Our people

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Having the right people, in the right roles, with the right skills is fundamental to delivering our mission.

### Our strategic people priorities

Over the next three years, our strategic people priorities are:

- Becoming future fit by developing our workforce through strategic planning, investment in skills and reshaping work.
- Modernising our employee experience by strengthening engagement and performance management.
- Strengthening leaders' and managers' capability to lead the organisation and colleagues through change.

### Skills and talent

We want everyone who works at the Bank to have purposeful careers. By empowering colleagues to take ownership of their development and build future-focused, relevant skills, we enable them to thrive and reach their full potential, as well as enabling our important work. This helps us build an adaptable and resilient workforce.

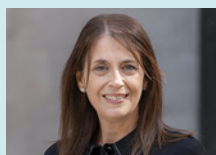
By developing a clear understanding of the future skills we need, we are establishing a long-term skills strategy that enables a more considered approach to internal mobility and external recruitment. This includes strengthening talent pipelines in specialist areas to enable career progression, building our teams in Leeds and encouraging redeployment across teams where appropriate.

## Learning and development

This year, we continued to focus on high-quality learning that supports both individual development and organisational capability. Our strategy supports our focus on skills and development, strengthening management capability, and creating opportunities for all colleagues to develop throughout their careers – whether they are experienced professionals, just starting out, or looking to change direction.

By embedding learning into everyday work and aligning it closely with our strategic priorities, we enable our people to perform at their best and build their careers.

### Case study: Launch of our Professions Framework



**Jane Hapgood**  
Learning and  
Development Manager  
and Project Manager



**Nayan Kapadia**  
Senior Business Change  
Manager

We are proud to mark the successful launch of our new Professions Framework – an important step in building the skills we need to enable our people and infrastructure to be fit now and for the future. The framework helps build professional identity, future skills, and colleague development. It clarifies learning pathways and improves access to opportunities and professional networks, following proven models in the public sector.

Our six founding professions – Data, Technology, Research, Crisis Management, People, and Communications – create a Bank-wide community that connects colleagues with shared expertise. Over the next two to three years, we will increase the number of professions, further broadening access to specialist support, shared knowledge, and structured development.

A mentoring programme has been launched to connect expert members of each profession to those seeking professional development. Mentees have the opportunity to gain guidance on career and professional development from a colleague who understands the technical and professional landscape of that profession, while mentors pass on their knowledge, skills and expertise.

This launch marks the beginning of a more connected, capable, and future fit Bank.

## Strong leadership

The pace of change continues to place demands on our senior leadership team. Through our in-house Senior Leadership Development Programme, we are building the skills our senior leaders need to deliver our responsibilities and drive organisational transformation in a changing world. Our current focus is on equipping leaders with digital leadership skills so they can confidently harness emerging technologies to lead digital transformation and drive efficiency across the Bank.

### Case study: Global Central Banking and Financial Regulation Qualification



**Dara Crabbe**  
Senior Supervisor

I first joined the Bank of England in 2021 as an Industrial Placement student, working in Strategy, Risk and Operations, alongside completing my undergraduate degree at the University of Bath. That experience sparked my interest in financial regulation and supervision, which led me to return to the Bank in 2023 on the Insurance Supervision Graduate Scheme. I have since continued my journey, progressing into my current role as a Senior Supervisor.

The Global Central Banking Qualification (GCBQ) has been a true highlight of my career at the Bank, equipping me with deeper global regulatory insight and enhancing how I approach complex supervisory challenges. The GCBQ appealed to me as it set my day-to-day work within a broader context, deepening my understanding of how the UK's regulatory framework compares with global central banks operating under different mandates and constraints. The programme also provided a strong foundation in the core principles and concepts underpinning central banking.

Completing the GCBQ Post Graduate Certificate alongside a full-time role was a rewarding challenge. I was supported by a positive learning environment that encouraged development alongside professional responsibilities. Through the GCBQ, I have strengthened my analytical capability, broadened my global regulatory awareness, and gained greater confidence when engaging with globally active firms and counterpart authorities. Overall, the GCBQ has been both professionally enriching and highly valuable in supporting my career aspirations.

## Our growing presence in Leeds

Our Leeds office goes from strength to strength and this year has been expanded to accommodate even more colleagues. Meanwhile, we are progressing plans for a more permanent premises in the city.

As of March 2026, we have approximately 240 colleagues based in Leeds, and we expect to reach 300 by the end of 2026. Most colleagues have been recruited externally from the surrounding area, reflecting the availability of the skills we need and the Bank's draw as an attractive employer in the region.

Building our regional presence in Leeds enables us to strengthen the resilience of our operations, while also accessing a new pool of skills, talent and perspectives.

## Mutually Agreed Resignation scheme

As part of ensuring the Bank is fit for the future, we are implementing a significant multi-year transformation of our operations to ensure we remain efficient, resilient, and able to deliver on our priorities. To fund this transformation, we need to achieve a sustainable 8% reduction in running costs in 2026/27.

One element of delivering these savings was the Mutually Agreed Resignation (MAR) scheme, which offered colleagues the opportunity to leave the Bank by mutual agreement with a financial settlement. Just under 450 colleagues will depart the Bank by February 2027 through this scheme, generating approximately £35mn in savings per annum going forward.

## Inclusion

Ahead of launching our Inclusion Strategy, we recommitted to our targets to increase representation of women and ethnic minorities at higher scales. We expect that working towards these will have a positive impact on the gender and ethnicity pay gaps over time. The Bank remains committed to inclusive recruitment and talent management programmes.

## Case study: Location Strategy Project



**Jack Mann**

Senior Strategic Supplier Manager

I joined the Bank in December 2025 and work within the Technology Directorate as a Strategic Supplier Manager. My role focuses on building and maintaining strong relationships with third-party suppliers across the technology landscape, helping to ensure suppliers provide reliable and secure services that are aligned to the Bank's priorities. I am based in the Leeds office and, since joining, have found Bank colleagues to be incredibly welcoming.

As a Leeds local, my previous roles within financial services required regular travel, so the opportunity to work in Leeds, alongside the Bank's commitment to growing its presence in the city, strongly appealed to me. The Leeds office is a great place to work and learn, with a strong collective spirit shaped by colleagues who are relatively new to the Bank or new to the area which generates curiosity and enthusiasm, alongside representation from across the organisation.

Alongside working in Leeds, I feel well supported to travel to Threadneedle Street. This has enabled me to build deeper relationships with my London-based team, collaborate more closely with colleagues across Technology, and attend key events, while also serving as a powerful reminder of the Bank's role and the contribution colleagues make to the UK's financial system.

## Rewarding colleagues fairly – our gender and ethnicity pay gaps

We are committed to paying colleagues fairly for the work they do. This includes paying a minimum of the Real Living Wage (London Living Wage or UK Living Wage outside of London) and ensuring that our roles are regularly benchmarked against relevant external comparators.

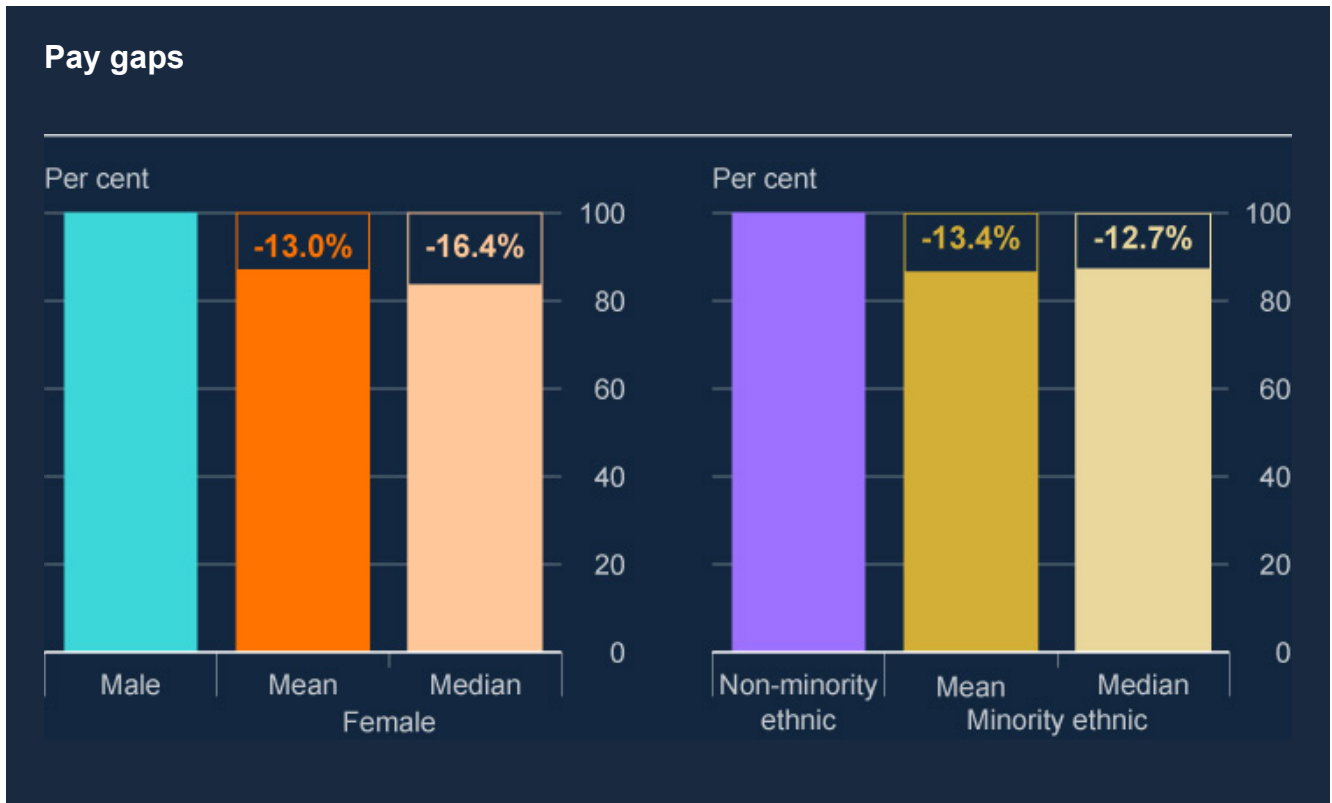
In line with government guidance, we report on our gender pay gap each year and we also voluntarily report on our ethnicity pay gap, based on the same methodology.

The gender and ethnicity pay gap looks at the difference between average hourly earnings across the whole organisation, regardless of role or level. This differs to equal pay for equal work, which compares pay for those undertaking similar roles.

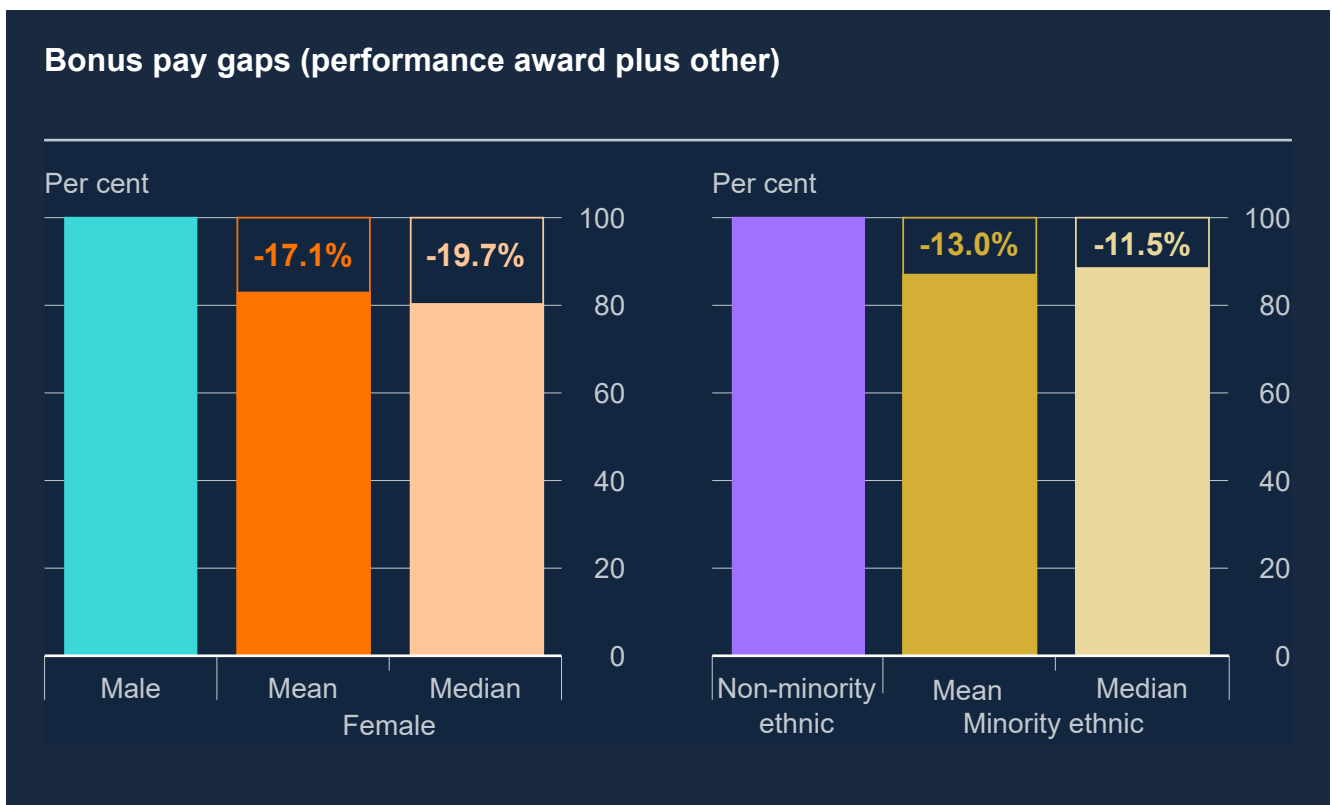
For 2026:

- **Our mean gender pay gap has decreased and as of March 2026 is 13.0%, down from 14.6% in 2025. The median gender pay gap has increased slightly, from 16.1% last year, to 16.4% this year.** The reduction in the mean gender pay gap can primarily be attributed to an increase in female representation at senior scales. The slight increase in the median has been driven by additional payments (on top of base pay) which are factored into the pay gap calculations, particularly payments related to pension.
- Over recent years the Bank has sought to attract more staff from minority ethnic backgrounds as we continue to build a diverse pipeline of talent for more senior leadership roles in future. Given the mix of hires at more junior scales, the consequence has been to increase the gap between the average hourly pay of ethnic minority colleagues and others. **The mean ethnicity pay gap as of March 2026 was 13.4%, up from 12.4% in 2025, while the median pay gap increased from 10.3% to 12.7%.**

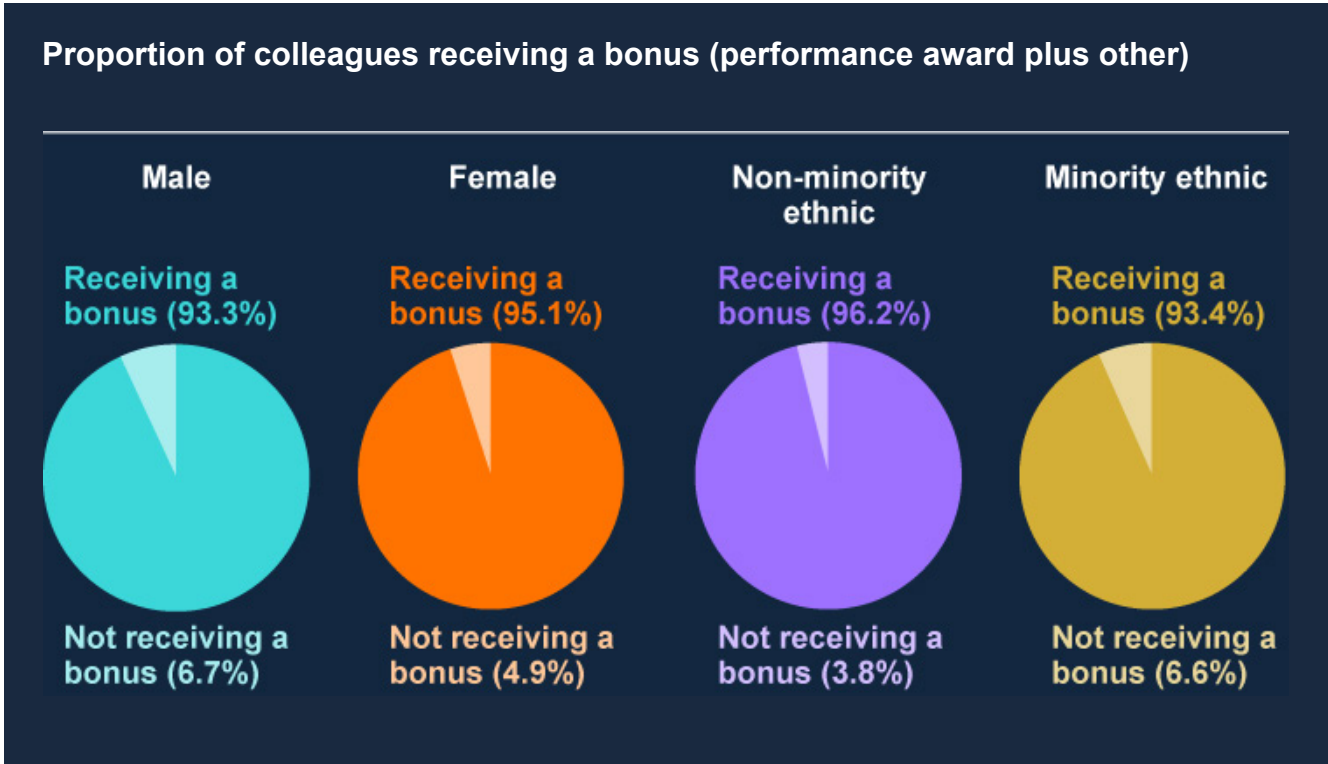
The pay gaps include most cash elements of pay – including base pay and other allowances. Looking at base pay alone, we have a mean gender pay gap of 11.9% and a mean ethnicity pay gap of 13.0%.



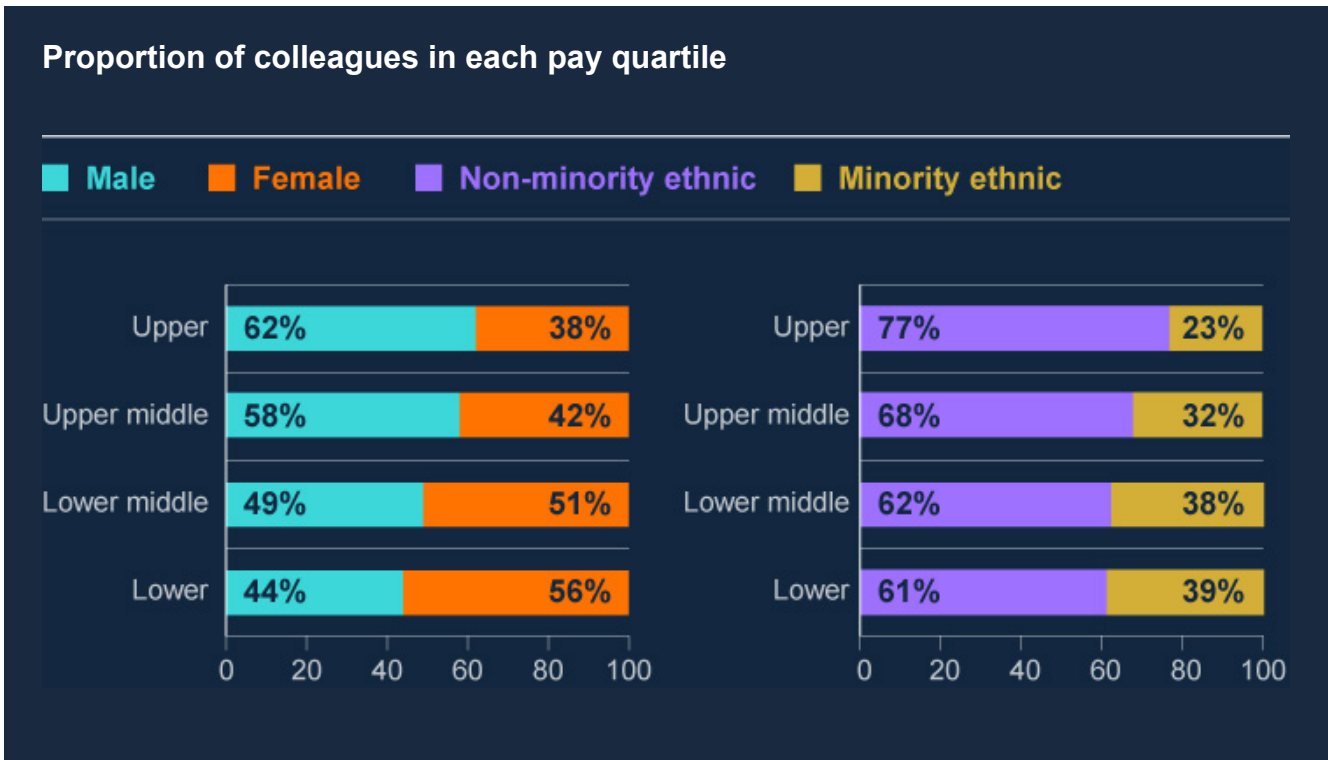
The pay gap figures in this chart are based on hourly rate of pay as at 31 March 2026 and bonuses paid in March 2026.



The pay gap figures in this chart include all bonuses (performance awards plus other) paid in the 12 months ending on 31 March 2026.



All colleagues at the Bank (excluding Governors and COO) are eligible for a discretionary annual performance award, dependent on performance and start date within the performance year.



These charts show the gender and ethnicity split when we order hourly rate of pay from highest to lowest and group into four equal quartiles.

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## Social responsibility

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### Outreach

Our outreach programme allows us to engage with people across the UK on a range of issues. During the year, as part of our Citizens' Forum, we held 16 in-person panel events, including at least one in each of the English regions and devolved nations. A key focus of all these sessions was the continued impact of the cost of living on households. We also heard participants' views on the local labour market and the UK housing market. In July, we took the opportunity to ask forum members what theme they would like to see represented in the design of the next series of banknotes as part of the month-long consultation. At all of these events, participants had the opportunity to question senior members of Bank staff about our policies and decisions.

We held 16 Community Forum events across the UK. Charities, community groups, and other third sector organisations shared with us the issues affecting their service users and the financial outlook for their own organisations. Charities reported that they are facing severe financial strain, with rising operating costs and reduced funding availability. Many are looking for alternative sources of income. Staff, volunteers and service users are all experiencing greater insecurity; there are more redundancies, reduced working hours, difficulty recruiting volunteers, rising in work poverty, and increased reliance on unstable employment.

We also piloted three Youth Panels where we heard from young people aged between 16 and 19 years on how they use money – both physically and digitally. We aim to increase these panels in the next financial year.

Further details on what we have learnt over the past 12 months and how we have used those insights can be found in 'Your voice 2026: insights from the Bank of England's outreach programmes'.<sup>[18]</sup>

### Community

Our Community programme enables colleagues to make a positive impact for a shared purpose through fundraising and volunteering. Every two years, colleagues select three charities through a Bank-wide nomination, shortlisting and voting process. The charities chosen for the 2025–27 partnership are London Search and Rescue (LonSAR), Maggie's and Petals, representing regional, national and inclusion focused causes.

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18. [www.bankofengland.co.uk/about/get-involved/citizens-panels/your-voice-2026-insights-from-the-boe-outreach-programmes](https://www.bankofengland.co.uk/about/get-involved/citizens-panels/your-voice-2026-insights-from-the-boe-outreach-programmes).

We are now in our 10th year of support to the Lord Mayor's Appeal through City Giving Day each September. Last year we celebrated two decades of our charities of the year, all chosen by colleagues. Over 20 years, over 40 charities have received millions of pounds in donations, including our charity banknote auctions.

Our partnership with our 2023–25 charities – Shout (a service provided by Mental Health Innovations), Trussell and The Childhood Trust – concluded in October 2025. Over £553,000 was donated during the two years raised through activities including honey ballots, quizzes, sporting events and regular micro donations via payroll. With these contributions, total giving to charities of the year exceeded £4mn over the past 20 years.

We also support colleagues' personal volunteering and fundraising through volunteering leave, matched funding and our annual Court Awards. Engagement with these awards increased over the year, recognising colleagues who make exceptional impact in their community through fundraising and volunteering. Across the UK, our Agency network supports local charities, and we expanded our volunteering offer through Neighbourly, giving colleagues access to thousands of good causes nationwide.

Colleagues are supported to create their own internal community through sporting and social activities, including Bank-wide sporting events last summer such as rounders and football tournaments. We encourage participation in sporting and cultural events hosted by other European central banks, to help build our relationships with our counterparts.

## Supporting young people

Across the UK we offer virtual work experience placements in partnership with the Sutton Trust and the Social Mobility Foundation. Over the last year, we expanded our programme to include a legal work experience placement and continued to develop the Mel Beaman Student Programme, which provides Leeds-based pupils with work experience, mentoring and access to bursary opportunities.

## Education

Our education programme focuses on working with schools and teachers to support the development of financial and economic literacy across the UK. Over the last year the education team have worked with schools on a series of initiatives including an event delivered in partnership with Newcastle University focused on the Economics of Football and a financial education day at Leeds Trinity University as part of the Children's University programme.

Promoting wider access to A-level economics is a priority for us and in April 2025 we launched the Teach Economics partnership with the University of Manchester which is designed to support more teachers to deliver the subject in non-selective state schools. In June 2025 we held our first Bank of England Teacher Conference for new and experienced economics teachers, which was hosted at Leeds Beckett University.

The education team are supported by Bank Ambassadors, volunteers who visit state secondary schools to talk about our work and their own careers. Over the last year Bank Ambassadors visited over 400 schools across the UK. Our work continues to focus on engaging schools and communities located in areas with high levels of socio-economic deprivation and or low levels of social mobility.

## Museum

The Bank of England Museum welcomed almost 110,000 visitors during the year. There were over 730 schools and community group visits, and the Museum team gave over 145 educational presentations to schoolchildren ranging in ages from 7 to 18. The team also led a hugely successful programme of events during the year increasing our engagement with new audiences which included talks on the Phillips Machine with the Financial Times, the economic sensation of Taylor Swift (or Swiftonomics), a pop-up hat show for London Craft Week, a late-night alternative market for Halloween and a Georgian Ball to celebrate Jane Austen's 250th anniversary.

The Museum launched a new exhibition, Building the Bank – 100 years on, uncovering the transformation of the Threadneedle Street building by architect Herbert Baker which began in 1925. There was significant media coverage including features in The Guardian and on BBC News and the team hosted public tours of the Bank's central Parlours on Open House Weekend. To complement the exhibition the Museum hosted a sustainability conference with Material Matters exploring new materials and the economic impact of waste and worked with Surface Matter and Plasticiet on a range of furniture created from recycled shredded banknotes, which is on display in the Stock Office.

## Procurement

The Bank's Responsible Procurement approach was approved in 2025, enabling us to further strengthen sustainable and responsible procurement. We have adopted a structured strategic category management operating model to enable us to build stronger supplier relationships, improve contract management and ensure value for money.

Through 2025, the Bank has successfully incorporated the Procurement Act 2023 (PA23) and National Procurement Policy Statement (NPPS) into our procurement policies and activity, including those related to social value. This has enabled the Bank to design more flexible procurements to increase competition, boost efficiency, and improve social and economic value. Our Supplier Code of Practice, that forms a core part of our terms and conditions, continues to ensure our supply chain adheres to ethical procurement principles.

## Health and safety

We continually monitor our health and safety performance reporting annually to both the Executive Risk Committee and the Audit and Risk Committee. During 2025 the Bank commenced an independent review of the way health and safety was being managed. With significant projects on the horizon the need to ensure the Bank's safety management system was both effective and aligned to industry best practice was key. The 12-month review commenced at the beginning of August 2025, any recommendations for change will be implemented to ensure that risks associated with both normal business operation and upcoming projects are effectively managed.

Incidents of accidents at the Bank remain low. There were a total of 12 accidents recorded at the Bank across all sites which is a significant decrease on the previous year, of those recorded there were two that were reportable accidents as defined by the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations. The Annual Injury Rate was recorded as 35. This was also a decrease from the previous year. Investigations are always conducted into accidents to prevent/reduce the likelihood of a re-occurrence with remedial action implemented where required. The Bank continues to invest in training for those colleagues who have roles/functions or responsibilities linked to effective health and safety management.

## Case studies

The way we communicate with the public has developed in recent years as we work to build understanding of our role with a broader range of people. Colleagues have joined the Bank with particular expertise to develop this work in new ways and colleagues from policy areas support this by sharing their knowledge via new channels.

## Case study: Strategic Communications



**Efe Eguko**  
Campaigns Lead

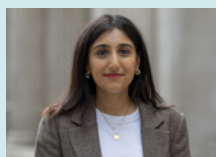
I joined the Bank of England two years ago as part of a new Strategic Communications function. It was created to proactively engage audiences who affect, or are affected by, the Bank's work. Early audience mapping identified young people as the priority group. This mattered because public trust underpins central banking, and awareness and knowledge are key drivers of trust. Young people were less familiar with the Bank and face wider economic and financial literacy gaps.

My role is focused on modernising how the Bank communicates, making its work relevant and accessible to young people, particularly 18–30 year olds. Over the past two years, I have led the development of several campaigns which have been shared with other central banks to offer an insight into the way we have become more innovative in our communications approach to create engagement.

- I have introduced influencer marketing into the Bank's communications mix, working with trusted finance creators to explain complex topics such as monetary policy and banknotes in plain language, to ensure we get the Bank's message heard on social platforms.
- I helped deliver the award winning Mind Your Money campaign in partnership with LADbible Group, using gamification and microlearning to engage young people at scale.
- I led the launch of the Bank's first youth focused podcast, Money Matters, connecting economic trends such as inflation and monetary policy decisions, directly to people's lives.

Evaluation shows significant increases in awareness, knowledge and engagement among young audiences, with the Bank now seen as a pacesetter for innovative communications across central banks and public institutions.

## Case study: Money: The Inside Story



**Rupal Patel**  
Senior Economic Advisor

My job is to provide economic advice to policymakers, primarily on monetary policy. Alongside these policy-facing responsibilities, I have also co-written two popular economics books as part of projects run by the Communications Directorate. Writing these books has given me the opportunity to step back from the immediacy of policy work to think carefully about how economists can better explain the sometimes difficult decisions we make inside the Bank to the wider public.

The first book, *Can't We Just Print More Money?*, became an international bestseller, was translated into multiple languages, and appeared on the Sunday Times Bestseller list. Its success highlighted the strong public demand for clear, accessible explanations of how the economy works. Its reach, from schoolchildren to pensioners, underlines both the importance of the Bank's work and the need for stronger economic literacy in the UK. To support this, the Bank has used its share of the proceeds to provide a copy to every school in the country, and it has also been turned into a GCSE English resource.

The second book, *Money: The Inside Story*, focuses on the mechanics of money and the many people who help money circulate through the economy. The book is being published at a time when new forms of money are emerging and the future of money feels increasingly uncertain and so seeks to provide some clarity, as well as light relief from some heavy economic debates on the issue.

This author role complements my day-to-day work at the Bank. Being able to help inform policy through economic analysis and explain those policies to the public is a role I value enormously and one that reflects the Bank's broader mission to serve the public through clarity as well as economic rigor.

## Case study: Teach Economics



**Carly Sandy**  
Education Programme Adviser

I spent most of my early career working as a teacher before moving into roles in the third sector and higher education supporting the development of schools and education professionals. I joined the Bank in 2019, and my role includes leading the education team, which focuses on working with schools and colleges across the UK to deliver financial and economic education.

Over the last year I've been leading the development of the Teach Economics programme, which is a teacher training initiative delivered in partnership with the University of Manchester. The programme is designed to increase access to A-level economics and widen participation to the subject. Earlier research commissioned by the Bank highlighted that despite an increase in popularity, access to economics is often limited in non-selective state schools. In the financial literacy space, we launched The Money Anthology in late 2025 which is a collection of eight short stories that explore the complexities of money and our relationship with it. The stories are intended to provoke conversations in the classroom and encourage young people to reflect on their own spending and saving habits.

The Bank's education team is supported by many volunteers who allow us to extend our reach across the UK through our school visit programme. I feel fortunate to work in an environment where there is a strong commitment to education and the development of young people.

Our talks in schools have been popular since they were introduced eight years ago and hundreds of colleagues each year from a broad range of policy and operational roles visit schools across the UK to talk about their careers and the work of the Bank. Our museum at Threadneedle Street tells the story of this iconic building, the history of the Bank and its role in the modern economy. This year we have introduced new ways to engage different audiences, including a series of pop-up exhibitions, and, as part of this, colleagues volunteer in the museum to share their expertise with our visitors.

## Case study: Bank Ambassador Programme



**George Robinson**  
Manager, Resolution Directorate

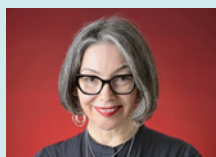
I joined the Bank of England's Graduate Development Programme in 2017 after studying economics and have spent my career to date in the Resolution Directorate. Our work ensures firms can fail in a safe and orderly way and I have worked across a range of policy and operational roles. This has included firm and authority-facing teams, policy implementation, and more recently in contingency planning, which leads live responses when firms face operational challenges.

Alongside my role, I have been actively involved in the Bank Ambassador Programme, visiting schools across the UK to talk about the Bank's mission and how our work affects people's lives. These visits have taken me to Newcastle, Worcester and Stoke-on-Trent. I have also begun volunteering at the Bank's Museum, delivering sessions for students visiting from a wide range of schools.

Engaging with students has been a very rewarding aspect of my career at the Bank. The breadth and curiosity of their questions never ceases to amaze me, from how we manage inflation, to the implications of cryptocurrencies and AI, and the different routes into a career at the Bank. These conversations highlight just how important it is to explain our work clearly and accessibly.

As the UK's central bank, we focus on explaining our work to the people we serve, whose lives can be significantly affected by our decisions. Helping people understand what we do is essential for building public trust and accountability. Through our student engagement I am proud to support future generations in understanding the economy, the Bank's role, and the career opportunities available to them, including the Bank's future talent programmes for school leavers and graduates. By reaching students from diverse communities across the UK, we help ensure the Bank reflects the people it serves.

## Case study: Museum



**Dr Monica Walker**

Museum Operations and Marketing Manager

I joined the Bank last year and my role focuses on strengthening how the Museum communicates with both internal and external audiences. My work creates clearer connections between the Bank's history, its people, and the remarkable building we are lucky to work in.

Last year, the Bank of England Museum opened *Building the Bank*, marking the centenary of Herbert Baker's redesign. The exhibition explores how the building has evolved to meet changing needs, highlighting a long-standing narrative of continuity through change. We have extended its reach online and through curator-led tours and architecture walking tours, which have attracted local residents, City workers, and students.

I have also worked with the team to transform our late openings into fully programmed Museum Lates. These are increasingly drawing diverse audiences, including artists, families, and young adults, as well as engaging more women during London Craft Week. Many attend for the programme and, in doing so, discover the Bank's history and learn about its role in the modern economy.

Internally, I developed Museum Nerd Time, an informal series on our internal social platform that builds on these ideas, encouraging colleagues to see the building as a living historical environment. This internal engagement has helped reinforce the relevance of the Bank's evolving spaces, particularly as it prepares for a new phase of refurbishment and spatial transformation.

Together, this work helps position the Museum not only as a custodian of the Bank's past, but as an active voice in shaping how its history is understood and experienced today.

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## Environment

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This year the Bank successfully met its first interim milestone in its Climate Transition Plan, published in 2023. The Climate Transition Plan aims to deliver net-zero greenhouse gas emissions (emissions) from physical operations by 2040. In 2025/26, these emissions are estimated at 35,306 tonnes of carbon dioxide equivalent, representing a 43% reduction relative to our 2015/16 baseline. This surpasses the 40% reduction targeted by the 2025 interim milestone, marking a positive early step in delivering the long-term decarbonisation pathway.

Further detail on performance against the 2025 milestone, and a full update of the Bank's transition plan, are provided in the 2026 Climate Transition Plan. Information on the Bank's approach to managing climate-related risks across its policy function as well as its financial and physical operations in 2025/26 is set out in the Bank's climate-related financial disclosure 2026.

The Bank strengthened environmental resilience this year. At the Debden site, a targeted risk review identified areas where flood and spillage preparedness could be enhanced. Bank staff developed and implemented improved systems to manage industrial processes at the site, reducing the likelihood of environmental harm and supporting more resilient operations.

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# Report of the Remuneration Committee

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## Remuneration principles

The Bank's reward package aims to attract, retain and motivate a diverse range of talented people to public service, with the skills required for our current and future success. We are a unique employer with a public purpose offering an opportunity to make a difference. We provide an inclusive working environment which supports each individual through flexible working, a variety of career opportunities and initiatives to enhance their wellbeing.

Our principles are to pay our colleagues a reward package which takes into account their experience and knowledge, alongside any specialisms required to undertake the role they do, while also looking to recognise the contribution they make at an individual level. We help to ensure we remain competitive by regularly reviewing pay in the external market from both the public and private sector. Our remuneration package includes the following:

- base salary;
- core and flexible benefits;
- discretionary performance award which is linked to achievement of individual objectives and behaviours; and
- Career Average Revalued Earnings (CARE) pension.

We continue to report on our gender and ethnicity pay gaps which are linked to the Bank's inclusion agenda and can be found under the 'Our people' section of this report on pages 54–61.

## CARE Pension – further details

As part of its overall reward offering, the Bank provides colleagues with a Career Average Revalued Earnings (CARE) pension with a non-contributory accrual rate of 1/80 for all existing and future colleagues.

The Bank's CARE pension scheme allows individuals to vary their rate of pension accrual annually (within set parameters), either by surrendering pension accrual for a cash supplement, or by sacrificing salary to secure more pension. Each year the Remuneration Committee (RemCo) reviews and approves the rates at which salary is sacrificed to secure more pension, taking into account the scheme funding valuation, market movements and the Bank's broader remuneration strategy.

The scheme also allows individuals who reach relevant tax limits to opt out of the pension altogether and receive a salary supplement in lieu.

The Bank's overall pension contribution each year is driven by both the current CARE pension scheme, and the closed Final Salary scheme (closed to new members in 2007 and closed for further accrual in 2015). Long-serving employees from the Bank will have built a pension entitlement which is partly linked to their final salary, so even though the Final Salary scheme is closed to new accrual, any increase in salary for these members will continue to increase their pension entitlement.

## Role of the Remuneration Committee

The Remuneration Committee (RemCo) determines the remuneration of the Governor, Deputy Governors, Chief Operating Officer (COO) and Executive Directors and advises Court on the remuneration of other senior executives and of the external members of the MPC, the FPC, the PRC and the FMIC. RemCo also advises on major changes to remuneration structures within the Bank, including pension schemes. RemCo's aim is to ensure the remuneration policy and remuneration decisions support the Bank in recruiting, retaining and motivating the people it needs, taking account of the market in which we operate and our duty to work in the public interest.

## 2025/26 remuneration

As highlighted in the Report of the Remuneration Committee in the Bank's 2024/25 Annual Report, a discretionary pay award budget of 3.0% was effective on 1 March 2025. There was an additional budget of 0.8% which helped provide flexibility to adjust individual salaries where appropriate.

Similar to previous years, one of our priorities for 2025/26 was to focus higher pay awards to colleagues across the Bank who were lower paid relative to the pay benchmark for their role, in addition to awarding a one-off payment of £1,000 to critical on-site workers in January 2026.

For 2025 a discretionary performance award budget of 10% was made available to recognise individual performance (2024: 10%). This award was based on two elements: 'Our Bank Behaviours' to Act Inclusively, Drive Growth and Deliver Outcomes; as well as individual objectives, with an equal weighting applied. The table below shows the distribution of performance award percentage values across eligible colleagues employed on 28 February 2026:

Performance award percentage of salary	2025/26: percentage of eligible employees	2024/25: percentage of eligible employees
0%	0.9%	0.8%
Greater than 0% up to 5%	5.1%	3.5%
Greater than 5% up to 10%	58.2%	59.5%
Greater than 10% up to 15%	35.1%	33.4%
Greater than 15%	0.7%	2.8%

To support a multi-year transformation of our operations and to ensure we are efficient, resilient and fit for the future, in December 2025 a time limited mutually agreed scheme was announced for staff to choose to apply to leave the Bank.

Applications were reviewed taking into account business needs, critical operational requirements and future skills. Of the 712 eligible staff who applied 446 colleagues will leave the Bank during the 2026/27 financial year and receive a financial settlement averaging £81,000 per staff member. This scheme will create around £35mn in savings per annum going forward.

## Our current remuneration focus

As highlighted in the Bank's 2024/25 Annual Report, in April 2025 the Bank concluded a pension review which harmonised the pension accrual rate at 1/80 for all existing and future colleagues.

Following the conclusion of the Pension Review, in 2025 the Bank initiated a review of its pay framework. Alongside broader modernisation programmes, to enable the Bank to be fit for the future, the review will consider the Bank's approach to pay including how this supports our long-term skills strategy, while being financially sustainable. We aim to complete this programme of work in 2028, with incremental implementation of some elements as the review progresses.

The Bank has recently concluded its annual salary review for 2026/27, with pay awards effective from 1 March 2026. A discretionary pay award budget of 3.0% was allocated. In line with the aims of the Pay Framework Review pay decisions for 2026 were focused on recognising individual performance.

## The Governors

The Governor is appointed by the Crown for a non-renewable term of eight years, and Deputy Governors, are each appointed by the Crown for five-year terms, which may be renewed once. For clarity, the Bank's COO, is an employee of the Bank rather than an office holder but is included alongside the Deputy Governors, as all are paid the same salary and their remuneration structure is the same.

## Governors' remuneration policy

The Governor, Deputy Governors and COO receive a salary and specified benefits, but they do not receive any additional benefits allowance, a performance award or other performance related pay. They are eligible to participate in the Career Average section of the Bank Pension Fund on the same basis as all staff. When relevant tax limits are reached, similar to all staff, they may choose to reduce their accrual rates or to opt out of the pension altogether, receiving a salary supplement in lieu of pension. The salary supplement level is reviewed periodically. Currently the Governors receive a lower salary supplement in lieu of pension than the wider workforce. In future years we will seek to harmonise these arrangements.

In March 2025, pay for the Deputy Governors and the COO was increased by 3.0%. Mr Bailey declined to accept an increase.

Mr Bailey has declined to accept pay increases since his appointment by the Crown as Governor in March 2020. Had he not declined pay increases each year, his base salary for the year 2025/26 would have been £543,760.

£	Andrew Bailey		Sarah Breeden <sup>(a)</sup>		Sarah John <sup>(b)</sup>		Clare Lombardelli <sup>(c)</sup>	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
Base salary	495,000	495,000	309,935	284,555	303,861	–	314,000	203,253
Taxable benefits <sup>(f)</sup>	2,543	2,292	1,939	1,719	9,214	–	1,333	789
Pension benefits	–	–	66,417	50,452	86,118	–	–	–
Payment in lieu of pension	99,000	99,000	20,148	35,421	25,414	–	62,648	40,651
Other	1,782	1,782	1,130	1,098	1,094	–	1,130	732
<b>Total remuneration</b>	<b>598,325</b>	<b>598,074</b>	<b>399,569</b>	<b>373,245</b>	<b>425,701</b>	<b>–</b>	<b>379,111</b>	<b>245,425</b>

£	Sir Dave Ramsden		Ben Stimson <sup>(d)</sup>		Sam Woods <sup>(e)</sup>	
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25
Base salary	314,000	304,880	145,326	304,880	314,000	304,880
Taxable benefits <sup>(f)</sup>	2,722	5,692	15,944	2,789	1,939	1,719
Pension benefits	–	–	–	–	95,547	83,028
Payment in lieu of pension	62,648	60,828	28,913	60,828	44,614	–
Other	1,130	1,098	523	1,098	1,130	1,098
<b>Total remuneration</b>	<b>380,500</b>	<b>372,498</b>	<b>190,706</b>	<b>369,595</b>	<b>457,230</b>	<b>390,725</b>

(a) Ms Breeden chose to sacrifice part of her base salary in March 2025 to secure more pension. As a result, for 2025/26 the table reflects a reduction of £4,065 to her base salary in March 2025. From April 2025, she opted to dial down the pension accrual to secure more cash and the associated payment of £20,148 is reflected in the table. The pension benefit reflects the increase in her accrued pension during the year multiplied by 20 (corporate valuation).

(b) Ms John was appointed as COO on 1 April 2025. The total remuneration reported for 2025/26 includes her remuneration as an Executive Director in March 2025, prior to the new appointment. Ms John accrued CARE pension in March 2025 and her Final Salary pension remained linked to her salary. At 31 March 2025 immediately prior to her appointment as COO the final salary link was broken, and a deferred pension was

granted in respect of her Final Salary and CARE pensions accrued to 31 March 2025. From 1 April 2025 she accrued a new tranche of pension with a standard accrual rate of 1/80. The pension benefit is therefore the increase in all pensions multiplied by 20 (corporate valuation). In March 2025 and in 2025/26 Ms John chose to dial down her pension accrual rate to secure more cash and the associated payment of £25,414 is reflected in the table. No data is disclosed for 2024/25 as she was not serving as COO at that time.

- (c) The total remuneration for Clare Lombardelli in 2024/25 reflects that she joined the Bank in July 2024.
- (d) Following his resignation from the Bank, Mr Stimson was placed on restricted duties until 18 August 2025, during which time he continued to receive pay and benefits as reflected in the table.
- (e) Mr Woods accrued pension during the whole 2025/26 period, the pension benefit reflects the increase in his accrued pension during the year multiplied by 20 (corporate valuation). Because he was previously entitled to pension accrual at a non-contributory accrual rate of 1/65, the transition arrangements for the Pension Review allowed him to choose additional pension or a cash supplement during the transition period. He chose to take the cash supplement, the amount of £44,614 is shown under 'Payment in lieu of pension'.
- (f) Taxable benefits in 2025/26 include private medical cover for the individual and dependents (where relevant). In addition, it reflects a payment of £14,492 for Ben Stimson for 12 days' untaken leave and a payment of £6,038 for 5 days' leave buy-back for Sarah John.

As office holders, the Governor and Deputy Governors have no provisions for notice of termination, although RemCo has discretion to impose a period of restricted duties, for which they will be paid for up to six months, before individuals can accept roles outside the Bank.

Under the Bank of England Act 1998, Governors and Deputy Governors are required to provide remunerated services only to the Bank. With Court's approval, other directorships relevant to the Bank's work may be accepted, but any fees must be waived or surrendered to the Bank. Directorships held during the past year have been; the (statutory) appointment to the Financial Conduct Authority Board held by Mr Woods as Deputy Governor for Prudential Regulation; Mr Bailey sat on the Board of the Bank for International Settlements; Mr Stimson is a Non-executive Director of Premier Marinas.

## Remuneration of Non-executive Directors

The Bank of England Act 1998 provides for the remuneration of the Non-executive Directors to be determined by the Bank with the approval of the Chancellor. With effect from 1 March 2024, these rates were set at £20,000 per annum (pa) for Directors, £25,000 pa for the Senior Independent Director, the Deputy Chair and Committee Chairs, rising to £30,000 pa for the Senior Independent Director and Deputy Chair when also a Committee Chair.

The Chair of Court was paid £48,000 pa. Non-executive Directors do not receive any post-retirement or medical benefits from the Bank, nor any additional fees for serving on committees. The Bank meets appropriate travel and subsistence expenses.

Non-executive Directors of Court must comply with the Court Code on business ethics and conflicts of interest; they must provide to the Secretary details of all their relevant directorships and appointments and must consult the Chair of Court and notify the Secretary

before committing to become a member of the Board of any company or to undertake any duty or assume any post or engagement which may affect their position as a member of Court.

## **External members of the MPC, the FPC, the PRC and the FMIC**

The external members of the MPC, FPC, PRC and FMIC are appointed on a part-time basis, and their remuneration reflects the different time commitments involved for each committee. In 2025/26, the external members of the FPC were each paid at a rate of £109,000 pa, independent PRC members were paid at a rate of £122,900 pa, the external MPC members were paid £175,300 pa and the external members of the FMIC were paid £34,200 pa. For 2025/26, all fees were increased by 3.0%, rounded to the nearest hundred. MPC members, who work on average three days a week in the Bank, are also entitled to join the Bank's private medical insurance scheme.

In line with the applicable conflicts of interest codes, members of the policy committees must seek advance approval from the Bank in relation to any appointments or interests that could create an actual or perceived conflict of interest with their responsibilities at the Bank. On leaving the Bank, members are paid their fee for a further period of three months, during which time they must continue to seek advance approval from the Bank for outside appointments or employment where this could be seen to pose a conflict of interest with their work at the Bank.

## **Executive Directors' salaries and benefits**

The remuneration framework for Executive Directors is consistent with that offered to all colleagues across the Bank, including a salary commensurate to their role, flexible benefits, a discretionary performance award and a Career Average defined benefit pension.

In recommending salaries for Executive Directors, RemCo takes into account their performance as well as external pay benchmarks for their roles so as to achieve fair and justifiable total remuneration.

In recommending individual performance awards, RemCo takes account of both performance against objectives and behaviours. A portion of the performance award budget for Executive Directors is linked to their actions taken to progress against diversity and inclusion metrics.

In March 2025, as part of the 2025/26 Annual Salary Review the total salaries of Executive Directors rose by 3.0%.

## Executive Directors: members of policy committees

The table below sets out the remuneration, excluding pension, paid to any Executive Director who served as a member of a policy committee during the year ended 28 February 2026.

£	Base salary and performance award		Other benefits		Total remuneration (excluding pension)		Pension accrual**
	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	
David Bailey	229,039	223,820	18,823	18,231	247,862	242,051	1/65 March 2025 1/80 from April 2025
Nathanaël Benjamin	222,297	218,650	18,531	18,152	240,828	236,802	1/95 March 2025 1/80 from April 2025
Sasha Mills*	227,246	223,824	18,951	18,609	246,197	242,433	1/95 March 2025 1/80 from April 2025
Huw Pill	217,636	214,680	18,408	18,072	236,044	232,752	1/95 March 2025 1/80 from April 2025
Victoria Saporta*	231,758	226,076	19,087	18,488	250,845	244,564	1/50 March 2025 1/80 from April 2025

\* Denotes those who have opted out of pension accrual and receive cash in lieu.

\*\* From 1 April 2025, in line with the Pension Review, the pension accrual changed to 1/80 in line with all colleagues. As David Bailey and Victoria Saporta previously accrued pension at higher accrual rates, to smooth the transition, they chose between additional pension or a cash supplement. David Bailey chose to accrue additional pension. Victoria Saporta received cash in lieu.

David Rule was also a standing member of FMIC. He is a Senior Advisor paid for days worked, which for 2025/26 amounted to £166,950, together with other benefits of £601. He is eligible for a Bank pension (1/95 in March 2025 and 1/80 from April 2025) and life assurance, but not eligible for a performance award or any other benefits. He is not included in the Annual Salary Review.

## All other Executive Directors: non-policy committee members

The table below shows the total remuneration ranges for all other Executive Directors as at 28 February 2026, who are not members of a policy committee. These figures reflect full-time equivalent (FTE) salary and benefits excluding pension, plus any performance awards paid during the accounting period.

Remuneration range	Number of Executive Directors 2025/26	Number of Executive Directors 2024/25
£180,000–£199,999	1	3
£200,000–£219,999	5	5
£220,000–£239,999	6	5
£240,000–£259,999	4	3
£260,000–£279,999	–	1
£280,000–£299,999	–	–
£300,000 +	1	1
<b>Total</b>	<b>17</b>	<b>18</b>

## Other salaries and benefits

Below Executive Director level, 18% of colleagues earn in excess of £100,000 pa on an FTE basis. This includes pay and benefits but excludes employer pension contributions and performance awards.

The £100,000 threshold for reporting is updated annually in line with the minimum of the Senior Civil Service pay band 2.

## Fair pay

To show the relationship between levels of remuneration for the Governor and all colleagues, we are reporting our Bank-wide pay ratio again this year. Total remuneration for the purpose of this calculation includes salary, benefits (whether monetary or in kind) on an FTE basis and performance awards for the year ending 28 February 2026. It does not include severance payments or pension contributions.

Remuneration ratios	Total remuneration		Salary component	
	2025/26	2024/25	2025/26	2024/25
Highest paid Director (Governor)	£499,325	£499,074	£495,000	£495,000
25th percentile remuneration of total workforce and remuneration ratio	£51,604 9.7: 1	£49,544 10.1: 1	£42,500 11.6: 1	£41,499 11.9: 1
50th percentile remuneration of total workforce and remuneration ratio	£72,712 6.9: 1	£69,972 7.1: 1	£60,801 8.1: 1	£59,191 8.4: 1
75th percentile remuneration of total workforce and remuneration ratio	£99,557 5.0: 1	£96,655 5.2: 1	£83,678 5.9: 1	£81,434 6.1: 1

# Report on Oversight Functions

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## Background

The Bank's Court of Directors acts as a unitary board and is responsible for managing the affairs of the Bank, as distinct from the decisions taken by the four statutory policy committees. During 2025/26, Court's discussions and decisions covered a wide range of issues: the Bank's strategy; its finances and costs, balance sheet and income; its risk profile, talent management and remuneration; technology including cyber security; data management; payments; operations including of the new RTGS; banknotes; and core elements of its people proposition, including culture, performance development, inclusion and diversity.

Continuing from 2024/25 a key focus for Court in 2025/26 has been on preparing the Bank for greater uncertainty in the external environment to ensure the Bank's operations are fit for the future. In 2025/26 Court continued to focus on the Bank's transformation programmes funded through the investment portfolio.

The minutes of each Court meeting are published on the Bank's website, typically two weeks after the following meeting. Court also has oversight responsibilities for monitoring the Bank's performance against its statutory and other objectives, the Bank's financial management and controls, and the procedures of the policy committees, whose meetings non-executive members of Court are entitled to attend as observers. Court is required to make an annual report on these 'Oversight Functions'.

In delivering these functions, Court is supported by an Independent Evaluation Office (IEO). The IEO's work programme is determined by Court and typically consists of a number of major published reviews in each year. In 2025/26 the IEO published its review into the Bank's Horizon Scanning approach, alongside the Bank's response and acceptance of the recommendations. The IEO is currently conducting a review into the Bank approach to Financial Market Infrastructure, to follow up on the IEO's previous 2017 report on this area.

The separate reports of the Remuneration Committee (pages 72–81) and the Audit and Risk Committee (pages 87–89), insofar as they relate to the Court's Oversight responsibilities, should be seen as part of this Report

Particular areas of focus for Court in 2025/26 are noted below:

## Budgets

Court reviewed and approved the Bank's annual budget for the year ahead and monitored performance and delivery against financial targets. Looking ahead, Court reviewed and agreed the Bank's investment portfolio for 2026/27 and outline plans for the following two years. Court's engagement on the budget and investment plan focused on the trade-offs and opportunities between different options. Court supported the move to make additional savings on the Bank's business as usual spending to fund investment. Court was informed by the views of the Audit and Risk Committee when considering the Bank's financial matters.

## Financial management and controls

During the year, Court oversaw the Bank's risks, controls and operational performance. Court ensured that the Bank maintained its controls successfully over the reporting period. The Audit and Risk Committee monitored the Bank's risk profile throughout this time. Court is responsible for managing the risk profile of the Bank's balance sheet in relation to financial and non-financial risk, and Court and the Audit and Risk Committee regularly reviewed the risk reporting for the balance sheet.

## Forecasting review

Court has continued to oversee the implementation of all 12 of the recommendations from Dr Ben Bernanke's Review in 2024 regarding the Bank's forecasting and related processes. In the past year Court has welcomed the changes to the Bank's monetary policy communications, which marked the first public facing implementation of changes resulting from the Review.

Court continues to receive regular updates on the progress of the implementation of the recommendations and will provide oversight of the ongoing transformation programme.

## Real-Time Gross Settlement Renewal

The renewal of the Real-Time Gross Settlement (RTGS) service was by some measure the Bank's biggest project of the past decade. Given the strategic importance of the Programme, Court received updates on this at every meeting. The go-live of the new RTGS core ledger and settlement engine took place during the year and Court wishes to thank everyone who contributed to this and to the smooth running of the new system since its go-live.

## Future payments landscape

Court has been updated on developments in payments, including the establishment of the Retail Payments Infrastructure Board (RPIB), which the Bank chairs. Court's engagement has, to date, focused on the Bank's role on the Board and the interaction between the RPIB and industry, as well as any implications of the proposals on the Bank's own operations.

## Data and technology

Data and technology remain an area of focus for Court. Court was updated on the progress of the delivery of the Bank's data and analytics transformation, in particular its importance in delivering the outcomes of the Forecasting Review. Court held an away day focused on the practical implementation of AI tools to improve the Bank's own efficiency and effectiveness, while the Audit and Risk Committee retains its focus on addressing technology obsolescence risk.

Court judged that the Bank's cyber resilience function continues to perform well and has built a strong defensive capability.

## Banknotes

Court supported the Bank's plans to prepare for the multi-year process to design the next series of resilient and accessible banknotes, following the public consultation on the imagery of the next series held in the summer.

## Central operations, including procurement and property

Court continued to monitor central operations through our usual oversight of the Bank, over the course of the year this included oversight of the tender for outsourced Facilities Management Services conducted under the Procurement Act 2023.

Court has held a series of discussions and reviews to scrutinise the Bank's Location Strategy Programme, which includes both the plans for the continued growth of the Bank's presence in Leeds and plans for the refurbishment of the Bank's Threadneedle Street site, which is designed to allow consolidation of the Bank's property footprint in London.

## The policy committees

The policy committees – the MPC, FPC, PRC and FMIC – operate under their own statutory remits. Court has a responsibility to keep the processes of the Committees under review, and in the case of the MPC, to ensure that it takes account of regional and sectoral information.

Court members from time to time can observe the meetings of all four committees and ensure that their conflicts codes are monitored and observed. Surveys of members of policy committees were undertaken and discussed in Court. The Chair of Court supplements the surveys with individual discussions with all Committee members.

## People and inclusion

In response to the cost challenges, Court approved the Bank's implementation of a Mutually Agreed Resignation (MAR) scheme. Court supported the scheme as a mechanism to deliver the necessary savings as well as to open up opportunities for internal talent by allowing colleagues to voluntarily apply to exit the Bank.

Following the decision made in January 2025, Court oversaw the implementation of the Pensions Review, which harmonised future pension arrangements amongst staff.

The Court Nominations Committee (NomCo), of which all Non-executive Directors are members, has continued to oversee the Bank's planning on culture, capability, succession planning and diversity and inclusion. During the reporting period, NomCo conducted a review of the progress on since the Court Review of Ethnic Diversity and Inclusion in 2021. NomCo agreed that the targets set in the Court Review should remain in place. NomCo approved the Bank's inclusion approach, noting it would support the Bank in delivery of its mission by ensuring the Bank can access all pools of talent. NomCo received annual updates on progress made with regard to the gender and disability action plans.

Court monitors staff sentiment and received updates on the results of the staff survey and the Bank's response to that. Court has regular engagement with the Bank's 13 Employee Networks to understand staff's experience in the Bank, and Court welcomed an annual progress report from each of the Employee Networks during the reporting period. Additionally, Unite, the Union at the Bank, presented its annual report to Court.

## Succession planning and appointments

During the year Court made a number of new Executive Director appointments and the Chair of Court was a member of the HM Treasury Appointments Panel for the Deputy Governor, Prudential Regulation. Individual non-executive members have participated in the panels for key appointments.

Court routinely receives reports on the monitoring of conflicts of interest across all of the Bank's policy committees from the Secretary who maintains the conflicts of interest policies, monitors them, and reports on them to Court.

In the interests of transparency, Court has since 2024 published a register of interests for its most senior officials. This register includes members of the Bank's Court of Directors and statutory policy committees, the MPC, FPC, FMIC and PRC.

## Governance and ethics

Court continues to oversee work to ensure the Bank's voluntary compliance with the UK Corporate Governance Code and the Senior Managers Regime. For the latter, in line with these requirements for our regulated firms, the Bank publishes its own Responsibilities Map, alongside Statements of Responsibilities for our designated Senior Managers.

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## Report of the Audit and Risk Committee

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The Audit and Risk Committee (ARCo) assists Court in meeting its responsibilities for maintaining effective financial reporting, risk management, and internal controls. ARCo receives reports on the Bank's risk profile, the operation of the risk framework, and the risk management processes and systems in place. ARCo also has responsibility for overseeing the work of and reviewing the findings of internal and external auditors and monitoring outstanding actions for timely completion. As a Sub-Committee of Court, its remit is approved by Court and set out in its Terms of Reference.

A key focus for ARCo during 2025/26 continued to be monitoring the progress of projects within the Bank's wide-ranging transformation agenda, including the modernisation of its finance systems and technology estate. ARCo's focus has centred on ensuring that each project is on track to deliver its intended outcomes, that key risks are being effectively mitigated, and that any residual risks are clearly understood and managed with reference to the Bank's risk tolerance. ARCo plays an important role in monitoring the risks associated with prioritisation decisions for individual projects within the Bank's overall budgetary constraints.

During 2025/26, ARCo also focused on progress towards the annual declaration on the effectiveness of material internal controls, in preparation for voluntary compliance, where appropriate, with the revised UK Corporate Governance Code 2024 taking effect the following year. In December 2025, ARCo welcomed the Bank's new Chief Risk Officer and endorsed measures to improve the efficiency and effectiveness of risk management processes, recognising the importance of maintaining a proportionate and streamlined framework.

### Audit

During 2025/26, ARCo received, discussed, challenged and, where required, approved:

- Regular reports from the Finance Directorate, including the three-year business plan; updates on the annual budget process and investment portfolio budget; quarterly forecasts; the Bank's undertakings regarding its tax obligations; and updates on modernising and integrating internal finance systems;
- The approach taken to the preparation of the Bank's Annual Financial Statements, including approval of the accounting policies and a review of the Bank's draft financial statements (incorporating the PRA's financial reporting requirements), while noting the

Bank of England Asset Purchase Facility Fund Limited (BEAPFF) and Bank of England Alternative Liquidity Facility Limited (BEALF) annual report and accounts;

- Regular reports from EY, the Bank's and BEALF's external auditor and the National Audit Office, the BEAPFF's external auditor. These included the external auditors' strategy and audit scope, updates and reviews of the external auditors' findings, and the external auditors' reflections on their audits;
- The external auditor's Management Letter for the Bank; Management's response to the findings of the external auditor; and Letter of Representation to the external auditor ahead of approval by Court;
- The external audit fee, review of the effectiveness of the external audit process and the external auditor's performance;
- Regular reports on non-audit work provided by the external auditor commissioned by the Bank in accordance with the Bank's Non-Audit Services Policy;
- Internal Audit's Charter, Annual Audit Plan and resources, and Internal Audit's Annual Report;
- Regular reports from Internal Audit on implementation of the Internal Audit Plan during the year, including any changes. As part of this, ARCo reviewed material audit findings and monitored management progress in addressing agreed actions; and
- An annual report on Court members' expenses.

## Risk

During 2025/26, ARCo received, discussed, challenged and, where required, approved:

- Regular reports from the Chief Risk Officer and quarterly risk reports and updates from the Enterprise Risk and Resilience Division (ERRD) and Financial Risk and Resilience Division (FRRD) covering the main operational and financial risks to the Bank (including the PRA). These included updates on the annual review of the Bank's capital framework scenarios, operational resilience, compliance and people risks;
- Reports on the investment portfolio and how the Bank's multi-year investment plan supports the modernisation of its wider estate as part of the Bank's broader transformation agenda;

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- Regular reports on the multi-year technology modernisation plan along with reports on specific projects including finance systems modernisation, document management system migration and upgrading the Bank's forecasting analysis and modelling environment; regular updates on Technology risks from the Executive Director for Technology, and updates on cyber risks and security from the Chief Information Security Officer (CISO);
  - The planning and go-live decision framework for the successful introduction of the new Real-Time Gross Settlement (RTGS) core ledger and settlement engine;
  - Detailed reports on particular topics, including risks linked to the Bank's resolution approach; material controls on data; model risk; and procurement;
  - Reports on progress on the annual declaration regarding the effectiveness of material internal controls as set out under the revised UK Corporate Governance Code 2024 applicable in the following year;
  - Supporting analysis and attestations underpinning the Court Statement on risk management;
  - Reports and updates on a range of operational matters, including the process and assurance in relation to the Bank's climate disclosures report; health and safety; the Bank's insurance arrangements; and oversight of the Bank's security arrangements; and
  - Annual reports from the Money Laundering Reporting Officer; the Data Privacy Officer; and the Secretary on the Bank's internal whistleblowing and investigations and monitoring arrangements.

## Statement of the responsibilities of the Court of Directors in relation to the financial statements

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The Court of Directors is responsible for ensuring that the financial statements of the Banking Department are properly prepared on the basis set out therein, as at 28 February 2026 and for the year to that date.

The statements of account of the Issue Department are prepared in accordance with provisions agreed between the Bank and HM Treasury to implement the requirements of the Currency and Bank Notes Acts 1928 and 1954, the National Loans Act 1968 and the Currency Act 1983. The Court of Directors is responsible for ensuring that the statements of account are prepared in accordance with these requirements as at 28 February 2026 and for the year to that date.

The Prudential Regulation Authority financial statement of accounts has been prepared in accordance with the Bank of England Act 1998 (as amended) and the accounts direction given by HM Treasury. The Court of Directors is responsible for ensuring that the statement of accounts of the Prudential Regulation Authority is properly prepared on the basis set out therein, as at 28 February 2026 and for the year to that date. The Court of Directors is also responsible for ensuring that the money levied by the Prudential Regulation Authority under Parliamentary Authority recorded in the statement of accounts of the Prudential Regulation Authority is only applied to the purposes intended by Parliament.

The Court of Directors is responsible for ensuring proper accounting records are kept, which disclose at any time the financial position of the Bank and enable Court to ensure that the financial statements comply with the requirements set out in note 2 of the accounts. The Court of Directors is also responsible for such internal control as they determine is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for safeguarding the assets of the Bank and its subsidiaries, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Court of Directors confirms that suitable accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, have been used in the preparation of the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA, which have been prepared on the going concern basis. The accounting framework adopted is set out on pages 106–111.

The Directors who held office at the date of approval of this Annual Report confirm that, so far as they are aware, there is no relevant audit information of which the Bank's auditors are unaware; and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant information and to establish that the Bank's auditors are aware of that information.

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

# Financial statements: Report of the Independent Auditor

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## Independent Auditor's Report to the Governor and Company of the Bank of England (the Bank) and its Shareholder

### Opinion

We have audited the financial statements of the Bank (the 'Financial Statements') which comprise:

- the financial statements of the Banking Department for the year ended 28 February 2026, which comprise the Banking Department statement of income, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and the related notes 1 to 33 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is a special purpose basis of preparation comprising the financial reporting provisions as set out in note 2 on pages 106–10;
- the statements of account of the Issue Department for the year ended 28 February 2026, which comprise the Issue Department account, statement of balances, and related notes 1 to 8 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is a special purpose basis of preparation comprising the financial reporting provisions as set out in note 1 on page 191; and
- the statement of accounts of the Prudential Regulation Authority (PRA) for the year ended 28 February 2026, which comprise the PRA income statement, statement of balances, and related notes 1 to 13 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is a special purpose basis of preparation comprising the financial reporting provisions as set out in note 1 on pages 196–98.

In our opinion, for the year ended 28 February 2026, the accompanying:

- financial statements of the Banking Department are prepared, in all material respects, in accordance with the special purpose basis of preparation set out in note 2 on page 106–10;

- statements of account of the Issue Department are prepared, in all material respects, in accordance with the special purpose basis of preparation set out in note 1 on page 198; and
- statement of accounts of the PRA are prepared, in all material respects, in accordance with the special purpose basis of preparation set out in note 1 on pages 196–98.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including 'ISA (UK) 800 (Revised) Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks'. 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 Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

### **Conclusions relating to going concern**

In auditing the Financial Statements, we have concluded that the Court of Directors' use of the going concern basis of accounting in the preparation of the Financial Statements, is appropriate. Our evaluation of the Court of Directors' assessment of the Bank's ability to continue to adopt the going concern basis of accounting included:

- confirming our understanding of the Court of Directors' going concern assessment process and the Bank's financial framework.
- evaluating the Court of Directors' going concern assessment which included their assessment of the completeness of factors considered and the impact of a set of severe but plausible scenarios on the loss absorbing capital of the Bank.
- evaluating the Bank's going concern disclosures included in the Annual Report and Accounts in order to assess that the disclosures were appropriate.

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 Bank's ability to continue as a going concern for a period of 12 months from when the Financial Statements are authorised for issue.

Our responsibilities and the responsibilities of the Court of 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 Bank's ability to continue as a going concern.

### **Emphasis of matter – special purpose basis of preparation and Restriction on Use**

We draw attention to note 2 to the financial statements of the Banking Department, note 1 of the statements of account of the Issue Department, and note 1 of the statement of accounts of the PRA, which describes the respective bases of preparation. As explained in those notes, these Financial Statements are prepared to assist the Bank in complying with the financial reporting provisions of the legislation applicable to the Bank, including the Bank of England Act 1998 which provides, among other things, that the Bank can disregard a disclosure requirement if it considers it necessary to do so having regard to its financial stability objective. As a result, the financial statements of the Banking Department, the statements of account of the Issue Department and statement of accounts of the PRA may not be suitable for another purpose.

This report is made solely to the Governor and Company of the Bank of England and its Shareholder, as a body, in accordance with section 7 of the Bank of England Act 1998 and our engagement letter dated 11 March 2024. Our audit work has been undertaken so that we might state to the Governor and Company of the Bank of England and its Shareholder those matters we are required to state to them in an auditor's report and the further matters we have agreed to state to them in accordance with our engagement letter, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Governor and Company of the Bank of England and its Shareholder, as a body, for our audit work, for this report, or for the opinions we have formed. Our opinion is not modified in respect of this matter.

### **Other information**

The other information comprises the information included in the Annual Report and Accounts, other than the Financial Statements and our auditor's report thereon. The Court of Directors are responsible for the other information contained within the Annual Report and Accounts.

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

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

We have nothing to report in this regard.

## **Report on other legal and regulatory matters**

### **Opinion on regularity**

In our opinion, in all material respects, the money levied by the PRA under Parliamentary Authority recorded in the statement of accounts of the PRA has been applied for the purposes intended by Parliament.

### **Basis for opinion on regularity**

We are required by Section 7(5A) of the Bank of England Act 1998 to report whether we are satisfied that the Bank has complied with the requirements of Part 3 of Schedule 1ZB to the Financial Services and Markets Act 2000 (Prudential Regulation Authority fees and penalties) (FSMA) in relation to the preparation of a statement of accounts by the Bank by virtue of its functions as the PRA. In giving this opinion, we have had regard to the requirements in Part 2 of Practice Note 10 'Audit of financial statements of public sector bodies in the United Kingdom' issued by the Financial Reporting Council.

Our opinion on regularity relates solely to the Bank's compliance with the requirements of Part 3 of Schedule 1ZB to FSMA. We are not required to and do not provide a regularity opinion on any other operations of the PRA or the Bank.

The Court of Directors' responsibilities in relation to regularity are set out in the statement of the responsibilities of the Court of Directors on pages 90–91.

### **Court of Directors' responsibilities**

As explained more fully in the Court of Directors' responsibilities statement set out on pages 90–91 the Court of Directors are responsible for the preparation of the Financial Statements in accordance with their respective special purpose bases of preparation, and for such internal control as the Court of 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 Court of Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Court of Directors either intend to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

### **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 the Court of Directors and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Bank and determined that the most significant are the Bank of England Act 1998, Companies Act 2006, Currency and Bank Notes Act 1928 and 1954, National Loans Act 1968, Currency Act 1983 and taxation legislation (direct and indirect). In addition, the Bank is also subject to other laws and regulations in other areas being sanctions and anti-money laundering, employment and data protection.

- We inquired of the Court of Directors, the Audit and Risk Committee and Internal Audit as to the Bank's high-level policies and procedures in place to prevent and detect fraud, including the internal audit function, and the Bank's 'whistleblowing' function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- We understood how the Bank is complying with those frameworks by making enquiries of management and those responsible for legal and compliance matters. We also gained an understanding of the Bank's policies to prevent non-compliance with those frameworks.
- We assessed the susceptibility of the financial statements of the Banking Department, statements of account of the Issue Department and statement of accounts of the PRA to material misstatement, including how fraud might occur through discussions with management and those responsible for legal and compliance matters.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved enquiries of management and those responsible for legal and compliance matters. We reviewed minutes of the Court of Directors and relevant committee meetings and sent third-party confirmations. We also undertook focused audit procedures such as journal entry testing, to address the risk of fraud.

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.

**Javier Faiz**

for and on behalf of Ernst & Young LLP

London

15 June 2026

# Banking Department statement of income for the year to 28 February 2026

	Note	2026 (£mn)	2025 (£mn)
Net interest (expense)/income <sup>(1)</sup>		(339)	(537)
Fee income	5a	76	61
Other income from financial instruments	5a	185	213
Management fees	5a	84	76
Income from BoE Levy <sup>(1)</sup>	5a	642	733
Income from regulatory activity	5a	368	361
Other income	5a	67	76
<b>Net operating income</b>		<b>1,083</b>	<b>983</b>
Staff costs	5b	(625)	(547)
Infrastructure costs	5b	(177)	(179)
Administration and general costs	5b	(138)	(129)
<b>Operating expenses</b>		<b>(940)</b>	<b>(855)</b>
<b>Profit before tax</b>		<b>143</b>	<b>128</b>
Taxation	6	(11)	(30)
<b>Profit after tax</b>		<b>132</b>	<b>98</b>

The notes on pages 105–88 are an integral part of these financial statements.

- (1) The introduction of the Bank of England Levy on 1 March 2024 resulted in the conversion of returned Cash Ratio Deposit (CRD) balances into remunerated reserves. As a result, the Bank continues to incur interest expense, which gives rise to a negative net interest margin. This interest expense is expected to remain until the legacy CRD gilt portfolio fully matures in 2044. Further details are set out in note 5a.

# Banking Department statement of comprehensive income for the year to 28 February 2026

	Note	2026 (£mn)	2025 (£mn)
<b>Profit for the year attributable to shareholder</b>		<b>132</b>	<b>98</b>
<b>Other comprehensive income/(loss) not reclassified to profit or loss:</b>			
<b>Property revaluation reserve</b>			
Net losses from changes in fair value		(16)	(20)
Current and deferred tax	6	1	3
<b>Financial assets at fair value through other comprehensive income reserve</b>			
Net gains from changes in fair value	17	354	170
Current and deferred tax	6	(89)	(42)
<b>Other</b>			
Retirement benefit remeasurements	25	82	(26)
Current and deferred tax	6	(18)	6
<b>Total other comprehensive income not reclassified to profit or loss</b>		<b>314</b>	<b>91</b>
<b>Total comprehensive income for the year</b>		<b>446</b>	<b>189</b>

The notes on pages 105–88 are an integral part of these financial statements.

# Banking Department statement of financial position as at 28 February 2026

	Note	2026 (£mn)	2025 (£mn)
<b>Assets</b>			
Cash and balances with other central banks	7	789	1,065
Loans and advances to banks and other financial institutions	8	226,429	177,788
Other loans and advances	9	553,207	654,531
Securities held at fair value through profit or loss	13	20,067	14,367
Derivative financial instruments	19	288	594
Securities held at amortised cost	16	12,130	13,600
Securities held at fair value through other comprehensive income	17	2,052	1,698
Investments in subsidiaries	23	–	–
Inventories		2	1
Property, plant and equipment	28	337	348
Intangible assets	29	224	242
Retirement benefit assets	25	793	734
Other assets	30	3,383	3,610
Deferred tax assets		–	–
Current tax assets		6	–
<b>Total assets</b>		<b>819,707</b>	<b>868,578</b>
<b>Liabilities</b>			
Deposits from central banks	10	16,737	14,193
Deposits from banks and other financial institutions	11	650,350	717,223
Other deposits	12	122,782	112,756
Foreign currency commercial paper in issue	14	12,263	9,006
Foreign currency bonds in issue	15	8,526	6,666
Derivative financial instruments	19	315	94
Current tax liabilities	6	–	10
Deferred tax liabilities	33	598	485
Retirement benefit liabilities	25	123	120
Other liabilities	31	2,036	2,428
<b>Total liabilities</b>		<b>813,730</b>	<b>862,981</b>

	Note	2026 (£mn)	2025 (£mn)
<b>Equity</b>			
Capital	18	15	15
Capital reserves and other reserves	18	1,242	1,228
Retained earnings	18	3,087	2,971
Revaluation reserves <sup>(1)</sup>		1,633	1,383
<b>Total equity attributable to shareholder</b>		<b>5,977</b>	<b>5,597</b>
<b>Total liabilities and equity attributable to shareholder</b>		<b>819,707</b>	<b>868,578</b>

(1) Revaluation reserves comprise equity investments revaluation reserves and property revaluation reserves.

On behalf of the Governor and Company of the Bank of England:

**Mr A Bailey**, Governor

**Mr S Woods**, Deputy Governor

**Mr D Roberts**, Chair of Court

**Ms A Kyei**, Chief Financial Officer

The notes on pages 105–88 are an integral part of these financial statements.

## Banking Department statement of changes in equity for the year to 28 February 2026

	Attributable to equity shareholder							
	Note	Capital (£mn)	Capital reserves <sup>(1)</sup> (£mn)	Other reserves <sup>(2)</sup> (£mn)	Equity investments revaluation reserves (£mn)	Property revaluation reserve (£mn)	Retained earnings (£mn)	Total (£mn)
<b>Balance at 29 February 2024</b>		<b>15</b>	<b>1,180</b>	<b>39</b>	<b>1,145</b>	<b>127</b>	<b>2,902</b>	<b>5,408</b>
Post-tax comprehensive income/(loss) for the period		–	–	–	128	(17)	78	189
Payable to HM Treasury in lieu of dividend	27	–	–	–	–	–	–	–
Transfer to other reserves		–	–	9	–	–	(9)	–
<b>Balance at 28 February 2025</b>		<b>15</b>	<b>1,180</b>	<b>48</b>	<b>1,273</b>	<b>110</b>	<b>2,971</b>	<b>5,597</b>
Post-tax comprehensive income/(loss) for the period		–	–	–	265	(15)	196	446
Payable to HM Treasury in lieu of dividend	27	–	–	–	–	–	(66)	(66)
Transfer to other reserves		–	–	14	–	–	(14)	–
<b>Balance at 28 February 2026</b>		<b>15</b>	<b>1,180</b>	<b>62</b>	<b>1,538</b>	<b>95</b>	<b>3,087</b>	<b>5,977</b>

(1) Capital reserves comprise the capital injection from HM Treasury received on 22 March 2019.

(2) Other reserves comprise post-tax income arising from the investment of the capital injection. This is ring-fenced in accordance with the agreement with HM Treasury.

The notes on pages 105–88 are an integral part of these financial statements.

# Banking Department statement of cash flows for the year to 28 February 2026

	Note	2026 (£mn)	2025 (£mn)
<b>Cash flows from operating activities</b>			
<b>Profit before taxation</b>		<b>143</b>	<b>128</b>
Adjustments for:			
Amortisation of intangibles	29	31	29
Depreciation of property, plant and equipment	28	32	36
Loss on sale of securities at amortised cost	16	–	–
Loss on write down of tangible fixed assets	28	–	1
Dividends received	5a	(18)	(18)
Net movement in accrued interest and provisions, including pensions		283	13
<b>Changes in operating assets and liabilities:</b>			
Decrease in loan advanced to the Bank of England Asset Purchase Facility Fund Ltd	9	101,373	89,774
Increase in deposit with Bank of England Alternative Liquidity Facility Ltd	9	(49)	–
Net increase in other advances		(43,807)	(6,637)
Net increase in securities held at fair value through profit or loss		(4,861)	(8,569)
Net decrease in deposits		(54,301)	(63,950)
Net increase in foreign currency commercial paper		3,005	2,436
Net increase in foreign currency bonds in issue		1,804	1,801
Net decrease in financial derivatives		194	724
Net increase in other accounts		–	5
Net decrease in inventories		(1)	–
Corporation tax (paid)/received		(20)	–
<b>Net cash inflow from operating activities</b>		<b>3,808</b>	<b>15,773</b>

	Note	2026 (£mn)	2025 (£mn)
<b>Cash flows from investing activities</b>			
Sales of securities at amortised cost	16	(649)	–
Proceeds from redemption of securities at amortised cost	16	2,046	1,378
Dividends received	5a	18	18
Purchase of intangible assets	29	(13)	(24)
Purchase of property, plant and equipment	28	(38)	(17)
<b>Net cash inflow from investing activities</b>		<b>1,364</b>	<b>1,355</b>
<b>Cash flows from financing activities</b>			
Net decrease in Cash Ratio Deposits		–	(12,290)
Net decrease in lease liabilities		(12)	(11)
Payment to HM Treasury under Section 1(4) of the Bank of England Act 1946		–	–
<b>Net cash outflow from financing activities</b>		<b>(12)</b>	<b>(12,301)</b>
<b>Net increase in cash and cash equivalents</b>		<b>5,160</b>	<b>4,827</b>
Cash and cash equivalents at 1 March	21	11,381	6,554
<b>Cash and cash equivalents at 28 February</b>	<b>21</b>	<b>16,541</b>	<b>11,381</b>

# Notes to the Banking Department financial statements

## Section 1: Overview

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The overview includes the general information and bases of preparation for the accounts of the Bank including the detail of the disclosure exemptions taken under the Bank of England Act 1998.

### 1: General information

The Bank of England is the central bank of the United Kingdom and is incorporated under a Royal Charter of 1694. It is located at Threadneedle Street, London, EC2R 8AH.

Legislation covering its operations includes the Charter of the Bank of England 1694, the Bank Charter Act of 1844, the Bank of England Act 1946 and 1998, the Banking Act 2009, the Financial Services Act 2012, the Financial Services and Markets Act 2023 and the Bank of England Act 1998 (as amended).

The Bank Charter Act 1844 requires that the Bank's note issue function is separated from its other activities. For accounting purposes, the Bank is therefore divided into Issue Department and Banking Department. Neither is an organisational unit of the Bank under the definition of IFRS 8.

The Banking Department comprises all activities of the Bank, with the exception of the Issue Department. Following agreement of the capital framework between the Bank and HM Treasury, the percentage of Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital held by the Bank and where this sits within a set of parameters (refer to note 27).

The statements of account of the Issue Department are given on pages 189–90 and show the banknote issue, the assets backing the issue, the income generated by those assets and the costs incurred in the production, issue, custody and payment of banknotes. The net income of the Issue Department is paid over to the National Loans Fund (NLF).

Under the Bank of England Act 1998 (as amended) a separate statement of accounts in relation to the Prudential Regulation Authority (PRA) is required. This is a subset of the Banking Department and is managed internally as a business area. The Prudential Regulation Authority statement of accounts have been set out on pages 194–95.

## 2: Bases of preparation

The principal accounting policies applied in the preparation of the financial statements of the Banking Department are set out in the relevant areas of the notes to the accounts. These policies have been applied consistently to all of the years presented, unless otherwise stated.

### a: Form of presentation of the financial statements

The financial statements of the Banking Department comprise the statement of income, the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and related notes.

Under the Bank of England Act 1998 (as amended), the Bank, in preparing the financial statements of the Banking Department, is subject to requirements corresponding to the Companies Act 2006 requirements relating to a banking company. The Bank may, however, disregard a requirement to the extent that it considers it necessary to do so having regard to its financial stability objective.

The financial statements of the Banking Department have been prepared in accordance with the measurement and recognition requirements of UK-adopted international accounting standards (IFRS).

### New and amended standards and interpretations effective in the current year

The following amendments to existing IFRS Accounting Standards became effective for annual periods beginning on 1 January 2025:

- Lack of Exchangeability – Amendments to IAS 21

None of these amendments have had an impact on the Bank's financial statements at 28 February 2026.

### New standards and amendments issued but not yet effective

On 9 April 2024, the International Accounting Standards Board (IASB) issued IFRS 18 Presentation and Disclosure in Financial Statements and IFRS 19 Subsidiaries without Public Accountability: Disclosures.

- IFRS 18 – Presentation and Disclosure in Financial Statements

IFRS 18 replaces IAS 1 Presentation of Financial Statements and introduces new requirements designed to improve comparability and transparency in financial reporting.

The standard introduces a revised structure for the statement of profit or loss, including new defined categories and mandatory subtotals, enhanced principles for aggregation and disaggregation of information, and new disclosure requirements for management defined performance measures.

- IFRS 19 – Subsidiaries without Public Accountability: Disclosures

IFRS 19 permits eligible subsidiaries without public accountability to apply IFRS Accounting Standards with reduced disclosure requirements. An entity applying IFRS 19 continues to apply the recognition, measurement and presentation requirements of other IFRS Accounting Standards, but replaces the disclosure requirements in those standards with the reduced disclosures specified in IFRS 19.

Both standards are effective for annual reporting periods beginning on or after 1 January 2027. As a result, the standards do not have an impact on the Annual Report and Accounts for the current year. The Bank is currently assessing the impact of IFRS 18 on the presentation and disclosure of its financial statements. IFRS 19 is not applicable to the Bank or its subsidiaries, as they do not meet the eligibility criteria.

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

Issued in May 2024, these amendments clarify classification and measurement requirements, introduce an accounting policy option for early derecognition of could liabilities settled via electronic payment systems, and enhance disclosure requirements for certain instruments.

The amendment is effective for reporting periods beginning on or after 1 January 2026 and the Bank is currently working to identify any impacts the amendments will have on the financial statements.

There were other new and amended standards and interpretations issued but not yet effective, however, they are not expected to have a material impact on the financial statements of the Bank.

### **Disclosure limitations**

IFRS and the Companies Act 2006 have been used as a model for the presentation and disclosure framework to provide additional information related to key items in the financial statements, unless disclosure is deemed unnecessary due to the Bank's financial stability objective.

In exceptional circumstances, as part of its central banking functions, the Bank may act as 'lender of last resort' to financial institutions in difficulty. Although the effects of these operations will be reflected in the financial statements in the year in which they occur, it may not be in the best interests of overall confidence in the financial system as a whole for specific circumstances to be disclosed. However, the existence of such support will be reported in the Annual Report when there is no longer a need for secrecy or confidentiality.

As a result, the financial statements of the Banking Department disclose less detail of certain elements than would be required under either adopted IFRS or the Companies Act 2006.

Disclosure limitations include:

- presentation of the Statement of Income disclosures;
- operating segments;
- contingent liabilities and guarantees;
- information on credit and liquidity risk;
- fair value of collateral pledged and held;
- related party disclosure; and
- off balance sheet arrangements.

## **b: Accounts of the Prudential Regulation Authority**

The activities of the Bank acting as the Prudential Regulation Authority (PRA) are reported within the Banking Department's financial statements, on the bases described here.

The separate financial statements of the Prudential Regulation Authority, as required by Section 7(2A) of the Bank of England Act 1998, have been prepared in line with the requirements of the Act and with the accounts direction received from HM Treasury (further details are included in PRA financial statements on pages 194–95).

## **c: Going concern**

The financial statements for the Banking Department, Issue Department and PRA have been prepared on the going concern basis. Court has assessed the key financial risks impacting the Bank as disclosed in this report, and the budget for the period of 12 months from the signing of the accounts, and has determined that there are no material uncertainties that may cast significant doubt about the Bank's ability to continue as a going concern and

that therefore the going concern basis is an appropriate assumption to use in preparing the accounts. The Bank has put in place measures to enable it to continue functioning operationally, further details of these have been included in the front section of the Annual Report, on pages 93–94. This included the consideration of operational risk and other matters.

The Bank specifically considered the potential impact of severe, but plausible economic scenarios on the liquidity and loss-absorbing capital of the Bank as well as the impact on expected credit losses (ECL) and pensions. The Bank has considered the output of stress testing in its going concern assessment, refer to note 20 'Financial risk management'.

The Bank also assessed the appropriateness of the going-concern disclosure.

## **d: Consolidation**

Under the Bank of England Act 1998, the financial statements are prepared on a non-consolidated basis. As such the financial statements of the Bank's subsidiaries, including the BEAPFF and the BEALF, have not been consolidated. Investments in subsidiaries are stated in the balance sheet at cost, less any provision for impairment in value. Dividends from subsidiaries are recognised in the statement of income when declared.

## **e: Foreign currency translation**

### **i: Functional and presentation currency**

The financial statements of the Banking Department are presented in sterling, which is the Bank's functional currency.

### **ii: Transactions and balances**

Foreign currency transactions are translated into sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the statement of income. Where a gain or loss on a non-monetary item is recognised directly in other comprehensive income, such as equity investments, the related exchange gain or loss is also recognised in other comprehensive income.

## **f: Commitments on behalf of HM Treasury**

In its operation of the Exchange Equalisation Account, the Bank acts as a custodian of gold on behalf of HM Treasury, and provides accounting, trading and operational services. These commitments are not included in the financial statements.

## **g: Bank of England Heritage Collection**

The Bank maintains a heritage collection of assets which are historical and cultural in value, preserved for their contribution to the Bank's cultural legacy. The collection has a remote likelihood of generating economic benefits for the Bank and does not provide meaningful financial information to users of the accounts, consequently the assets are not recognised on the balance sheet.

## **3: Significant accounting estimates and judgements in applying accounting policies**

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

### **Estimates**

#### **a: Post-retirement benefits**

Post-retirement benefits are long-term liabilities whose value can only be estimated using assumptions about developments over a long period. The Bank has employed actuarial advice in arriving at the figures in the financial statements (refer to note 25, which includes relevant sensitivity analysis). Members of Court consider the assumptions used by the actuary in their calculations to be appropriate for this purpose.

#### **b: Fair value of equity investments**

The Bank's accounting policy for the valuation of financial instruments is described in Section 3. The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data, and so the reliability of the fair-value measurement is high. Details of valuation techniques for the different classifications are given in Section 3.

Fair values of the Bank's equity investments rely to a greater extent on unobservable inputs and therefore require some degree of estimation to calculate a fair value. These equity investments, disclosed in note 17, are held by the Bank for the long term as part of its central banking activities and may not be readily saleable. The values have generally been established using an adjusted net asset value basis (refer to Section 4, which includes relevant sensitivity analysis).

## Judgements

### Expected credit loss

Impairment under IFRS 9 adopts a staging approach, with Stage 1 representing the lowest credit risk and Stage 3 the highest. When a new asset is originated it is classified as Stage 1 (normal origination). Moving from Stage 1 to Stage 2 is a key judgment, and is based on management defined criteria of whether there is a significant increase in credit risk. Given the immaterial impact of expected credit loss this is not considered to be a significant judgement under IAS 1.

## 4: Post balance sheet events

The Bank has evaluated post balance sheet events up to the date of the Annual Report and Accounts signing and note that there are no events that have occurred which require adjustments to the disclosures in the financial statements.

## Section 2: Results for the year

**This section analyses the financial performance of the Bank for the year.**

### **Accounting policies**

#### **Net interest income**

Net interest income is recognised in the income statement using the effective interest rate method for all interest-bearing financial instruments except for assets measured at fair value through profit and loss and sterling debt securities held for funding and capital management purposes.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial recognition. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument, and any revisions to these estimates are recognised in the income statement. The calculation includes amounts paid or received that are an integral part of the effective interest rate of a financial instrument, including transaction costs and all other premiums or discounts.

#### **Valuation gains and losses**

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the income statement in the period in which they arise.

#### **Fee income and management fees**

Fees are recognised as the service is provided, as this is the point at which the performance obligation, with the identified customer, is considered to be satisfied.

#### **Income from BoE Levy**

This comprises operational and transitional income charged under the BoE Levy. The BoE Levy recovers the costs incurred in relation to the activity across the Bank that furthers the Bank's financial stability and monetary policy objectives. Transitional

income recovers the cost of moving from the CRD scheme to the BoE Levy. This involves recovering the interest cost incurred from returning CRD deposits via remunerated reserves until the legacy CRD gilt portfolio matures. BoE Levy income is recognised in the income statement in line with the recognition of associated costs.

### **Income from regulatory activity**

Fee income comprises levy fees collected from regulated firms through the Annual Funding Requirement consultation process, along with fees for specific regulatory activity. This fee income, which is deemed to be equivalent to the value of relevant expenditure incurred in the year, is recognised in the income statement as the service to regulated entities occurs.

### **Cost recoveries**

Costs in relation to reports under section 166 of the Financial Services and Markets Act 2000 are fully recovered directly from the specific entities under review. The recovery of these costs is matched directly to the costs incurred in the income statement within expenditure.

### **Dividends**

Dividends on equity investments that are fair value through other comprehensive income (FVOCI) are recognised in the income statement when declared.

### **Sundry income**

Sundry income mainly includes income accrued in relation to long-term programmes in line with costs incurred, eg the RTGS Renewal Programme.

## 5a: Net operating income

	Note	2026 (£mn)	2025 (£mn)
<b>Fee income</b>			
Payment services fee income		62	49
Banking operations		14	12
		<b>76</b>	<b>61</b>
<b>Other income from financial instruments</b>			
Net income from financial instruments designated at fair value		8	20
Income from securities held at amortised cost	16	177	193
		<b>185</b>	<b>213</b>
<b>Management fees</b>			
Fee for services to BEAPFF	26	–	2
Charges to HM Government bodies	26	84	74
		<b>84</b>	<b>76</b>
<b>Income from BoE Levy</b>			
BoE Levy policy income		333	299
BoE Levy transitional income		309	434
		<b>642</b>	<b>733</b>
<b>Income from regulatory activity</b>			
Income from PRA regulatory activity		350	344
Income from Financial Market Infrastructure levy		18	17
		<b>368</b>	<b>361</b>
<b>Other income</b>			
Dividend income <sup>(1)</sup>		18	18
Premises income		8	7
Sundry income		41	51
		<b>67</b>	<b>76</b>
<b>Net operating income (excluding net interest income)</b>		<b>1,422</b>	<b>1,520</b>

(1) In 2026, £18mn dividend income was received from the Bank's unlisted equity investment in BIS (2025: £18mn). Refer to Accounting policies on page 138.

BoE Levy policy income recovers the amounts required by the Bank in connection with the funding of its policy functions. These are the functions exercised by the Bank in pursuit of its financial stability and monetary policy objectives.

BoE Levy transitional income recovers costs related to transitioning from the CRD scheme to the Levy resulting from the conversion of unremunerated CRD deposits into remunerated reserves. Consequently, this creates interest expense until the CRD gilt portfolio matures. The gilt portfolio will reduce in line with its maturity profile, with over half of the gilts in the portfolio maturing by 2029, and the remainder steadily running off over the following 10–15 years. For a given year, the transitional income would represent the difference between the level of reserve interest payable and income from the legacy CRD gilt portfolio. Further information can be found in paragraph 1.13 in the BoE Levy Framework Document.<sup>[19]</sup>

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19. [www.bankofengland.co.uk/about/governance-and-funding/levy/levy-framework](http://www.bankofengland.co.uk/about/governance-and-funding/levy/levy-framework).

**5b: Operating expenses**

	Note	2026 (£mn)	2025 (£mn)
Staff costs	24	625	547
<b>Total staff costs</b>		<b>625</b>	<b>547</b>
<b>Infrastructure costs</b>			
Property and equipment		111	111
Depreciation of property, plant and equipment	28	22	26
Lease interest		1	1
Operating lease rentals		1	1
Amortisation of intangible assets	29	31	29
Depreciation on Right of Use assets	28	10	10
Impairment of property, equipment and intangible assets		1	1
<b>Total infrastructure costs</b>		<b>177</b>	<b>179</b>
<b>Administration and general costs</b>			
Consultancy, legal and professional fees		102	86
Subscriptions, publications, stationery and communications		2	2
Travel and accommodation		5	4
Other administration and general expenses		29	37
<b>Total administration and general costs</b>		<b>138</b>	<b>129</b>
<b>Operating expenses</b>		<b>940</b>	<b>855</b>

## 6: Taxation

### Accounting policies

Corporation tax payable on profits, based on UK tax laws, is recognised as an expense in the period in which profits arise. The Bank is entitled to tax relief on the amount due to HM Treasury as a payment in lieu of a dividend in accordance with Section 1(4) Bank of England Act 1946.

Tax relief on any amounts due to HM Treasury is credited directly to the income statement in accordance with paragraph 57A of IAS 12.

The tax charged within the income statement is made up as follows:

	Note	2026 (£mn)	2025 (£mn)
Corporation tax – current year		8	10
Corporation tax – prior year		(4)	–
Deferred tax – current year	33	4	20
Deferred tax – prior year	33	3	–
<b>Tax (credit)/charge on profit</b>		<b>11</b>	<b>30</b>

The tax charged within the income statement differs from the amount calculated at the basic rate of tax on the profit for the year and is explained below:

	2026 (£mn)	2025 (£mn)
<b>Profit before tax</b>	<b>143</b>	<b>128</b>
Tax calculated at rate of 25% (2025: 25%)	35	32
Tax relief on payments to HM Treasury	(16)	–
Non-taxable income	(7)	(4)
Non-deductible expenses	–	2
Prior year adjustments	(1)	–
<b>Total tax (credit)/charge for the period</b>	<b>11</b>	<b>30</b>

Tax (credited)/charged to equity through other comprehensive income:

	Note	2026 (£mn)	2025 (£mn)
<b>Tax (credited) to equity through other comprehensive income</b>			
Current tax		–	–
Deferred tax charge/(credit)	33	106	33
<b>Tax charge/(credit) to equity through other comprehensive income</b>		<b>106</b>	<b>33</b>

	2026 (£mn)	2025 (£mn)
<b>Breakdown of tax (credited)/charged to equity through other comprehensive income</b>		
Revaluation of FVOCI securities	89	42
Tax losses carried forward	–	–
Revaluation of property	(1)	(3)
Remeasurements of retirement benefits	18	(6)
<b>Tax charge/(credit) to equity through other comprehensive income</b>	<b>106</b>	<b>33</b>

The rate applicable for the year ended 28 February 2026 is 25% (2025: 25%).

### Amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules'

On 23 May 2023, the International Accounting Standards Board (IASB) issued amendments to IAS 12 'International Tax Reform – Pillar Two Model Rules', which became effective immediately and were approved for adoption by all members of the UK Endorsement Board on 19 July 2023. On 20 June 2023, legislation was substantively enacted in the UK to introduce the OECD's Pillar Two global minimum tax rules and a UK qualified domestic minimum top-up tax, with effect from 1 January 2024. The Bank of England qualifies for the Governmental Entities exemption.

## Section 3: Financial assets and liabilities

**This section analyses the financial assets and liabilities held by the Bank in fulfilling its policy objectives.**

### Financial instruments

#### Accounting policies

##### Financial instruments: assets

##### i: Classification of financial assets

#### Classification and measurement

IFRS 9 Financial Instruments: Recognition and Measurement outlines the requirements for the recognition and measurement of financial assets and liabilities.

Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument.

IFRS 9 classification is based on two aspects: the business model within which the asset is held (the business model test) and the contractual cash flows of the asset in relation to the solely payments of principal and interest (SPPI) test.

IFRS 9 includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The Bank determines the classification at initial recognition.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVPL:

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

All other financial assets are classified as measured at FVPL.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### **Business model assessment**

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice;
- how the performance of the portfolio is evaluated and reported to management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the

Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

### **Solely payments of principal and interest (SPPI) criteria**

Under IFRS 9, the SPPI test requires that the contractual terms of the financial asset (as a whole) give rise to cash flows that are solely payments of principal and interest on the principal amounts outstanding ie cash flows that are consistent with a basic lending arrangement.

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

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (eg non-recourse asset arrangements); and
- features that modify consideration of the time value of money – eg periodical reset of interest rates.

**Financial assets at amortised cost**

The Bank classifies financial assets at amortised cost where the business model is to hold these assets to collect contractual cash flows and the SPPI criteria has been met.

This category includes sterling debt securities, loans made under the Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME), secured lending agreements (reverse repurchase agreements under open market operations) held at amortised cost and the loans to BEAPFF and BEALF. Assets in this category exclude those reverse repurchase agreements which are designated at fair value through profit or loss.

**Financial assets at fair value through profit or loss**

A financial asset is mandatorily classified in this category if it is acquired principally for the purpose of selling in the short term, or if it fails the SPPI test.

A financial asset can be classified in this category by choice if so designated by management at inception. This designation is because the relevant assets and associated liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair-value basis.

The Bank defines fair value as the price, as at the measurement date, that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The Bank does not currently hold any financial assets for trading but has elected to designate the following at fair value through profit or loss at inception:

- securities and reverse repurchase agreements matching the Bank's issued foreign currency securities; and
- securities and reverse repurchase agreements matching the fixed-term deposits placed at the Bank by other central banks.

**Financial assets at fair value through other comprehensive income**

The Bank has made an irrevocable election to designate unlisted equity investments at fair value through other comprehensive income. These are designated at fair value through other comprehensive income as they are not held for trading.

The unlisted equity investments held by the Bank are held as part of its functions as a central bank and are thus of a long-standing nature. It includes the Bank's investment in the Bank for International Settlements which consists of shares of 5,000 Special Drawing Rights.

### **ii: Initial recognition of financial assets**

All financial assets are initially recognised at fair value plus or minus directly attributable transaction costs. Loans and advances and reverse repurchase agreements designated at fair value through profit or loss are recognised on a settlement-date basis. Purchases of all other categories of financial assets are recognised on a trade-date basis.

### **iii: Subsequent valuation of financial assets**

Gains and losses arising from changes in the fair value of assets classified as fair value through profit or loss are included in the income statement in the period in which they arise.

Gains and losses arising from changes in the fair value of debt instruments classified as fair value through comprehensive income are recognised as other comprehensive income until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised as other comprehensive income is recognised in the income statement. Any premium or discount paid on the purchase of securities held at amortised cost is amortised through the income statement using the effective interest rate method.

The fair values of quoted investments in active markets are based on current bid prices. In other cases, the Bank establishes fair value by using appropriate valuation techniques. The policy for establishing fair values of securities in non-active markets is described in note 3 'Significant accounting estimates and judgements in applying accounting policies' on pages 110–11.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Bank has either transferred substantially all of the risks and rewards of ownership or the Bank deems that it no longer retains control of the risks and rewards of ownership.

The Bank has no modified financial instruments.

**iv: Impairment of financial assets**

IFRS 9 requires impairment assessment on all of the following financial instruments that are not measured at FVPL, under the expected credit loss model:

- financial assets that are debt instruments measured at amortised cost or FVOCI;
- lease receivables; and
- loan commitments and financial guarantee contracts issued.

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date. Under IFRS 9, no impairment loss is recognised on equity investments.

The term 'expected credit loss' does not imply that losses are anticipated, rather that there is recognition of the potential risk of loss.

**Measurement of ECLs**

ECLs are a probability-weighted estimate of credit losses and are measured as follows:

- on financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – ie the difference between the cash flows due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive; and
- on financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

**Definition of default**

Under IFRS 9, the Bank will consider a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held).

**Significant increase in credit risk**

Under IFRS 9, when determining whether the credit risk (ie risk of default) on a financial instrument has increased significantly since initial recognition, the Bank will consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on the Bank's historical experience, expert credit assessment and forward-looking information.

The Bank has established a framework that incorporates both quantitative and qualitative information to determine whether the credit risk on a particular financial instrument has increased significantly since initial recognition. The framework aligns with the Bank's internal credit risk management process, which keeps the creditworthiness of counterparties under review, and would highlight any counterparty that showed indications of a significant increase in credit risk.

Impairment under IFRS 9 adopts a staging approach. When a new asset is originated it is classified as Stage 1 (normal origination). Moving from Stage 1 to Stage 2 is a judgement based on management defined criteria of whether there is a significant increase in or absolute amount of credit risk (note 3). Staging determines whether 12-month ECL (Stage 1) or lifetime ECL (Stage 2 and 3) is applicable. If the indicators of significant increase in credit risk are no longer present then the asset returns from Stage 2 to Stage 1. The move from Stage 2 to Stage 3 is based upon 'default'. If an asset ceases to be 'defaulted' then it will return to Stage 2. Staging and cure (being no longer in default) is assessed using the Bank's internal credit rating framework.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

### **Inputs into measurement of ECLs**

The key inputs into the measurement of ECLs are the term structures of the following variables:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

PD estimates are based on a mix of internally compiled data, rating agency outputs and expert judgement, comprising both quantitative and qualitative factors. The calculation is provided by Financial Risk and Resilience Division (FRRD) and relates to the credit risk rating scale provided by the Financial Risk Management Division (FRMD).

EAD is the magnitude of the exposure if there is a default. The Bank derives EAD parameters based on the risk characteristics of the collateral used for loans, and considering the potential for changes in the value of that collateral from the point of lending until the collateral could be liquidated post-default.

LGD is the proportion of an exposure that is lost as a result of a counterparty default.

### **Forward-looking information**

IFRS 9 Financial Instruments requires that in determining the ECL, estimates of forward-looking macroeconomic factors are incorporated in multiple scenarios about the future economy. The Bank formulates a base case view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios and consideration of a variety of external actual and forecast information.

This process involves developing four different economic scenarios, which represent a range of scenarios linked to economic variables such as house prices and interest rates. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments, choosing scenarios that specifically test the resilience of the Bank to financial stress.

**ECL calculation**

ECL is calculated by identifying scenarios in which a loan or receivable defaults, estimating the cash shortfall that would be incurred and then multiplying that loss by the probability of the default happening.

When an ECL is identified, the carrying amount of the asset would be reduced and the amount of ECL is recognised in the income statement. At 28 February 2026 the Bank recognised an ECL provision less than £1mn (2025: less than £1mn).

**Financial instruments: liabilities****i: Classification of financial liabilities**

The Bank classifies its financial liabilities in the following categories: liabilities measured at amortised cost and financial liabilities at fair value through profit and loss.

**Liabilities measured at amortised cost**

Short-term customer deposits held are carried at cost with interest expense accruing on an effective interest rate basis. Money market instruments are carried at cost and are issued at a discount which is amortised through the income statement on an effective interest rate basis.

**Financial liabilities at fair value through profit or loss**

The Bank designates the following financial liabilities at fair value through profit or loss:

- commercial paper with tenor not less than one day or more than 364 days denominated in non-sterling currencies;
- three-year bonds denominated in US dollars, which were issued as part of the Bank's annual medium-term issuance programme, including the repurchase agreements matching the Bank's issued foreign currency securities; and
- fixed-term deposits placed by other central banks including the repurchase agreements matching the deposits.

This designation is to eliminate, or significantly reduce, inconsistencies that would otherwise arise from measuring associated assets and liabilities on different bases. The relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair-value basis.

**ii: Initial recognition of financial liabilities**

Fixed-term deposits taken from central banks are recognised on a settlement-date basis. Money market instruments issued, short-term deposits, commercial paper issued and bonds issued by the Bank are recognised on a trade-date basis.

**iii: Subsequent valuation of financial liabilities**

Gains and losses arising from changes in the fair value of liabilities classified at fair value through profit or loss are included in the income statement in the period in which they arise.

The fair values of quoted financial liabilities are based on current offer prices, as this is considered to be the price that would be paid to transfer a liability in an orderly transaction between market participants.

Financial liabilities are derecognised when the obligation to pay cash flows relating to the financial liabilities has expired. If the Bank buys any of its own securities as part of its operations, these are removed from the balance sheet.

**Collateral pledged under sale and repurchase agreements**

Securities sold subject to repurchase agreements are assets provided as collateral where the transferee has the right by contract or custom to sell the collateral. These securities remain on the balance sheet and the liability is included in deposits from banks and other financial institutions. Securities purchased under agreements to resell ('reverse repurchase agreements') are not recognised on the balance sheet; the payment to buy the securities is included in loans and advances to banks and other financial institutions. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements.

Securities loaned to counterparties also remain on the balance sheet. Securities borrowed are not recognised on the balance sheet, unless they are sold to third parties, in which case the obligation to return the securities is recorded at fair value as a liability.

The Bank may accept its own securities as collateral for reverse repurchase agreements. Such reverse repurchase transactions are treated as collateralised and are treated in the same way as other reverse repurchase transactions.

## 7: Cash and balances with other central banks

	Note	2026 (£mn)	2025 (£mn)
Cash and balances with other central banks	21	789	1,065
		<b>789</b>	<b>1,065</b>

Cash and balances with other central banks are held in correspondent accounts used for Bank and customer business.

## 8: Loans and advances to banks and other financial institutions

	2026 (£mn)	2025 (£mn)
Secured lending agreements held at amortised cost	168,629	67,894
Reverse repurchase agreements held at fair value through profit and loss	15,905	13,136
Other loans and advances	1	13
Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) loans	41,894	96,745
	<b>226,429</b>	<b>177,788</b>

These balances include advances, secured lending and reverse repurchase agreements arising as part of the Bank's open market operations, as well as advances matching the deposits taken (notes 10 to 12).

The level and composition of the Bank's open market operations depends on movements in the Bank's balance sheet as detailed on the web pages of the Bank of England Market Operations Guide.<sup>[20]</sup>

Accrued interest on secured lending agreements held at amortised cost is recognised in note 30 'Other assets'.

At 28 February 2026 loans and advances to banks and other financial institutions included cash and cash equivalents of £15.1bn (2025: £10.3bn) which are disclosed in note 21.

20. [www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide](http://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide).

## **Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME)**

In March 2020, the Bank's policy committees announced a comprehensive package of measures to help UK businesses and households manage the economic disruption caused by the Covid virus. Part of this package involved the launch of the Term Funding scheme with additional incentives for Small and Medium-sized Enterprises (TFSME). The TFSME was designed to support the pass-through of Bank Rate to the real economy and incentivise banks to provide credit to businesses and households, with additional incentives for supporting small and medium-sized enterprises (SMEs).

The drawdown period ran until 31 October 2021. The original term of each transaction was for four years from the date of drawdown. Participants in a TFSME Group that contains one or more accredited lenders under the British Business Bank's Bounce Back Loan Scheme (BBLs) were able to extend the term of some transactions to align with the term of loans made through the BBLs. Participants may terminate any transaction, in part or in full, before its maturity date. The Bank charges interest on TFSME transactions equal to Bank Rate plus a scheme fee (TFSME Fee). Please refer to the relevant Operating Procedures<sup>[21]</sup> for further information.

TFSME scheme fees arising on lending are recognised as income on an accruals basis.

TFSME income reflects Bank Rate on TFSME loans and £0.03mn (2025: £0.3mn) scheme fees receivable in the year. TFSME scheme fees are retained by the Bank as income.

Accrued interest for TFSME is disclosed in note 30 'Other assets'.

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21. TFSME operating procedures, [www.bankofengland.co.uk/-/media/boe/files/markets/term-funding-scheme-sme/operating-procedures.pdf](https://www.bankofengland.co.uk/-/media/boe/files/markets/term-funding-scheme-sme/operating-procedures.pdf).

## 9: Other loans and advances

	Note	2026 (£mn)	2025 (£mn)
Loan to the Bank of England Asset Purchase Facility Fund Ltd	26b	553,158	654,531
Deposit with Bank of England Alternative Liquidity Facility Ltd	26b	49	–
		<b>553,207</b>	<b>654,531</b>

### Loan to the Bank of England Asset Purchase Facility Fund Ltd

In January 2009, the Chancellor of the Exchequer authorised the Bank to set up an Asset Purchase Facility (APF). The APF was established to support the Bank of England's responsibilities for financial stability and monetary stability, as confirmed in an exchange of letters between the Chancellor of the Exchequer and Governor.<sup>[22]</sup>

APF activities are undertaken by a subsidiary company of the Bank of England – the Bank of England Asset Purchase Facility Fund Limited (BEAPFF). Activities are funded by a loan from the Bank.

The Bank has continued the programme set out by the MPC to reduce the stock of gilts held in the APF via a combination of maturities and sales. The proceeds from these activities have been used to repay part of the loan from the Bank.

The loan amount excluding accrued interest due from BEAPFF as at 28 February 2026 is £553.2bn (2025: £654.5bn).

Accrued interest of £1.4bn on the loan is recognised in note 30 'Other assets'.

### Deposit with Bank of England Alternative Liquidity Facility Ltd

The Bank acts as guarantor for the principal value of deposits in Alternative Liquidity Facility and stands ready to step in as co-depositor for any residual or outstanding capacity of the facility. At 28 February 2026 the Bank's co-deposit was £49mn (2025: £nil).

22. [www.bankofengland.co.uk/letter/2009/apf-letter-march-2009](http://www.bankofengland.co.uk/letter/2009/apf-letter-march-2009).

## 10: Deposits from central banks

	2026 (£mn)	2025 (£mn)
Deposits repayable on demand	2,310	1,309
Term deposits held at fair value through profit and loss	14,427	12,884
	<b>16,737</b>	<b>14,193</b>

Term deposits held at fair value through profit and loss largely constitute deposits the Bank accepts from its central bank customers to support sterling as a global reserve currency and to support the reserve management requirements of other central banks. Funds are placed on a secured basis.

Accrued interest on deposits repayable on demand is recognised within 'Short-term creditors and other liabilities' in note 31 'Other liabilities'.

## 11: Deposits from banks and other financial institutions

	2026 (£mn)	2025 (£mn)
Deposits repayable on demand	648,759	716,524
Repurchase agreements	1,591	699
	<b>650,350</b>	<b>717,223</b>

Accrued interest on deposits repayable on demand is recognised within 'Short-term creditors and other liabilities' in note 31 'Other liabilities'.

The majority of deposits repayable on demand comprises reserves accounts held at the Bank. Reserves accounts are sterling current accounts for banks, building societies and other financial institutions. They are the most liquid asset a financial institution can hold and are the ultimate means of settlement.

The rate paid by the Bank on reserves account balances is also the means by which the Bank keeps market interest rates in line with Bank Rate. All reserves balances are remunerated at Bank Rate.

The repurchase agreements arise as part of the Bank's open market operations, matching the Bank's issued foreign currency securities.

## 12: Other deposits

	2026 (£mn)	2025 (£mn)
Deposit by Issue Department	95,107	89,093
Public deposits repayable on demand	5,100	9,970
Other deposits repayable on demand	22,575	13,693
	<b>122,782</b>	<b>112,756</b>

Public deposits are the balances on HM Government accounts, including Exchequer, National Loan Fund, Debt Management Office (DMO), National Debt Commissioners and dividend accounts.

Accrued interest on other deposits repayable on demand is recognised within 'short-term creditors and other liabilities' in note 31 'Other liabilities'.

## Foreign exchange reserves

### 13: Securities held at fair value through profit or loss

	2026 (£mn)	2025 (£mn)
Money market instruments	8,036	7,979
Listed foreign government securities	12,031	6,388
	<b>20,067</b>	<b>14,367</b>

The holdings of foreign government securities are funded by the Bank's issuance of foreign currency commercial paper (note 14), foreign currency bonds (note 15) and fixed-term deposits held at FVPL placed by other central banks (note 10). Designation at FVPL is to eliminate, or significantly reduce, inconsistencies that would otherwise arise from measuring assets and liabilities on different bases. The relevant assets and liabilities (including derivatives) are managed together and internal reporting is evaluated on a fair-value basis.

At 28 February 2026, money market instruments included cash and cash equivalents of £654mn (2025: £53mn) which are disclosed in note 21 'Cash and cash equivalents'.

## 14: Foreign currency commercial paper in issue

The Bank issues short-term securities to support balance sheet management practices of foreign exchange reserves.<sup>[23]</sup> The tenor of the notes shall be not less than one day or more than 364 days from and including the date of issue to (but excluding) the maturity date.

	2026				2025			
	Fair value (£mn)	Nominal (\$mn)	Fair value (£mn)	Nominal (EUR €mn)	Fair value (£mn)	Nominal (\$mn)	Fair value (£mn)	Nominal (EUR €mn)
Total amounts issued to third parties	9,931 <sup>(1)</sup>	13,416	2,332 <sup>(1)</sup>	2,672	6,478	8,274	2,528	3,067

(1) As at the end of 28 February 2026 the combined fair value of foreign commercial paper in issue was £12,263mn (2025: £9,006mn).

## 15: Foreign currency bonds in issue

	2026		2025	
	Fair value (£mn)	Nominal (\$mn)	Fair value (£mn)	Nominal (\$mn)
Total amounts issued to third parties	8,526	11,250	6,666	8,250

The Bank's foreign exchange reserves can be used by the Bank to intervene in the foreign exchange market in pursuit of its monetary policy objectives. This was set out in the Monetary Policy Framework<sup>[24]</sup> introduced by the Government in 1997. Discussion of the Bank of England's foreign exchange reserves is included in the 2011 Q3 Quarterly Bulletin,<sup>[25]</sup> page 194.

At 28 February 2026, as part of the Bank's annual medium-term security issuance programme, the Bank had the following three year dollar bonds in issue: two \$2,000mn, one \$2,250mn and one \$2,500mn, and one \$2,500mn five year dollar bond (2025: three \$2,000mn and one \$2,250mn three year dollar bonds); the first maturing on 6 March 2026, the second on 5 March 2027, the third on 26 February 2028, the fourth on 18 February 2029 and the fifth on 15 October 2030.

23. [www.bankofengland.co.uk/markets/market-notice/2021/september/foreign-currency-reserves-september-2021-market-notice](http://www.bankofengland.co.uk/markets/market-notice/2021/september/foreign-currency-reserves-september-2021-market-notice).

24. [www.bankofengland.co.uk/-/media/boe/files/letter/1997/chancellor-letter-060597](http://www.bankofengland.co.uk/-/media/boe/files/letter/1997/chancellor-letter-060597).

25. [www.bankofengland.co.uk/-/media/boe/files/quarterly-bulletin/2011/markets-and-operations-2011-q3.pdf](http://www.bankofengland.co.uk/-/media/boe/files/quarterly-bulletin/2011/markets-and-operations-2011-q3.pdf).

In September 2025, the Bank announced that it would shift to targeting two benchmark issuances annually to finance its foreign exchange reserves with a regular timetable, a high degree of transparency and a group of banks to market and distribute each issue.

Two most recent bonds (the 20th and 21st in the overall programme) were respectively issued on 7 October 2025 with settlement on 15 October 2025 and maturity on 15 October 2030 and 10 February 2026 with settlement on 18 February 2026 and maturity on 18 February 2029. Refer to the Foreign Currency Reserves 2025<sup>[26]</sup> and Foreign Currency Reserves 2026 Market Notices<sup>[27]</sup> for further details of the issuance.

Of the above liabilities to third parties, £1,521mn (2025: £1,600mn) fall due within one year.

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26. [www.bankofengland.co.uk/markets/market-notices/2025/october/foreign-currency-reserves-6-october-2025](https://www.bankofengland.co.uk/markets/market-notices/2025/october/foreign-currency-reserves-6-october-2025).

27. [www.bankofengland.co.uk/markets/market-notices/2026/february/foreign-currency-reserves-9-february-2026](https://www.bankofengland.co.uk/markets/market-notices/2026/february/foreign-currency-reserves-9-february-2026).

## Section 4: Investments, capital management, funding and risk management

**This section analyses the financial assets and liabilities held by the Bank that previously funded its activities and capital.**

The Bank is funded in a variety of ways which are described in more detail in the Financial Review section of the Report (pages 35–46). Prior to 1 March 2024, the Bank was funded through its Cash Ratio Deposit scheme where institutions placed non-interest bearing deposits with the Bank. Under the CRD scheme, the Bank invested these deposits in gilts as reported in note 16. The legacy gilt portfolio will reduce in line with its maturity profile. As described in note 5a, BoE Levy policy income recovers the amounts required by the Bank in connection with the funding of its policy functions. These are the functions exercised by the Bank in pursuit of its financial stability and monetary policy objectives.

### Accounting policies

#### Debt securities

British Government securities and other sterling securities are held as investments. The Bank holds these securities for the long term, generally to maturity. All debt securities have fixed coupons. Refer to Section 3 for accounting policies on financial assets.

#### Indemnified operations

The Bank may enter into arrangements where it is fully protected, without charge, from loss by HM Treasury. Surpluses from such indemnified operations, after the deduction of fees, operating costs and tax, are treated as a capital contribution and taken directly to equity as distributable reserves.

BEAPFF's operations are fully indemnified for loss by HM Treasury and any surplus for these operations is due to HM Treasury.

## 16: Securities held at amortised cost

	2026 (£mn)	2025 (£mn)
British Government securities listed on UK exchange <sup>(1)</sup>	12,130	13,600
	<b>12,130</b>	<b>13,600</b>

(1) As at the end of 28 February 2026 the fair value of the securities held at amortised cost was £10,593mn (2025: £11,638mn).

	2026 (£mn)	2025 (£mn)
At 1 March	13,600	15,068
Purchases	649	–
Sales	–	–
Redemptions	(2,046)	(1,378)
Amortisation of premium/discount and movement in accrued interest	(73)	(90)
Loss on sale of securities	–	–
<b>At 28 February</b>	<b>12,130</b>	<b>13,600</b>

Securities held at amortised cost relates mainly to the legacy Cash Ratio Deposit (CRD) scheme and the Bank's free capital and reserves. This CRD scheme was replaced in March 2024 by the Bank of England Levy. Upon the return of the underlying deposits, the Bank chose to hold onto gilt investments related to the CRD scheme until maturity.

Items in the course of settlement for securities held at amortised cost at the year ended 28 February 2026 were £nil (2025: £nil). There were no sales of securities within the year (2025: £nil). The cash purchases for the year were £649mn (2025: £nil).

Income recognised in the year ended 28 February 2026 for the Bank's securities held at amortised cost was £177mn (2025: £193mn). In the current year and prior year this comprises interest income and purchase premium amortisation.

## Accounting policies

### Unlisted equity investments

The Bank holds unlisted equity investments as part of its functions as a central bank and are thus of a long-standing nature. The Bank's holdings in any particular institution may change from time to time as part of realignments of holdings among the shareholders and participants.

Fair values of unlisted equity investments reflect the price that a knowledgeable willing party would pay in an arm's length transaction.

The Bank holds unlisted equity investments in the Bank for International Settlements (BIS) and the Society for Worldwide Interbank Financial Telecommunication (Swift). These investments have been valued based on the adjusted net asset value basis providing a total value of £2,052mn (2025: £1,698mn).

The Bank's investment in the BIS (incorporated in Switzerland) consists of shares of 5,000 Special Drawing Rights (SDR), which are 25% paid. At 28 February 2026 the holding represents 8.4% (2025: 8.4%) of the issued share capital.

The fair value of the BIS shares is estimated to be 70% of the Bank's interest in the net asset value of the BIS at the reporting date. The 30% discount to net asset value is based on the discount rate used by the BIS for all share repurchases since the 1970s and was further endorsed by a decision by the International Court at the Hague relating to the last share repurchase conducted by the BIS (in 2001). The Bank's financial statements incorporates the most recently available data from the BIS. The Bank expects the value of the BIS shares to fluctuate over time in conjunction with the strength of the BIS balance sheet and exchange rates. If the value of the net assets of the BIS changed by 1%, the value of the investments would change by £21mn (2025: £17mn).

Since 1930 there has also been an amount in respect of uncalled capital on the Bank's investment in the BIS, now denominated in SDR. The sterling equivalent of this amount based on the SDR price at the balance sheet date was £182mn (2025: £186mn). The balance of £182mn is callable at three months' notice by a decision of the BIS Board of Directors. As this amount has not been called since being established in 1930, it is considered a remote possibility, and so is not considered or disclosed as a contingent liability, in line with IAS 37. Any foreign currency gains or losses arising from revaluation of the holding in the BIS are taken to the statement of other comprehensive income in the year when they have arisen.

## 17: Securities held at fair value through other comprehensive income

	2026 (£mn)	2025 (£mn)
Unlisted equity investments at fair value	2,052	1,698
	<b>2,052</b>	<b>1,698</b>

	2026 (£mn)	2025 (£mn)
At 1 March	1,698	1,528
Revaluation of securities	384	185
Foreign currency (losses)/gains	(30)	(15)
<b>At 28 February</b>	<b>2,052</b>	<b>1,698</b>

Unlisted equity investments comprise the Bank's investment in BIS and Swift.

## 18: Capital and retained earnings

	2026 (£mn)	2025 (£mn)
Capital	15	15
Capital reserve and other reserves	1,242	1,228
Retained earnings	3,087	2,971
	<b>4,344</b>	<b>4,214</b>

The entire capital comprising £14,553,000 of Bank Stock is held by the Treasury Solicitor on behalf of HM Treasury. The Bank uses these funds to support its normal operations. The agreed capital framework between the Bank and HM Treasury states that Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital held by the Bank and where this sits within a set of parameters.<sup>[28]</sup>

28. For more details on these, visit: [www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship](https://www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship).

## 19: Derivative financial instruments

### Accounting policies

#### Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, or valuation techniques such as discounted cash-flow models. Generally the best evidence of the fair value of a derivative at initial recognition is the transaction price (ie the fair value of the consideration given or received). All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derivatives are used for matching exposures on assets and liabilities, both individually and of portfolios. The Bank does not apply the hedge accounting rules of IFRS 9.

#### Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a current and legally enforceable right to offset the amounts recognised and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The Bank does not perform net settlements with its counterparties.

The Bank uses the derivative instruments including agreements for cross-currency interest rate swaps, interest rate swaps, inflation linked swaps, and forward exchange contracts. The main purpose of these is to manage the currency, inflation, and interest rate exposures on the Bank's portfolio of financial assets and financial liabilities. They may also be used as an instrument in monetary policy transactions.

Interest rate swaps are over-the-counter contractual obligations to receive or pay a net amount based on changes in interest rates. The credit risk is limited because changes in the price of the contracts are settled daily with the exchange. Cross-currency interest rate swaps, inflation linked swaps, interest rate swaps and forward exchange contracts are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (eg fixed rate for floating rate) or a combination of these. Inflation linked swaps are contractual obligations where counterparties exchange cash flows based on a fixed rate and an inflation index. These swaps help manage exposure to inflation risk by linking payment to changes in a specified inflation index. Credit risk is mitigated through collateral arrangements or daily settlements, depending on the terms of the agreement, ensuring that any changes in value are promptly addressed.

An exchange of principal occurs for cross-currency interest rate swaps and forward exchange contracts, but no such exchange of principal usually occurs for interest rate swaps or inflation linked swaps. The Bank's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligations. This risk is monitored on a daily basis with reference to the current fair value. To control the level of credit risk taken, the Bank assesses counterparties using the same techniques as for its lending activities and will take collateral if the replacement cost of all transactions with the counterparty breaches relevant thresholds.

The notional amounts of derivative financial instruments provide a basis for comparison with other instruments recognised in the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Bank's exposure to credit or price risks.

The derivative instruments move into profit (in which case they are treated as assets) or loss (in which case they are treated as liabilities) as a result of fluctuations in market prices relative to their terms. The aggregate contractual or notional amount of derivative financial instruments outstanding, the extent to which instruments have moved into profit or not, and thus the aggregate fair values of derivative financial instruments and liabilities, can fluctuate significantly from time to time.

**a: As at 28 February 2026**

	Contract notional amount (£mn)	Fair values	
		Assets (£mn)	Liabilities (£mn)
Cross-currency interest rate swaps	3,248	156	(123)
Interest rate swap	37,841	12	(9)
Inflation linked swaps	888	1	(26)
Forward exchange contracts	27,287	119	(157)
<b>Total recognised derivative assets/(liabilities)</b>		<b>288</b>	<b>(315)</b>

**b: As at 28 February 2025**

	Contract notional amount (£mn)	Fair values	
		Assets (£mn)	Liabilities (£mn)
Cross-currency interest rate swaps	3,084	303	(8)
Interest rate swaps	11,474	5	(3)
Inflation linked swaps	441	–	(7)
Forward exchange contracts	19,780	286	(76)
<b>Total recognised derivative assets/(liabilities)</b>		<b>594</b>	<b>(94)</b>

The net movement on derivatives in the year is £527mn from a net asset position of £500mn as at 28 February 2025 to a net liability position of £27mn as at 28 February 2026 (2024: movement of £38mn from a net asset position of £538mn as at 29 February 2024 to £500mn as at 28 February 2025).

## 20: Financial risk management

The Bank is required to manage the financial risks that arise on its balance sheet and as a consequence of its operations to deliver its policy objectives. These include credit risk, market risk and liquidity risk.

The Bank's management seeks to ensure that effective risk management processes exist for assessing, managing and monitoring risk, within clear risk policies. There are governance arrangements set out in a Balance Sheet Remit and Financial Risk Standards (approved by the Executive Risk Committee) and documented delegated authorities for implementation of financial risk management and oversight of the Bank's operations. The Financial Risk Standards also set out how the Bank's financial risk tolerance is translated into practice through a cross-balance sheet set of limits and monitoring thresholds, which delineate the Bank's usual risk levels. These are review points beyond which an active decision is required that the extra risk is justified by the expected policy benefits.

The Bank applies fundamentally the same risk management policies for off balance sheet risks as it does for its on balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances.

Specialist teams and committees support senior management in ensuring that agreed standards and policies are followed:

- The Financial Risk Management Division (FRMD) within the Bank's Markets Directorate is responsible for analysing the financial risks faced by the Bank in its operations in financial markets, and exercising control on financial risks as they are taken through those operations.
- The Financial Risk and Resilience Division (FRRD) is responsible for providing forward-looking assessment and challenge of financial risks to the Bank's balance sheet across all its financial operations, and for setting the framework within which financial risk is taken.
- Middle Office is responsible for the pricing, valuation and financial control of exposures and collateral positions arising from the Bank's market operations, including counterparty and instrument management.

The Bank makes use of stress tests to assess financial risk across its balance sheet. These stress tests are designed by FRRD to test the Bank's ability to withstand severe but plausible scenarios, and cover credit, market and liquidity risks.

Key risk features captured by the stress tests include (but may not be limited to):

- potential expansion of the Bank's balance sheet in a stress eg through additional liquidity provision;
- rating migration and potential default of counterparties; and
- shocks on asset prices, both where the Bank has positions on its balance sheet, and where these assets are held as collateral.

The stress tests applied to the Bank's own balance sheet are calibrated such that they are suitably severe – at least as severe as the FPC's and PRC's bank stress tests, given the Bank's role as lender of last resort. For credit risk, the Bank uses a stressed Exposure at Default (EAD) metric to measure the potential financial loss that could be incurred in the event of counterparty default, net of collateral held, where that collateral is also stressed. The same exposure measurement methodology is used for IFRS 9 expected credit loss assessment, but calibrated for a range of different economic scenarios. For market risk, the Bank uses a stressed loss metric to measure the potential mark-to-market losses from shocks to asset prices.

The stress tests used by the Bank are reviewed periodically by internal committees, to continue to capture key risk drivers of the balance sheet and current market conditions, as well as potential future risks that could arise due to changing economic outlooks.

This forward-looking view is embedded in the financial framework agreed between HM Treasury and the Bank in June 2018 and codified into a Memorandum of Understanding, which was updated in February 2025.<sup>[29]</sup> Its objective is to ensure that the Bank has the financial resources needed to undertake the financial operations necessary to deliver its objectives even under severe but plausible scenarios. The MoU sets out the principles underpinning which types of operations would be backed by the Bank's own capital, and the types of operations for which the Bank may request an indemnity from HM Treasury:

Principle 1 – Purpose of Bank capital: operations that lie within the Bank's objectives of maintaining monetary and financial stability should be backed by its own capital, unless those operations bear a level of risk beyond the tolerance approved by Governors and Court.

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29. [www.bankofengland.co.uk/-/media/boe/files/memoranda-of-understanding/financial-relationship-between-hmt-and-boe-mou.pdf](https://www.bankofengland.co.uk/-/media/boe/files/memoranda-of-understanding/financial-relationship-between-hmt-and-boe-mou.pdf).

Principle 2 – Nature of operations backed by capital: consistent with Principle 1 above, the following types of operations should be backed by capital:

- secured lending in line with the Bank’s published frameworks, including against eligible collateral; and
- asset purchase operations to support conventional monetary policy implementation, the Bank’s official customer business or the funding of the Bank.

Principle 3 – Size of operations backed by capital: the actual level of the Bank’s loss-absorbing capital at any point in time should allow it to continue to undertake the operations under Principle 2, both in normal market and liquidity conditions and under a set of severe but plausible scenarios, without falling below the capital floor. These scenarios are approved by Governors and Court.

Principle 4 – Other operations: The financial backing for other operations, including those covered under the ‘Memorandum of Understanding on resolution planning and financial crisis management’, unconventional monetary policy asset purchases and Market Maker of Last Resort operations should be assessed on a case-by-case basis. The presumption is that such operations would only be backed by the Bank’s capital where the resultant exposures do not exceed the Bank’s loss-absorbing capital, when (i) evaluated according to the set of severe but plausible scenarios agreed by Governors and Court and (ii) added to the Bank’s existing commitments described in Principles 1–3.

### **a: Credit risk**

Credit risk is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. The Bank is exposed to credit risk both through direct exposures and contingent exposures. Credit exposure can arise from (i) operations implementing monetary or financial stability policy, (ii) the management of the Bank’s balance sheet, or (iii) contingently as part of an insurance contract. Insurance contracts can be used to mitigate exposures arising in several areas, including but not necessarily restricted to buildings, motor vehicles and other property of the Bank, as well as contingent exposures related to banknote issuance and circulation activities.

The primary source of credit risk arises as a result of the Bank providing liquidity to financial institutions via the Term Funding scheme with additional incentives for Small and Medium-sized Enterprises, and Sterling Monetary Framework; intraday in the Bank’s provision of liquidity to facilitate the operation of the sterling high-value payment system (CHAPS) and the securities settlement system, CREST; and elsewhere in the Bank’s management of its balance sheet, for example in the investment of the Bank’s own funds and in the course of

the banking services it provides to its customers. In addition, the Bank incurs credit risk in connection with any support operations it may undertake.

Credit exposures (measured using a stressed EAD metric) are controlled by a system of limits and monitoring thresholds based on internal credit ratings, which apply to all credit exposures across the balance sheet. Limits and monitoring thresholds exist to control the maximum credit exposures to a single counterparty group, as well as aggregate exposure to individual countries.

Credit assessments are performed on all market counterparties, issuers and customers to which the Bank may be exposed. These are performed both regularly, following a timetable that reflects the risk of the actual or potential exposure, and dynamically, in response to market or specific entity conditions.

Internal committees, chaired by the Head of FRMD, review the creditworthiness of issuers, counterparties and customers to whom the Bank may have credit exposures. These committees are supported by a credit risk analysis team. Counterparty ratings are recommended by Head of FRMD with the Head of FRRD given an opportunity to challenge the rating recommendations. The final ratings are then sent to Middle Office for implementation.

Credit risk on the securities held outright by the Bank is managed by holding only securities internally rated as equivalent to investment-grade in routine circumstances, which are issued chiefly by governments, government agencies and supranational organisations; and by a schedule of credit limits that vary based on internal rating.

### **Collateral management**

In providing short-term liquidity via the Bank's Sterling Monetary Framework operations and, intraday, via the Bank's operation of wholesale payment systems, credit risk is mitigated by ensuring that exposures are fully collateralised (with appropriate haircuts) by securities, which are issued chiefly by governments, government agencies and supranational organisations, which meet the Bank's minimum standards of liquidity and credit risk. The Short-Term Repo facility, which became operational in October 2022, is collateralised by the same highly liquid securities.

In the Bank's Indexed Long-Term Repo Operations, Discount Window Facility, Contingent Term Repo Facility and Term Funding scheme with additional incentives for Small and Medium-sized Enterprises, the Bank accepts a wide range of private sector collateral. The collateral can include mortgage-backed securities, covered bonds backed by mortgages or public sector securities, other asset-backed securities (such as those backed by credit card

receivables, student loans or auto loans), or portfolios of loans in unsecuritised form. The collateral must meet published eligibility criteria.

A summary of eligible collateral, including which collateral is eligible for which facility, can be found on the Bank's website.

The Bank manages the risk in this wider collateral portfolio by applying haircuts to take account of market risk, liquidity risk, credit risk, and all other material risks to the realisable value of the collateral. The usual level of protection targeted through haircuts is at least a 99% level of confidence that, in the event of a counterparty default, the value of the collateral will be sufficient to cover the outstanding amount owed to the Bank, even in stressed scenarios. The Bank may vary haircuts at its discretion, including on individual securities.

The Bank values securities daily and calls for additional collateral where the haircut-adjusted value is less than the value of its exposure. Where possible the Bank uses a market price to value securities; where a market price is not available the Bank uses a model to approximate a market value. The pricing methodologies and the models are under regular review, including via a Valuation Review Committee, chaired by the Head of Middle Office.

A Collateral Risk Committee, chaired by the Head of FRMD, reviews issues relating to the full range of collateral and considers policy issues relating to stress testing, valuation and eligibility of collateral including in response to market or entity-specific conditions. It also reviews eligibility of a counterparty to pledge portfolios of loans as collateral, based on an assessment of the firm's risk management policies, and also reviews eligibility of individual portfolios.

Models used for pricing and for calculating haircuts are independently reviewed and validated by FRRD.

### Geographical concentration of assets and liabilities

The Bank undertakes its operations in the United Kingdom. It does, however, accept deposits from overseas central banks. An analysis of the Bank's assets and liabilities by geographical area, based upon the location of the counterparty, is given below:

	2026 (£mn)	2025 (£mn)
<b>Assets</b>		
United Kingdom	767,343	834,718
Rest of Europe	31,985	23,071
Rest of the world	20,379	10,789
<b>Total assets</b>	<b>819,707</b>	<b>868,578</b>

	2026 (£mn)	2025 (£mn)
<b>Liabilities and equity</b>		
United Kingdom	774,091	836,137
Rest of Europe	18,023	11,571
Rest of the world	27,593	20,870
<b>Total liabilities and equity</b>	<b>819,707</b>	<b>868,578</b>

### b: Market risk

Market risk is defined as the risk of losses arising from movements in market prices. The risks which give rise to market risk include, but are not limited to, interest rate risk and foreign exchange risk. The Bank is exposed to market risk as a consequence of its operations to deliver its policy objectives and, in the course of managing the Bank's balance sheet, principally through changes in the relative interest rates received on its assets and paid on its liabilities. Exposure may also be incurred due to changes in exchange rates and to changes in the liquidity of asset markets.

Market risk on the Bank's balance sheet is controlled by a system of limits and monitoring thresholds based on stress testing. Limits and monitoring thresholds control the maximum mark-to-market loss that the Bank could sustain under severe scenarios. The scenarios capture the key market risks that the Bank is exposed to: interest rate risks (including basis risks) and foreign exchange risk.

### Interest rate risk

The Bank is exposed to sterling interest rate risk through the legacy investment of the Bank's capital and Cash Ratio Deposits in high-quality securities in the sterling bond portfolio. These

are bought and, in normal circumstances, held to maturity with the intention of maintaining the value of the Bank's capital and generating income to pay for the Bank's policy functions. The Bank monitors the market risk on the Sterling Bond Portfolio, via stress testing.

The Bank also has exposure to foreign currency interest rate risk through its foreign currency operations.

### **Foreign exchange risk**

The majority of the foreign currency exposures are hedged for interest rate risk and FX risk to match the Bank's foreign exchange liabilities, mainly through the use of foreign exchange contracts, interest rate and cross-currency swaps. The Bank has no significant net foreign currency exposures.

### **c: Liquidity risk**

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

For sterling, liquidity risk does not arise as the Bank is able to create sterling liquidity through its market operations.

For foreign currency, in addition to holding appropriate cash balances, the Bank manages liquidity through cash-flow matching and the use of forward exchange contracts and currency swaps; the Bank also holds a portfolio of liquid foreign exchange reserves.

The Bank's Balance Sheet Remit, Financial Risk Standards and supporting policies specify parameters to control exposure to foreign currency liquidity risk. These include limits on cash flow and maturity mismatches, and for bond holdings, minimum issue size and concentration limits.

The following tables analyse the Bank's foreign currency financial assets and liabilities at the balance sheet dates into relevant maturity groupings based on the remaining period to the contractual maturity date. These cash flows have not been discounted.

## Foreign currency liquidity risk

	Up to 1 month (£mn)	1–3 months (£mn)	3–12 months (£mn)	1–5 years (£mn)	Over 5 years (£mn)	Total (£mn)
<b>As at 28 February 2026</b>						
<b>Assets</b>						
Cash and balances with other central banks	789	–	–	–	–	789
Loans and advances to banks and other financial institutions	11,422	4,193	305	–	–	15,920
Securities held at fair value through profit and loss	1,454	3,875	8,064	6,794	–	20,187
Derivative financial instruments:						
Cash inflow	3,139	1,019	2,839	1,222	9	8,228
Cash outflow	(3,142)	(1,015)	(2,795)	(1,279)	(9)	(8,240)
Other assets	–	–	–	–	–	–
<b>Total assets</b>	<b>13,662</b>	<b>8,072</b>	<b>8,413</b>	<b>6,737</b>	<b>–</b>	<b>36,884</b>
<b>Liabilities</b>						
Deposits from central banks	6,341	1,930	4,198	–	–	12,469
Deposits from banks and other financial institutions	524	1,074	–	–	–	1,598
Other deposits	103	–	–	–	–	103
Foreign currency commercial paper in issue	4,826	5,294	2,206	–	–	12,326
Foreign currency bonds in issue	1,488	–	–	6,880	–	8,368
Derivative financial instruments:						
Cash inflow	(9,582)	(5,510)	(4,873)	(1,890)	(7)	(21,862)
Cash outflow	10,405	5,962	5,527	1,875	7	23,776
Other liabilities	–	–	–	–	–	–
<b>Total liabilities</b>	<b>14,105</b>	<b>8,750</b>	<b>7,058</b>	<b>6,865</b>	<b>–</b>	<b>36,778</b>
<b>Net liquidity gap</b>	<b>(443)</b>	<b>(678)</b>	<b>1,355</b>	<b>(128)</b>	<b>–</b>	<b>106</b>
<b>Cumulative gap</b>	<b>(443)</b>	<b>(1,121)</b>	<b>234</b>	<b>106</b>	<b>106</b>	<b>–</b>

## Foreign currency liquidity risk

	Up to 1 month (£mn)	1–3 months (£mn)	3–12 months (£mn)	1–5 years (£mn)	Over 5 years (£mn)	Total (£mn)
<b>As at 29 February 2025</b>						
<b>Assets</b>						
Cash and balances with other central banks	1,065	–	–	–	–	1,065
Loans and advances to banks and other financial institutions	10,164	2,741	249	–	–	13,154
Securities held at fair value through profit and loss	1,494	2,275	6,522	4,272	–	14,563
Derivative financial instruments:						
Cash inflow	2,320	1,626	2,870	1,045	–	7,861
Cash outflow	(2,253)	(1,566)	(2,764)	(1,024)	–	(7,607)
Other assets	–	–	–	–	–	–
<b>Total assets</b>	<b>12,790</b>	<b>5,076</b>	<b>6,877</b>	<b>4,293</b>	<b>–</b>	<b>29,036</b>
<b>Liabilities</b>						
Deposits from central banks	7,196	3,411	1,735	–	–	12,342
Deposits from banks and other financial institutions	422	–	289	–	–	711
Other deposits	87	–	–	–	–	87
Foreign currency commercial paper in issue	2,922	2,181	4,001	–	–	9,104
Foreign currency bonds in issue	1,588	–	–	4,964	–	6,552
Derivative financial instruments:						
Cash inflow	(8,310)	(3,488)	(1,801)	(1,783)	–	(15,382)
Cash outflow	8,241	3,687	1,840	1,692	–	15,460
Financial instruments at fair value through profit or loss	35	80	–	–	–	115
Other liabilities	–	–	–	–	–	–
<b>Total liabilities</b>	<b>12,181</b>	<b>5,871</b>	<b>6,064</b>	<b>4,873</b>	<b>–</b>	<b>28,989</b>
<b>Net liquidity gap</b>	<b>609</b>	<b>(795)</b>	<b>813</b>	<b>(580)</b>	<b>–</b>	<b>47</b>
<b>Cumulative gap</b>	<b>609</b>	<b>(186)</b>	<b>627</b>	<b>47</b>	<b>47</b>	<b>–</b>

**d: Fair value of financial assets and liabilities**

The table below shows the financial instruments carried at fair value by valuation method:

	Note	Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)
<b>As at 28 February 2026</b>					
<b>Assets</b>					
Loans and advances to banks and other financial institutions	8	–	15,905	–	15,905
Securities held at fair value through profit or loss	13	17,118	2,949	–	20,067
Derivative financial instruments	19	–	288	–	288
Unlisted equity investments at fair value	17	–	–	2,052	2,052
<b>Total assets</b>		<b>17,118</b>	<b>19,142</b>	<b>2,052</b>	<b>38,312</b>
<b>Liabilities</b>					
Deposits from central banks	10	–	14,427	–	14,427
Deposits from banks and other financial institutions	11	–	1,591	–	1,591
Foreign currency commercial paper in issue	14	–	12,263	–	12,263
Foreign currency bonds in issue	15	8,526	–	–	8,526
Derivative financial instruments	19	–	315	–	315
<b>Total liabilities</b>		<b>8,526</b>	<b>28,596</b>	<b>–</b>	<b>37,122</b>

	Note	Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)
<b>As at 29 February 2025</b>					
<b>Assets</b>					
Loans and advances to banks and other financial institutions	8	–	13,136	–	13,136
Securities held at fair value through profit or loss	13	12,049	2,318	–	14,367
Derivative financial instruments	19	–	594	–	594
Unlisted equity investments at fair value	17	–	–	1,698	1,698
<b>Total assets</b>		<b>12,049</b>	<b>16,048</b>	<b>1,698</b>	<b>29,795</b>
<b>Liabilities</b>					
Deposits from central banks	10	–	12,884	–	12,884
Deposits from banks and other financial institutions	11	–	699	–	699
Foreign currency commercial paper in issue	14	–	9,006	–	9,006
Foreign currency bonds in issue	15	6,666	–	–	6,666
Derivative financial instruments	19	–	94	–	94
<b>Total liabilities</b>		<b>6,666</b>	<b>22,683</b>	<b>–</b>	<b>29,349</b>

There have been no transfers between levels in the year.

Level 1: Valued using unadjusted quoted prices in active markets for identical financial instruments.

Level 2: Valued using techniques that rely upon relevant observable market data. This category of instruments comprises certain bonds, derivatives, repurchase transactions, commercial paper and deposits.

Level 3: Valued using techniques where at least one input that could have a significant impact on the valuation is not based on observable market data. During the year this category consisted entirely of unlisted equity investments, primarily the Bank's investment in the Bank for International Settlements (note 17).

The fair values of financial liabilities classified as deposits at amortised cost approximate to their carrying values due to their short-term nature. All these financial liabilities would be classified as Level 2.

## 21: Cash and cash equivalents

### Analysis of cash and cash equivalents

	Note	At 1 March 2025 (£mn)	Cash flows (£mn)	At 28 February 2026 (£mn)
Cash and balances with other central banks	7	1,065	(276)	789
Loans and advances to banks and other financial institutions	8	10,263	4,835	15,098
Securities held at fair value through profit and loss	13	53	601	654
		<b>11,381</b>	<b>5,160</b>	<b>16,541</b>

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with a maturity less than or equal to 92 days from the date of acquisition, consisting of cash and balances with other central banks, loans and advances to banks and other financial institutions, amounts due from banks and short-term government securities.

## 22: Contingent liabilities and commitments

### Accounting policies

#### Contingent liabilities

Contingent liabilities and commitments, some of which are offset by corresponding obligations of third parties, may arise in the normal course of business, including contingent liabilities in respect of guarantees and indemnities in connection with liquidity support operations. As part of its normal business, the Bank acts as custodian of its customers' assets and fulfils an agency role. The Bank has no liability to recognise or contingent liability to disclose in accordance with the requirements of IAS 37 in respect of these transactions.

Contingent liabilities and commitments at 28 February 2026 were £1.0mn (2025: £0.1mn).

#### Capital commitments

Capital commitments outstanding at 28 February 2026 amounted to £23mn (2025: £15mn), relating primarily to the provision of service agreements and plant in building purchases.

**Guarantees**

The Bank has provided a guarantee for the principal value of deposits placed by participating banks with BEALF. As at 28 February 2026 deposits with a value of £501mn were guaranteed (2025: £200mn).

**23: Investments in subsidiaries**

The Bank has a number of subsidiaries, which are wholly owned and incorporated in the United Kingdom, that are stated in the Bank's balance sheet at an aggregate cost under £1mn. These are:

- The Securities Management Trust Ltd 1,000 ordinary shares of £1, principal activity is that of a nominee company.
- Bank of England Asset Purchase Facility Fund Ltd 100 ordinary shares of £1, principal activity is to fulfil the remit given to the Bank by the Chancellor and for monetary policy.
- Bank of England Alternative Liquidity Facility Ltd 100 ordinary shares of £1, principal activity is to provide structural support to the UK's Islamic finance sector.
- BE Pension Fund Trustees Ltd 2 ordinary shares of £1, principal activity is that of provision of trustee services to the Bank of England Pension Fund.

The registered office for all subsidiaries is 8 Lothbury, London, EC2R 7HH.

## Section 5: People and related parties

This section describes a range of employment and post-employment benefits provided to our people and our relationships with other related parties.

### 24: Staff costs

#### Accounting policies

Short-term employee benefits are those expected to be settled wholly before 12 months after the end of the annual reporting period during which employee services are rendered to the Bank. The Bank recognises the amount of short-term employee benefits expected to be paid as expenses or as a liability (accrued expense), after deducting any amount already paid.

	Note	2026 (£mn)	2025 (£mn)
Wages and salaries		470	452
Social security costs		66	52
Pension and other post-retirement costs		48	41
Costs of restructuring	31	41	2
		<b>625</b>	<b>547</b>

#### Average number of employees

The average number of persons employed by the Bank during the year was made up as follows:

	2026	2025
Governors and other members of Executive Team	29	30
Managers and analysts	4,569	4,490
Other staff	1,172	1,211
	<b>5,770</b>	<b>5,731</b>

The number of persons employed by the Bank at the end of February 2026 was 5,822, of which 5,051 were full-time and 771 part-time (2025: 5,810; of which 5,047 were full-time and 763 part-time). This staff numbers relate to the costs disclosed in this note.

## 25: Retirement benefits

### i: Funded pension scheme

The Bank operates a non-contributory defined-benefit pension scheme providing benefits based on career average pensionable pay. The Bank has a final salary section within the pension scheme that provides pensions based on members' pensionable service and final salary at retirement. The pension is payable for life and increases in payment in line with inflation. This section of the scheme ceased to accrue benefits on a final salary basis from 1 April 2015. Former members of this section can continue to accrue benefits in the career average revalued earnings (CARE) section.

For new employees, the Bank offers a CARE section of the pension scheme that provides pensions based on members' earnings each year revalued in line with inflation up to retirement. The pension is payable for life and increases in payment in line with inflation.

### Defined-benefit and career average

The assets of the scheme are held by the Bank in an independent trustee-administered fund. The Bank also provides other post-retirement benefits, principally healthcare, for certain pensioners.

The pension scheme is a HM Revenue and Customs (HMRC) registered pension scheme and is subject to standard UK pensions and tax law. This means that the payment of contributions and benefits are subject to the appropriate tax treatments and restrictions and the scheme is subject to the scheme funding requirements outlined in section 224 of the Pensions Act 2004.

In accordance with UK trust and pensions law, the pension scheme has appointed trustees who are independent of the Bank. Although the Bank bears the financial cost of the scheme, the responsibility for the management and governance of the scheme lies with the trustees, who have a duty to act in the best interest of members at all times.

### Valuation for funding purposes

The main pension scheme, the Bank of England Pension Fund, is valued for funding purposes at intervals of not more than three years by an independent qualified actuary, with interim reviews in the intervening years. The latest valuation for funding purposes was as at 28 February 2023; it used the Defined Accrued Benefit Method but with an adjustment to help smooth the annual contributions over the subsequent three years.

Under the Defined Accrued Benefit Method, active members are assumed to leave the Fund on the date of the valuation and hence the past service liability does not include an allowance for any salary increases or in-service CARE revaluation after that date.

Instead members' benefits are assumed to increase in line with the deferred pension revaluation assumptions. However, the Fund's Trustees and the Bank agreed an adjustment to the past service liabilities to allow for three years' of future in-service increases in the liabilities, which means that the cost of uplifting past service liabilities with actual in-service increases is not part of the annual contribution rate.

	£mn
<b>The valuation as at 28 February 2023</b>	
Value of Fund assets	3,364
Actuarial value of scheme liabilities in respect of:	
In-service members	(716)
Deferred pensioners	(564)
Current pensioners and dependants	(1,681)
GMP equalisation reserve	(9)
RPI consultation reserve	–
Members' additional voluntary contributions	(1)
<b>Total</b>	<b>(2,971)</b>
<b>Scheme surplus</b>	<b>393</b>
<b>Funding level</b>	<b>113%</b>
<b>Service contribution rate for March<sup>(1)</sup></b>	<b>26.20%</b>

(1) During the prior year a revised Schedule of Contributions was agreed that introduced a further adjustment to contributions; an additional reduction of up to £32mn over 2025 and 2026. The contribution for 2026 was £354,000.

For the 2023 valuation, the liabilities were valued by the actuary using a discount rate based on the RPI assumption plus the index-linked gilt yield curve plus 0.3% per annum, which is a prudent assessment of the returns expected to be achieved by the Fund's investment strategy. Allowance was made for past and prospective mortality improvements. The rate of RPI inflation used in the valuation is based on the Bank's long-term CPI assumption of 2.0% per annum plus an allowance for the assumed difference between CPI and RPI (1.0% per annum pre-2030 and 0.0% per annum post-2030).

As the scheme was in surplus as at the valuation date, no deficit reduction contributions are currently required to be paid into the scheme. Expected future contributions are only in respect of meeting the cost of future benefit accrual.

Excluded from the contribution rate is the cost of administration and other services which is met by the Bank.

### **Summary of amounts recognised in the financial statements under IAS 19**

In the statutory financial statements the Bank accounts for pension costs, other post-retirement benefits and related redundancy provisions in accordance with IAS 19 (Employee Benefits). Under the standard, the difference between the market values of scheme assets and the present value of scheme liabilities is reported as a surplus or deficit in the balance sheet. The accounting value is different from the result obtained using the funding basis.

The accounts show a significantly greater surplus than the surplus in the scheme funding valuation. The main reason for this is the different assumptions used to value the liabilities in the accounting and funding valuations for the main scheme.

The scheme funding valuation assumptions are used to determine the contributions that the Bank is required to pay into the scheme to ensure that the scheme has sufficient assets to pay all the benefits due in future. Regulations require that the scheme funding assumptions are set conservatively and take account of the scheme's investment strategy. As the scheme's assets are invested primarily in index-linked gilts and similar assets, the discount rate used to value the liabilities is set based on an index-linked gilt yield.

In addition, the mortality assumption is set based on prudent principles (ie assuming members have long life expectancies). These assumptions place a relatively high value on the scheme's liabilities.

By contrast, accounting regulations require all companies to value their pension scheme liabilities on 'best estimate' assumptions, and to use a discount rate that is based on high-quality corporate bond yields. As corporate bond yields are generally higher than gilt yields, this approach places a lower value on pension scheme liabilities. The use of a best estimate mortality assumption for accounting purposes also reduces the value placed on the liabilities compared to the prudent scheme funding valuation.

### **ii: Redundancy provisions**

A provision was established to cover the cost of enhanced pension entitlements offered under redundancy arrangements that applied until 5 April 2010. These historic entitlements – including added years of service and early pension rights – were recognised in the Bank's own financial statements, based on actuarial advice, and were not charged to the Pension Fund. The provision represents the future cost of obligations already committed to at the point the redundancy offer was made. These pension related enhancements were withdrawn for redundancies occurring after 5 April 2010, and the current Redundancy Policy does not provide any pension linked enhancements.

### **iii: Other pension schemes**

Previously, for Governors subject to the pensions earnings cap introduced in the Finance Act 1989, the Bank offered additional unfunded pensions so that their total pensions broadly match what would have been provided by the former Court Pension Scheme in the absence of a cap. Provision is made for these in the Bank's accounts. In addition certain former Governors and Directors and the widows of some former Governors and Directors were granted ex-gratia pensions. Provision for these was made in the Bank's accounts when the grants were made.

The valuation of these schemes has been performed by using the relevant assumptions applied for the IAS 19 valuation of pension schemes and updated annually.

### **iv: Medical scheme**

Some current and former staff are entitled to receive healthcare benefits in retirement. Separate provision is made for these in the Bank's accounts as these cannot be paid out of the pension scheme. The defined-benefit liability is the expected cost to the Bank of the claims expected to be incurred by the eligible members once in retirement.

## **Accounting policies**

In the preparation of their valuations under IAS 19 referred to in this note, the actuary has used the assumptions indicated below, which members of Court have accepted for the purposes of accounting and disclosure under the standard.

### **Recognition of scheme assets**

The assets of the scheme are held by the Bank in an independent trustee-administered fund. The asset recognised in the balance sheet in respect of the defined-benefit pension scheme is the fair value of the scheme's assets less the present value of the defined-benefit obligation at the balance sheet date.

### **Recognition of scheme liabilities**

The defined-benefit obligation is calculated annually by an independent actuary using the projected unit method. The present value of the defined-benefit obligation is determined by discounting the estimated cash outflows using interest rates of high-quality sterling corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

### **Recognition of remeasurements**

Remeasurements on retirement benefits comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what actually occurred), as well as the effects of changes in actuarial assumptions. Remeasurements on retirement benefits are recognised immediately in equity and reflected in other comprehensive income. Current and past service costs are recognised immediately in the income statement. Any net defined-benefit surplus is limited to the benefit that is available to the Bank.

The Bank also provides other post-retirement benefits, principally related to redundancy provisions and healthcare for certain pensioners, which are accounted for on a similar basis to the accounting for pension obligations.

### **Recognition of the net pension surplus**

The Bank has recognised the net surplus in full on the balance sheet as it can realise any surplus on the winding up of the scheme after all other benefits have been paid in full in accordance with the Fund's rules. The Trustee does not have any unilateral powers which would prevent this and the rules can only be amended by agreement between the Bank and the Trustee.

**Amounts recognised as assets/(liabilities) in the balance sheet**

	Note <sup>(1)</sup>	2026 (£mn)	2025 (£mn)
Funded pension schemes	(i)	793	734
Unfunded post-retirement benefits:			
Redundancy provisions	(ii)	(42)	(45)
Other pension schemes	(iii)	(5)	(6)
Medical scheme	(iv)	(76)	(69)
<b>Unfunded post-retirement benefits</b>		<b>(123)</b>	<b>(120)</b>
		<b>670</b>	<b>614</b>

**Pension expense recognised in the income statement**

	Note <sup>(1)</sup>	2026 (£mn)	2025 (£mn)
Funded pension schemes	(i)	30	29
Unfunded post-retirement benefits:			
Redundancy provisions	(ii)	2	2
Other pension schemes	(iii)	–	–
Medical scheme	(iv)	3	3
		<b>35</b>	<b>34</b>

**Remeasurements recognised in the statement of comprehensive income**

	Note <sup>(1)</sup>	2026 (£mn)	2025 (£mn)
Funded pension schemes	(i)	89	(30)
Unfunded post-retirement benefits:			
Redundancy provisions	(ii)	2	2
Other pension schemes	(iii)	–	–
Medical scheme	(iv)	(9)	2
		<b>82</b>	<b>(26)</b>

(1) Notes relate to the preceding paragraphs overleaf (i–iv).

## Risks

The main risks to which the Bank is exposed in relation to the funded pension scheme are:

- Mortality risk – the assumptions adopted by the Bank make allowance for future improvements in life expectancy. However, if life expectancy improves at a faster rate than assumed, this would result in greater payments from the Fund and consequently increases in the scheme's liabilities. The Bank and the Trustee review the mortality assumption on a regular basis to minimise the risk of using an inappropriate assumption;
- Investment risk – the Fund invests the majority of its assets in a portfolio of UK fixed-interest gilts, index-linked gilts, derivatives and high-quality diversifying and return-generating assets such as debt issued by supranationals and sterling investment grade credit as the changes in the value of these types of investments closely match the movements in the Fund's liabilities. There are risks with the selected portfolios such that it does not match the liabilities closely enough, or that as it matures there is a risk of not being able to reinvest the assets at the assumed rates. The scheme's trustees review the structure of the portfolio on a regular basis to minimise these risks; and
- Inflation risk – the majority of the scheme's liabilities increase in line with inflation; and so if inflation is greater than expected, the liabilities will increase. The scheme's investment strategy contains RPI and CPI linked liabilities and the Fund is hedged with RPI linked assets, so this risk is mostly mitigated.

The redundancy provision and other pension schemes are primarily exposed to the mortality and inflation risks above. As they are not backed by any assets, these risks cannot be so easily managed. However, these arrangements (and therefore the risks associated with them) are small in comparison to the funded pension scheme.

The two main risks to which the Bank is exposed in relation to the medical scheme are mortality risk, as described above, and increases in the costs incurred being greater than assumed, either due to inflation of future medical costs or the frequency of members' claims.

## Components of pension expense in the income statement

	2026			2025		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Current service cost	60	–	–	61	–	–
Past service cost	–	–	–	–	–	–
Net interest (income)/expense on the net defined liability/asset	(32)	2	3	(32)	2	3
<b>Total pension expense</b>	<b>28</b>	<b>2</b>	<b>3</b>	<b>29</b>	<b>2</b>	<b>3</b>

## Remeasurements recognised in other comprehensive income

	2026			2025		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Remeasurements recognised at the beginning of the period	(241)	(19)	36	(212)	(21)	35
Actuarial gains arising from changes in demographic assumptions	25	1	(8)	10	–	1
Actuarial gains arising from changes in financial assumptions	56	–	1	218	3	4
Actuarial losses arising from experience on the scheme's liabilities	(36)	1	(3)	(47)	(1)	(3)
Losses on scheme's assets excluding interest income	45	–	–	(210)	–	–
<b>Remeasurements recognised at the end of the period</b>	<b>(151)</b>	<b>(17)</b>	<b>26</b>	<b>(241)</b>	<b>(19)</b>	<b>37</b>

## Reconciliation of present value of defined-benefit obligation

	2026			2025		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Present value of defined-benefit obligation at the beginning of the period	2,471	50	69	2,608	55	74
Current service cost	60	–	–	61	–	–
Past service cost	–	–	–	–	–	–
Interest expense	121	3	4	112	2	3
Actuarial (gains)/losses arising from changes in demographic assumptions	(25)	(1)	8	(10)	–	(1)
Actuarial gains arising from changes in financial assumptions	(56)	–	(1)	(218)	(3)	(4)
Actuarial losses arising from experience on the scheme's liabilities	36	(1)	3	47	1	3
Benefits paid out	(135)	(4)	(7)	(129)	(5)	(6)
<b>Present value of defined obligation at the end of the period<sup>(1)</sup></b>	<b>2,472</b>	<b>47</b>	<b>76</b>	<b>2,471</b>	<b>50</b>	<b>69</b>

### (1) Virgin Media v NTL Pension Trustees High Court Case

During 2024, the Court of Appeal upheld the initial High Court ruling in respect of Virgin Media v NTL Pension Trustees II Limited (and others), calling into question the validity of rule amendments made to contracted out defined benefit pension schemes between 1997 and 2016. Amendments to these pension schemes over this time required confirmation from the Scheme Actuary that the Reference Scheme Test would continue to be met. In the absence of such a confirmation, the rule amendment would be void.

In June 2025, the Government announced that the Department for Work and Pensions (DWP) would introduce legislation allowing pension schemes to retrospectively obtain written actuarial confirmation that historical benefit changes met the statutory standards required under Section 27 of the Pension Schemes Act 1993.

In 2025, a selection of amendments made to the Bank's scheme from the relevant period judged as material were reviewed by the Bank. The review indicated the risk of a material change in the defined benefit obligation (DBO) was remote, so no adjustment has been made to the DBO value disclosed.

During the reporting period there have been no plan amendments or settlements.

## Reconciliation of the fair value of assets

	2026			2025		
	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)	Main pension scheme (£mn)	Other pensions (£mn)	Medical scheme (£mn)
Fair value of scheme's assets at the beginning of the period	3,205	–	–	3,379	–	–
Interest income	150	–	–	143	–	–
Return/(losses) on scheme's assets excluding interest income	45	–	–	(210)	–	–
Bank contributions	–	4	7	22	5	6
Benefits paid out	(135)	(4)	(7)	(129)	(5)	(6)
<b>Fair value of scheme's assets at the end of the period</b>	<b>3,265</b>	<b>–</b>	<b>–</b>	<b>3,205</b>	<b>–</b>	<b>–</b>

## Summary of significant assumptions

Under IAS 19 measurement of scheme liabilities must be calculated under the projected unit method, which requires certain demographic and financial assumptions, including an assumption about future salary growth. The assumptions used are applied for the purposes of IAS 19 only.

The significant financial and other assumptions used by the independent actuary to calculate scheme liabilities over the life of the scheme on an IAS 19 basis were:

	2026 (%)	2025 (%)
Discount rate	4.9	4.8
CPI inflation	2.0	2.0
Rate of increase in salaries	3.0	3.0
Rate of increase of pensions in payment <sup>(1)</sup>	2.2	2.1
Rate of increase for deferred pensioners <sup>(1)</sup>	2.3	2.3

(1) This represents a weighted average of RPI and CPI, which are the indices used in the scheme.

## Key points to note in the calculation of scheme liabilities

- The discount rate assumption reflects the investment return on a high-quality corporate bond at the balance sheet date, as required by the standard.
- Future CPI assumption is assumed to be 2.0% per annum, in line with the Bank's long-term target.
- RPI inflation assumption is assumed to be 1.0% per annum higher than CPI inflation before 2030 and in line with RPI inflation from 2030 onwards. The same assumption was also used for the 2025 disclosures.
- The salary growth assumption reflects expected long-term salary increases over the life of the scheme.
- An age-related promotional scale has been applied in addition to the salary increase assumption above.
- The assumption for life expectancy for the scheme assumes that a male member reaching 60 in 2026 will live for 26.9 years (2025: 27.0 years) and a female member 29.7 years (2025: 28.9 years), and a male member reaching 60 in 2046 will live for 29.1 years (2025: 29.0 years) and a female member 31.3 years (2025: 30.4 years).
- The Bank has adopted the latest Series 4 base tables within the mortality assumption which allows for more recent mortality experience. The Series 3 base tables were used for the 2025 disclosures. This change reduces the scheme's liabilities.
- The Bank has adopted the latest available mortality projections model, which reduces the scheme's liabilities as a result of recent improvements in mortality being slightly lower than previously assumed.
- As per the 2025 disclosures, allowance has been made for the impact of Covid-19 on life expectancies taking account of the impact of the pandemic and the characteristics of the scheme's membership. This has been allowed for via an overlay factor to explicitly model the rise and subsequent fall in mortality since the Covid-19 pandemic.
- The overall effect of the changes to the mortality assumptions has been to decrease the value of the liabilities.

## Investments

The pension fund investment strategy aims to provide a high degree of certainty in the financial position of the Fund and its ability to meet its liabilities under a wide range of future economic and financial conditions, and to improve the strength of funding over time in a measured and proportionate way through long-term investment returns above gilts.

The assets in the scheme were:

		2026				2025			
		Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)	Level 1 (£mn)	Level 2 (£mn)	Level 3 (£mn)	Total (£mn)
Bonds <sup>(1)</sup>	Quoted	1,998	742	–	2,740	1,753	721	–	2,474
	Unquoted	–	362	–	362	–	429	–	429
Pooled investment vehicles	Quoted	–	–	–	–	–	–	–	–
	Unquoted	19	–	437	456	24	–	433	457
Derivatives	Quoted	(2)	–	–	(2)	(1)	–	–	(1)
	Unquoted	–	100	–	100	–	107	–	107
Additional Voluntary Contributions (AVC) investments	Quoted	–	–	–	–	–	–	–	–
	Unquoted	–	–	1	1	–	–	1	1
Other investment balances <sup>(2)</sup>	Quoted	17	3	–	20	15	3	–	18
	Unquoted	3	(98)	–	(95)	15	(96)	–	(81)
Amounts payable under repurchase agreements	Quoted	–	–	–	–	–	–	–	–
	Unquoted	–	(335)	–	(335)	–	(217)	–	(217)
<b>Total net investments at fair value</b>		<b>2,035</b>	<b>774</b>	<b>438</b>	<b>3,247</b>	<b>1,806</b>	<b>947</b>	<b>434</b>	<b>3,187</b>
Current assets	Unquoted	18	–	–	18	19	–	–	19
Current liabilities	Unquoted	–	–	–	–	(1)	–	–	(1)
<b>Net assets of the Fund</b>		<b>2,053</b>	<b>774</b>	<b>438</b>	<b>3,265</b>	<b>1,824</b>	<b>947</b>	<b>434</b>	<b>3,205</b>

- (1) 'Bonds' balances have been adjusted to exclude accrued interest. The accrued interest on bonds is included in 'Other investment balances'.
- (2) 'Other investment balances' comprise investment cash, derivative margin balances, items in the course of settlement and collection and accrued interest in respect of both bond investments and repurchase agreements.

For the purposes of IAS 19, the asset values stated are at the balance sheet date. Market values of the scheme's assets, which are not intended to be realised in the short term, may be subject to significant change before they are realised.

The fair value of financial instruments has been determined using the following fair value hierarchy:

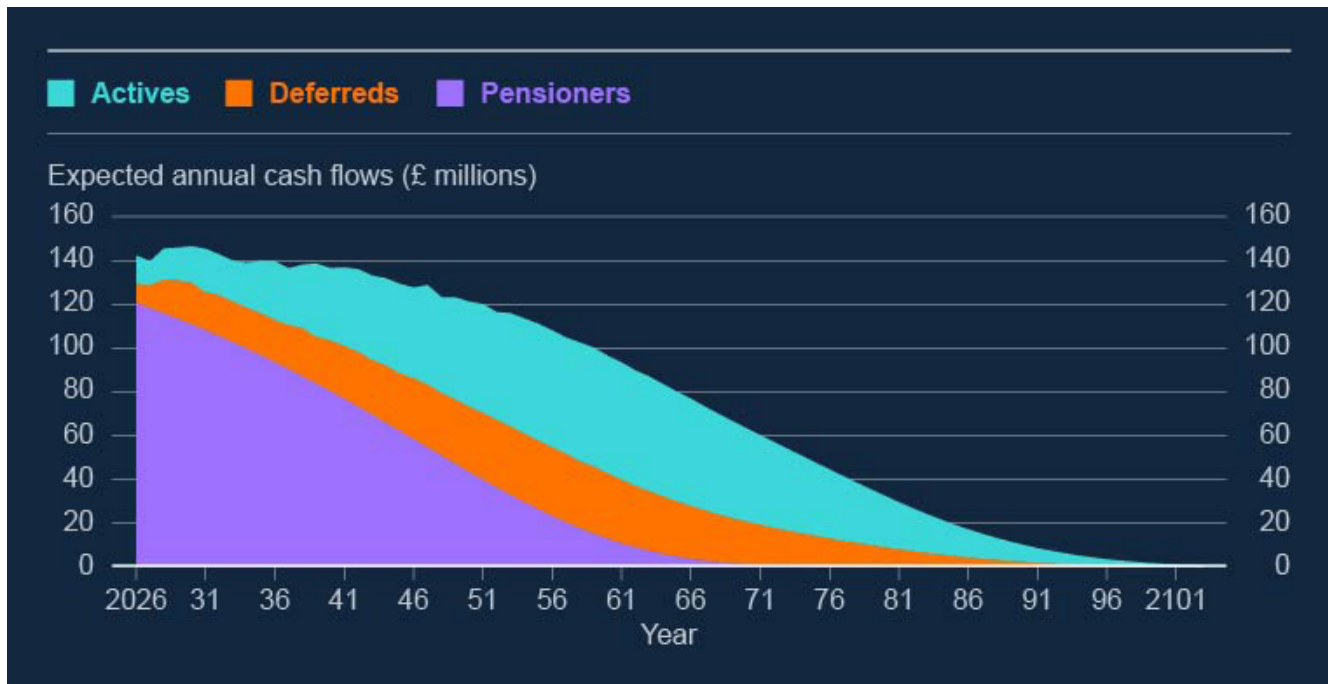
- Level 1 – were valued using an unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 – were valued using inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) either directly or indirectly.
- Level 3 – where inputs were unobservable (ie for which market data is unavailable).

## Main scheme

	2026 (£mn)	2025 (£mn)
<b>Present value of defined-benefit obligations:</b>		
Active members	(611)	(594)
Deferred members	(420)	(417)
Pensioners	(1,435)	(1,455)
GMP equalisation reserve	(6)	(5)
<b>Total present value of defined-benefit obligations</b>	<b>(2,472)</b>	<b>(2,471)</b>
Assets at fair value	3,265	3,205
<b>Defined-benefit asset</b>	<b>793</b>	<b>734</b>

The Bank has recognised the net surplus in full on the balance sheet as it can realise any surplus on the winding up of the scheme after all other benefits have been paid in full in accordance with the scheme's rules, which can only be amended with agreement between the Bank and the Trustees.

The duration of the pension scheme liabilities is in the region of 14 years. The expected future monthly cash flows from the scheme (based only on benefits built up by 28 February 2026) are shown in the chart below.



## Sensitivity analysis

	2026 (£mn)	2025 (£mn)
A percentage change to the discount rate would increase/(decrease) the present value of defined-benefit obligations for the pension scheme by:		
+0.1%	(34)	(34)
-0.1%	34	34
+0.25%	(81)	(82)
-0.25%	86	87
+1.0%	(298)	(301)
-1.0%	380	384
A percentage change to the assumed difference between CPI and RPI inflation would increase/(decrease) the present value of defined-benefit obligations for the pension scheme by:		
+0.1%	20	21
-0.1%	(20)	(21)
+0.25%	52	53
-0.25%	(49)	(51)
+1.0%	223	228
-1.0%	(179)	(182)

A +/- 0.5% change to the to the assumed rate of increases in salaries would change the surplus on the pension scheme by +/- £6mn (28 February 2025: +/- 9mn).

If mortality rates were adjusted such that individuals were assumed to live for an additional year, the scheme's liabilities at the year end would increase by approximately £75mn (2025: £72mn).

The Bank paid contributions of £nil during the year (2025: £22mn). In light of the surplus in the Fund, and in agreement with the Trustees, the Bank is expected to pay a contribution of £0.4mn in respect of the upcoming year from March 2026 to February 2027.

### Redundancy provisions

	2026 (£mn)	2025 (£mn)
<b>Unfunded defined-benefit liability</b>	<b>(42)</b>	<b>(45)</b>

More details regarding the composition and valuation of redundancy provisions are provided on page 159.

The Bank expects to make payments of £4mn in the forthcoming year (2025: £4mn).

### Other pension schemes

	2026 (£mn)	2025 (£mn)
<b>Unfunded defined-benefit liability</b>	<b>(5)</b>	<b>(6)</b>

More details regarding the composition and valuation of other pension schemes are provided on page 160.

The Bank expects to make payments of less than £1mn in the forthcoming year (2025: less than £1mn).

During the year to 28 February 2026 the Bank incurred service costs of less than £1mn (2025: less than £1mn).

## Medical scheme

Some staff are entitled to receive healthcare benefits in retirement. Separate provision is made for these in the Bank's accounts as these cannot be paid out of the Pension Fund.

### Summary of significant assumptions

The discount rates used for the purposes of measuring post-retirement medical benefit liabilities are the same as used in the IAS 19 valuation of pension scheme liabilities (refer to Summary of significant assumptions on page 166). The level at which claims are assumed to arise on average has been taken in line with that used for the 2025 disclosures. For accounting purposes the following assumptions have been made in respect of medical expense inflation:

	2026 (%)	2025 (%)
Initial medical trend	5.0	5.0
Ultimate medical trend	5.0	5.0
<b>Years to ultimate</b>	–	–

### Post-retirement benefits – medical

	2026 (£mn)	2025 (£mn)
<b>Unfunded defined-benefit liability</b>	(76)	(69)

Sensitivity analysis provided by the actuary indicates that 0.1% decrease in the discount rate would change the deficit on the post-retirement medical benefits by £1mn (2025: £1mn) and a 1% increase in the rate of medical claims by £9mn (2025: £9mn). If the mortality rates were adjusted such that individuals were assumed to live for an additional year, the post-retirement medical liabilities at the year end would increase by approximately £4mn (2025: £4mn).

The Bank expects to pay premiums of £7mn in the forthcoming year (2025: £6mn).

## 26: Related parties

### a: HM Government

The Bank provides a range of activities to its shareholder, HM Treasury, and to other Government departments and bodies:

- provision of banking services, including holding the principal accounts of Government;
- management of the Exchange Equalisation Account (EEA); and

- management of the note issue.

The Bank also engaged in transactions with the Financial Services Compensation Scheme and other related parties.

The aggregate balances on HM Treasury and other public sector accounts are disclosed in note 12 as public deposits. The total charges made to HM Government totalled £84mn (2025: £74mn) as disclosed in note 5a. The breakdown is as follows:

- services provided to the EEA of £16mn (2025: £16mn);
- Issue Department £66mn (2025: £57mn);
- banking services to HM Government £2mn (2025: £1mn).

### **Debt Management Office and Debt Management Account**

The Bank has entered into agreements with the Debt Management Account (DMA) through the UK Debt Management Office (DMO) whereby the DMA lends UK government securities to the Bank with the simultaneous agreement that the Bank would deliver equivalent securities to the DMA on termination of those agreements.

The DMA placed interest-bearing deposits with the Bank during the year, which is included within note 12 as public deposits. The interest paid in respect of DMO deposits was £222mn in 2026 (2025: £260mn).

### **HM Treasury**

HM Treasury continued to indemnify the activities of the Bank of England Asset Purchase Facility Fund Ltd (BEAPFF).

The net profits/losses of the Issue Department are referred to as seigniorage, and paid/claimed directly to/from HM Treasury via the National Loans Fund. The total net seigniorage income paid to the National Loans Fund in respect of the year ended 28 February 2026 was £3,808mn (2025: £4,438mn).

### **Financial Services Compensation Scheme**

The Financial Services Compensation Scheme (FSCS) is the United Kingdom's statutory fund of last resort for customers of authorised financial services firms set up under the Financial Services and Markets Act 2000 (FSMA). The FSCS is independent from the Prudential Regulation Authority and Financial Conduct Authority, although accountable to them and ultimately to HM Treasury.

The FSCS placed interest-bearing deposits with the Bank during the year, which are included within note 12 as public deposits.

### **Financial Conduct Authority**

The Financial Conduct Authority (FCA) charges the Bank an administration fee relating to the invoicing and collection of fee and other income from PRA levy payers. Charges for this service totalled £192,000 (2025: £145,000) in the year. The Bank is also charged for the shared use of some FCA software applications to support regulation. The total charge for this service was £1.5mn (2025: £5.7mn).

### **b: Subsidiaries**

Full details of the subsidiaries of the Bank are disclosed in note 23.

#### **Bank of England Asset Purchase Facility Fund Ltd (BEAPFF)**

BEAPFF is a wholly owned subsidiary of the Bank. It was established on 30 January 2009 in order to fulfil the remit of the Chancellor given to the Bank on 19 January 2009. This remit was subsequently expanded to enable the Company's operations to be used as a monetary policy tool at the request of the Monetary Policy Committee of the Bank.

BEAPFF operations are fully indemnified for loss by HM Treasury and in return any surplus from these operations is due to HM Treasury.

At 28 February 2026 the loan from the Bank to BEAPFF was £553.2bn (2025: £654.5bn). Interest on this loan is receivable at Bank Rate and amounted to £24.6bn for the year ending 28 February 2026 (2025: £35.0bn).

At the year end BEAPFF held a deposit at the Bank of £21.7bn (2025: £13.3bn), which is included in other deposits (note 12). Interest on this deposit is payable at Bank Rate and totalled £0.6bn for the year ending 28 February 2026 (2025: £1.1bn).

With effect from 1 March 2025, all administrative costs related to BEAPFF are recovered through the BoE Levy. Accordingly, BEAPFF was not charged an administrative fee for the year ending 28 February 2026 (2025: £1.8mn) by the Bank.

#### **Bank of England Alternative Liquidity Facility Ltd (BEALF)**

BEALF is a wholly owned subsidiary of the Bank. BEALF was incorporated on 14 December 2018. The principal activity of BEALF is to offer a non-interest based deposit facility backed by the Bank to commercial banks that cannot pay or receive interest. It houses a deposit facility to allow UK banks to hold sterling deposits at the Bank in a similar way to conventional banks under the Bank's Sterling Money Framework. Relatedly, the deposit

capacity of the Alternative Liquidity Facility (BEALF) is limited to the size of the backing fund, which may be reviewed from time to time.

At 28 February 2026 the loan from the Bank to BEALF was £49mn (2025: £nil).

At the year end BEALF held a non-interest bearing deposit at the Bank of £26mn (2025: £20.3mn). During the year the Bank received income of £203,165 (2025: £110,887) from acting as a co-depositor.

The Bank has provided a guarantee for the principal value of deposits placed by participating banks with BEALF (refer to page 155).

Management fee payable by BEALF to the Bank in respect of the year ended 28 February 2026 is £201,530 (2025: £192,117). In addition, there is a project cost payable of £181,474 (2025: £362,949) to the Bank in respect of the cost incurred in the set-up of BEALF.

### c: Key management personnel

The Governors and the Chief Operating Officer are indemnified by the Bank, granted in 2000 (refer to page 13).

The following information is presented only in respect of those employees of the Bank who would be considered as key management personnel, as defined under IAS 24 (Related Party Disclosures). This comprises the Governors, members of the Executive Team and Non-executive Directors.

At 28 February 2026 the number of key management personnel was 45 (2025: 42).

The following table relates to loans between the Bank and key management personnel and persons connected with them:

	2026 (£000)	2025 (£000)
<b>Loans</b>		
Balance brought forward	–	1
Loans made during year	–	–
Loans repaid during year	–	(1)
	–	–
Interest income earned	–	–
Number of key management personnel with loans at 28 February	–	–

No expected credit losses have been recognised in respect of loans given to related parties (2025: £nil) as the ECL amount is immaterial.

There were no other transactions that would be required to be shown under the provisions of the Companies Act 2006. None of the key management personnel had a material interest, directly or indirectly, at any time during the year in any other significant transaction or arrangement with the Bank or any of its subsidiaries.

### Key management remuneration

	2026 (£000)	2025 (£000)
Salaries and short-term benefits	8,786	8,937
Post-employment benefits	860	700
	<b>9,646</b>	<b>9,637</b>

Post-employment benefits have been estimated using an expected cost of pension on a funding valuation basis.

Full information on the remuneration (including pension arrangements) of the Members of Court is given in the Report of the Remuneration Committee on pages 72–81.

### d: The Bank's pension scheme

The Bank provides the secretariat and some banking and custodial services to the Bank's funded pension scheme.

In the year to 28 February 2026 no charge was made for these services (2025: £nil). These activities are undertaken on behalf of, and under the supervision of, the Trustee of the Pension Fund.

The contribution paid to the scheme during the year was £nil (2025: £22mn). There were no other material transactions between the Bank and the pension scheme during the year to 28 February 2026.

At 28 February 2026 the balances on accounts held with the Bank were £0.024mn (2025: £0.023mn).

### e: Other entities with links to the Bank

In the normal course of its activities as a central bank, the Bank has relationships, involving some representation at management level and participation in funding, with international and domestic institutions. The Bank does not consider these institutions to be related parties.

## Section 6: Operating assets and liabilities

This section analyses the operational assets utilised by the Bank in fulfilling its objectives and the related liabilities.

### 27: Payable to HM Treasury under Section 1(4) of the Bank of England Act 1946

The Bank of England Act 1946, as amended by the Bank of England Act 1998, requires the Bank to pay HM Treasury, in lieu of dividend on the Bank's capital, on 5 April and 5 October, a sum equal to a percentage of the Banking Department's post-tax profit for the previous financial year as agreed by the Bank and HM Treasury. The cash amount paid in 2026 was £nil (2025: £nil). When the due date falls on a non-business day, the payments is made on the last business day before the due date. These payments have been accrued and charged to equity. The payments are deductible for corporation tax in the year which the payments relate.

	2026 (£mn)	2025 (£mn)
Payable 5 April 2026 (2025: 5 April)	20	–
Payable 5 October 2026 (2025: 5 October)	46	–
	<b>66</b>	<b>–</b>

Following agreement of the new capital framework<sup>[30]</sup> between the Bank and HM Treasury, the proportion of Banking Department profits payable to HM Treasury will be determined by the level of loss-absorbing capital held by the Bank and where this sits within a set of parameters as outlined in section 2b of the newly agreed Financial relationship between HM Treasury and the Bank of England: memorandum of understanding. A total dividend of £66mn will be paid to HM Treasury for the financial year to 28 February 2026 as the Bank's loss-absorbing capital is above the £3.5bn threshold, in line with the capital framework.

30. [www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship](http://www.bankofengland.co.uk/news/2025/february/joint-statement-boe-and-hmt-financial-relationship).

## 28: Property, plant and equipment

### Accounting policies

#### i: Initial recognition

The amount capitalised at initial recognition is the purchase price of the asset along with any further costs incurred in bringing the asset to its present condition and location.

#### ii: Subsequent valuation

Subsequent costs are added to an asset's carrying amount, or are recognised as a separate asset as appropriate, only when it is probable that they will generate future economic benefits to the Bank and the cost of the item can be reliably measured. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Professional valuations of the Bank's freehold land and buildings are carried out each year with subsequent additions included at cost and provisions made for depreciation as explained below. Any surplus arising on revaluation is recognised directly in a revaluation reserve within equity, except to the extent that the surplus reverses a previous revaluation deficit on the same asset recognised in the income statement, in which case the credit is to the income statement.

The figures for freehold land and buildings reflect independent professional valuations performed in accordance with the Royal Institution of Chartered Surveyors on a market-value basis as at 28 February 2026 by Jones Lang LaSalle Ltd.

#### iii: Depreciation

Land is not depreciated. Depreciation on other property, plant and equipment is charged on a straight-line basis:

- Freehold buildings: over the estimated future lives which range from 10 to 75 years.
- Leasehold improvements: over the estimated remaining life of the lease.
- Plant within buildings: over periods ranging from 5 to 20 years.
- Lease right of use (ROU) assets: over the estimated remaining life of the lease.
- IT equipment: over periods ranging from 3 to 7 years.
- Other equipment: over periods ranging from 3 to 20 years.

The depreciable amount of a revalued asset is based on its revalued amount less any residual value. The revaluation surplus is not transferred to retained earnings until the asset's ultimate disposal.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

Assets that are subject to depreciation are reviewed at each reporting date to assess whether there is any indication that an asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value (less costs to sell) and value in use.

**iv: Gain or losses on the disposal of property, plant and equipment**

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

	Freehold land and buildings (£mn)	Leasehold improvements (£mn)	Equipment (£mn)	Lease ROU assets (£mn)	Total (£mn)
<b>For the period to 28 February 2026</b>					
<b>Cost or valuation</b>					
At 1 March 2025	238	15	211	94	558
Additions	14	2	15	7	38
Disposals/write-offs	–	–	(4)	–	(4)
Revaluation of properties	(20)	–	–	–	(20)
<b>At 28 February 2026</b>	<b>232</b>	<b>17</b>	<b>222</b>	<b>101</b>	<b>572</b>
<b>Accumulated depreciation</b>					
At 1 March 2025	5	12	136	57	210
Charge for the period	4	1	17	10	32
Disposals/write-offs	–	–	(4)	–	(4)
Revaluation of properties	(3)	–	–	–	(3)
<b>At 28 February 2026</b>	<b>6</b>	<b>13</b>	<b>149</b>	<b>67</b>	<b>235</b>
Net book value at 1 March 2025	233	3	75	37	348
<b>Net book value at 28 February 2026</b>	<b>226</b>	<b>4</b>	<b>73</b>	<b>34</b>	<b>337</b>

Additions for the year includes accrued amounts of £32mn (2025: £25mn). The cash purchases for the year are £38mn (2025: £17mn).

	Freehold land and buildings (£mn)	Leasehold improvements (£mn)	Equipment <sup>(1)</sup> (£mn)	Lease ROU assets (£mn)	Total (£mn)
<b>For the period to 28 February 2025</b>					
<b>Cost or valuation</b>					
At 1 March 2024	253	15	208	78	554
Additions	9	–	14	16	39
Disposals/write-offs	–	–	(11)	–	(11)
Revaluation of properties	(24)	–	–	–	(24)
<b>At 28 February 2025</b>	<b>238</b>	<b>15</b>	<b>211</b>	<b>94</b>	<b>558</b>
<b>Accumulated depreciation</b>					
At 1 March 2024	4	11	125	47	187
Charge for the period	4	1	21	10	36
Disposals/write-offs	–	–	(10)	–	(10)
Revaluation of properties	(3)	–	–	–	(3)
<b>At 28 February 2025</b>	<b>5</b>	<b>12</b>	<b>136</b>	<b>57</b>	<b>210</b>
Net book value at 1 March 2024	249	4	83	31	367
<b>Net book value at 28 February 2025</b>	<b>233</b>	<b>3</b>	<b>75</b>	<b>37</b>	<b>348</b>

(1) Net book value of equipment at 28 February 2025 included £nil held under finance leases.

## 29: Intangible assets

### Accounting policies

#### i: Initial recognition

Intangible assets mainly consist of computer software and the costs associated with the development of software for internal use.

Costs associated with externally purchased software and costs directly associated with the internal production of software products, which are controlled by the Bank and which will generate economic benefits exceeding those costs, are recognised as intangible assets. Economic benefits include those that help the Bank to achieve its mission.

#### ii: Amortisation

These costs are amortised over the expected useful lives of the software, which range from 3 to 14 years. Costs associated with software maintenance are recognised as an expense when incurred. Intangible assets are tested for impairment annually. Intangible assets are also subject to an impairment review if there are events or changes in circumstances that indicate that the current valuation may be too high.

	2026 (£mn)	2025 (£mn)
<b>Cost</b>		
At 1 March	379	356
Additions	13	24
Disposals/write-offs	(3)	(1)
<b>At 28 February</b>	<b>389</b>	<b>379</b>
<b>Accumulated amortisation</b>		
At 1 March	137	109
Charge for the year	31	29
Disposals/write-offs	(3)	(1)
<b>At 28 February</b>	<b>165</b>	<b>137</b>
Net book value at 1 March	242	247
<b>Net book value at 28 February</b>	<b>224</b>	<b>242</b>

Additions for the year includes accrued amounts of £nil (2025: £nil). The cash purchases for the year are £13mn (2025: £24mn).

## 30: Other assets

### Accounting policies

Long leases granted on property owned by the Bank are treated as finance leases. Finance lease receivables are stated in the balance sheet at the amount of the net investment in the lease, being the minimum lease payments and any unguaranteed residual value discounted at the interest rate implicit in the lease.

To manage Bank owned assets effectively, portfolio managers are employed to conduct strategic evaluations. Additionally, independent real estate valuation experts are engaged to assess residual values.

	2026 (£mn)	2025 (£mn)
Finance lease receivables	4	5
Short-term debtors and other assets	3,106	3,275
Items in course of settlement	273	330
	<b>3,383</b>	<b>3,610</b>

Finance lease receivables also include £4mn due in more than one year (2025: £5mn). Within short-term debtors and other assets, there is accrued interest of £2,197mn (2025: £1,955mn) mainly related to the loan to BEAPFF and £254mn (2025: £740mn) for accrued fees on TFSME loans.

## 31: Other liabilities

### Accounting policies

Other liabilities are recognised to the extent that the goods or services have been received, irrespective of having been invoiced, or where an obligation on the Bank has arisen.

### Provisions

Provisions are recognised in respect of restructuring, onerous leases and legal claims arising from past events, where a present legal or constructive obligation exists, where it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

### Lease liabilities

Lease liabilities are recognised in respect of premises occupied by the Bank. Lease liabilities are recognised on the balance sheet and are measured at the present value of the remaining lease payments discounted at the weighted average lessee's incremental borrowing rate.

## i: Analysis of other liabilities

	2026 (£mn)	2025 (£mn)
Items in course of collection	59	127
Payable to HM Treasury	75	33
Short-term creditors and other liabilities	1,831	2,234
Lease liabilities	27	30
Provisions	44	4
<b>Balance at 28 February 2026</b>	<b>2,036</b>	<b>2,428</b>

Payable to HM Treasury includes payment in lieu of dividend (note 27), enforcement fines (net of costs) payable to HM Treasury, and any over/under recoveries of management fees for the management of the notes issue and the Exchange Equalisation Account.

Within short-term creditors and other liabilities there is accrued interest of £1,685mn (2025: £2,110mn) mainly related to reserve accounts.

## ii: Analysis of provisions

	Restructuring provision (£mn)	Onerous lease provision (£mn)	Other provisions (£mn)	Total (£mn)
Balance at 1 March 2025	2	–	2	4
Provisions utilised during the year	(1)	–	–	(1)
Provisions made during the year	43	–	–	43
Provisions reversed during the year	–	–	(2)	(2)
<b>Balance at 28 February 2026</b>	<b>44</b>	<b>–</b>	<b>–</b>	<b>44</b>

During the year ended 28 February 2026, as part of the Bank's multi-year transformation of operations to build a more efficient, resilient, and fit for the future organisation, the Bank formally announced a MAR scheme. MAR reflects a one-off opportunity for colleagues to leave the Bank voluntarily with a financial settlement. A provision of £40mn (2025: £nil) has been recognised representing the direct costs of the agreed staff exits. Staff exits are expected to be substantially completed by the end of 2026.

## iii: Analysis of lease liabilities

	2026 (£mn)	2025 (£mn)
Expiring within one year	8	7
Expiring between one and five years	19	23
Expiring between five and ten years	–	–
<b>Balance at 28 February</b>	<b>27</b>	<b>30</b>

## iv: Lease liability movements

	2026 (£mn)	2025 (£mn)
Balance at 1 March	30	25
New leases entered into in year	9	16
Payments in the year	(13)	(12)
Interest expense on lease liabilities	1	1
<b>Balance at 28 February</b>	<b>27</b>	<b>30</b>

## Section 7: Other miscellaneous notes

This section includes miscellaneous notes to the accounts not included in other sections.

### 32: Auditor's remuneration

	2026 (£000)	2025 (£000)
<b>For the period to 28 February</b>		
Fees relating to audit services performed for the current year	790	865
Fees relating to prior year	–	85
<b>Fees payable to the Auditor for services provided to the Bank</b>		
Non-audit assurance services for the current year	85	85
<b>Total</b>	<b>875</b>	<b>1,035</b>

Non-audit assurance services comprise £62,000 for providing assurance to HM Treasury on the allocation of costs and performing agreed-upon procedures in support of the National Audit Office (2025: £62,000), and £23,000 for the submission for Whole of Government Accounts (2025: £23,000).

### 33: Deferred tax

#### Accounting policies

##### Deferred tax

Deferred tax is provided in full, using the liability method, on losses, tax credits and on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by 28 February 2026 and which are expected to apply when the related deferred tax asset or liability is realised. Deferred tax liabilities are presented net of deferred tax assets in the statement of financial position as the Bank has the legal right to settle current tax amounts on a net basis and all tax amounts relate to amounts owing to HMRC in the same jurisdiction. It is the Bank's intention to settle amounts on a net basis.

**Rate**

Deferred tax is calculated on temporary differences, losses and tax credits using the tax rate of 25.00% (2025: 25.00%).

**Principal differences**

The principal temporary differences arise from:

- revaluation of certain financial assets;
- provisions for pensions and other post-retirement benefits;
- depreciation of property, plant and equipment;
- property revaluations; and
- intangibles.

**Recognition**

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences, losses and tax credits can be utilised.

Deferred tax related to securities held at FVOCI under IFRS 9 and actuarial gains and losses on retirement benefit obligations is credited or charged directly to other comprehensive income and is subsequently recognised in the income statement together with the current or deferred gain or loss if and when realised.

	Note	2026 (£mn)	2025 (£mn)
<b>Deferred tax</b>			
Net liability at 1 March		485	432
Income statement (credit)/charge	6	7	20
Tax charged/(credited) through other comprehensive income or directly to equity	6	106	33
<b>Net liability at 28 February</b>		<b>598</b>	<b>485</b>

	2026 (£mn)	2025 (£mn)
<b>Deferred tax liability relates to:</b>		
FVOCI equity investments through comprehensive income	513	424
Pensions and other post-retirement benefits	166	155
Losses carried forward <sup>(1)</sup>	(90)	(102)
Other	9	8
<b>Total</b>	<b>598</b>	<b>485</b>

(1) The Bank has considered the carrying value of deferred tax assets and concluded that, based on management's estimates, sufficient sustainable taxable profits will be generated in future years to recover recognised deferred tax assets.

The Bank has deductible temporary differences of £92mn (2025: £86mn) worth £23mn (2025: £21mn) in deferred tax at 25% relating to revalued property on which no deferred tax is recognised.

## Issue Department account for the period ended 28 February 2026

	2026 (£mn)	2025 (£mn)
<b>Income and profits</b>		
Securities of, or guaranteed by, the British Government	65	89
Other securities and assets	3,812	4,412
	<b>3,877</b>	<b>4,501</b>
<b>Expenses</b>		
Cost of production of banknotes	(26)	(21)
Cost of issue, custody and payment of banknotes	(29)	(31)
Other expenses	(6)	(5)
	<b>(61)</b>	<b>(57)</b>
Buffer withheld by Bank <sup>(1)</sup>	(8)	(6)
<b>Net seigniorage income paid to the National Loans Fund</b>	<b>3,808</b>	<b>4,438</b>

(1) Net income paid to the NLF excludes a buffer held back to meet future expenditure. At the 2026 year end this was £8mn (2025: £6mn). Amounts held back in the buffer are paid over to the NLF in the subsequent year but are not included in that year's net income paid to NLF reported here.

## Issue Department statement of balances for the period ended 28 February 2026

	Note	2026 (£mn)	2025 (£mn)
<b>Assets</b>			
Securities of, or guaranteed by, the British Government	3	1,102	1,500
Other securities and assets including those acquired under reverse repurchase agreements	4	95,107	89,093
<b>Total assets</b>		<b>96,209</b>	<b>90,593</b>
<b>Liabilities</b>			
Notes issued:			
In circulation	5	96,209	90,593
<b>Total liabilities</b>		<b>96,209</b>	<b>90,593</b>

On behalf of the Governor and Company of the Bank of England:

**Mr A Bailey**, Governor

**Mr S Woods**, Deputy Governor

**Mr D Roberts**, Chair of Court

**Ms A Kyei**, Chief Financial Officer

# Notes to the Issue Department statements of account

## 1: Basis of preparation

The statements of account are prepared in accordance with the requirements of the Currency and Bank Notes Act 1928 and 1954, the National Loans Act 1968 and the Currency Act 1983. All profits of the Issue Department are payable to the National Loans Fund (NLF).

- The statements of account are prepared on the basis of amounts received and paid as modified by the effects of a revaluation of securities.
- All securities are revalued quarterly at their clean mid-market price and are stated, with purchased accrued interest, in the balance sheet at this valuation. The last valuation was made as at 28 February 2026.
- If a revaluation of securities shows a net gain, this is included in income. A deficit is not taken against income but is settled by a transfer from the NLF. Total gains taken to income in the year to 28 February 2026 amounted to £1mn (2025: £11mn) and total deficits paid by the NLF amounted to £2mn (2025: £18mn).
- Notes in circulation exclude those old series notes which have been written off. The value of the note is still given by the Bank on presentation. The Bank is reimbursed by HM Treasury in these instances.

## 2: Expenses

The expenses of £61mn (2025: £57mn) represent charges from the Banking Department for costs incurred by the Issue Department of £70mn (2025: £60mn) in relation to note issuance production costs plus or minus amounts over/undercollected in prior years.

## 3: Securities of, or guaranteed by, the British Government

	2026 (£mn)	2025 (£mn)
British Government Stocks	732	1,130
Ways and Means advance to the National Loans Fund	370	370
	<b>1,102</b>	<b>1,500</b>

The Ways and Means advance earns interest at Bank Rate.

## 4: Other securities and assets including those acquired under reverse repurchase agreements

	2026 (£mn)	2025 (£mn)
Deposit with Banking Department	95,107	89,093
	<b>95,107</b>	<b>89,093</b>

The deposit with the Banking Department earns interest at Bank Rate. The interest received from the deposit is recognised in 'Other securities and assets' in the Issue Department account for the period.

## 5: Notes in circulation

	2026 (£mn)	2025 (£mn)
£5	1,993	1,955
£10	12,948	12,580
£20	58,632	55,101
£50	17,932	16,236
Other notes <sup>(1)</sup>	4,704	4,721
	<b>96,209</b>	<b>90,593</b>

(1) Includes higher-value notes used as backing for the note issues of banks in Scotland and Northern Ireland.

## 6: Assets and liabilities

### a: Interest rate exposure

As the liabilities of the Issue Department are interest free, the income of the Issue Department is directly exposed to movements in interest rates. As at 28 February 2026, the assets of the Issue Department had the following repricing period profile.

	2026 (£mn)	2025 (£mn)
Repricing up to one month	95,477	89,860
Repricing in greater than 12 months	732	733
	<b>96,209</b>	<b>90,593</b>

**b: Currency exposure**

All the assets and liabilities of the Issue Department are denominated in sterling. The collateral provided under reverse repurchase agreements may be in currencies other than sterling but this does not give rise to any direct currency exposure.

**c: Credit risk**

Credit risk is the risk of loss arising from the failure of a borrower, issuer, counterparty or customer to meet its financial obligations to the Bank. The Bank is exposed to credit risk both through direct exposures and through contingent exposures, such as custody arrangements and holdings of collateral. Credit risk arises in the course of the operations of the Notes Circulation Scheme, Agency Notes Store and Notes Printing Contract; and as a result of the Bank providing liquidity to financial institutions via open market operations.

In providing liquidity via routine open market operations, credit risk is managed by ensuring that exposures are fully collateralised (with appropriate margin) by securities that are internally rated as equivalent to investment grade securities.

Credit risk on the securities held outright by the Bank is managed by holding only securities internally rated as equivalent to investment grade securities in routine circumstances, issued chiefly by governments and central banks.

**7: Accrued interest**

At 28 February 2026 the unrecognised accrued interest on the assets held on the Issue Department statement of balances was £30mn (2025: £53mn).

**8: Date of approval**

The Members of Court approved the statements of account on pages 189–93 on 15 June 2026.

## PRA income statement for the period ended 28 February 2026

	Note	2026 (£mn)	2025 (£mn)
<b>Income</b>			
Fee income	2	338	330
Enforcement fine income	5	1	2
Other income	3	11	12
<b>Total income</b>		<b>350</b>	<b>344</b>
<b>Expenses</b>			
Administrative expenses	4	(350)	(344)
<b>Total expenses</b>		<b>(350)</b>	<b>(344)</b>
Surplus/(deficit)		–	–

The amounts for the PRA are reported within the Banking Department, and are presented here in accordance with the requirements of Section 7(2A) of the Bank of England Act 1998.

The notes on pages 196–203 are an integral part of these financial statements.

# PRA statement of balances for the period ended 28 February 2026

	Note	2026 (£mn)	2025 (£mn)
<b>Assets</b>			
<b>Current assets</b>			
Cash balance held internally by the Bank of England		–	25
Fees and other receivables	8	1	1
Intangible assets	9	9	13
<b>Total assets</b>		<b>10</b>	<b>39</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Overdraft balance held internally by the Bank of England		6	–
Trade and other liabilities	10	4	39
<b>Total liabilities</b>		<b>10</b>	<b>39</b>

The balances for the PRA are reported within the Banking Department, and are presented here in accordance with the requirements of Section 7(2A) of the Bank of England Act 1998.

On behalf of the Governor and Company of the Bank of England:

**Mr A Bailey**, Governor

**Mr S Woods**, Deputy Governor

**Mr D Roberts**, Chair of Court

**Ms A Kyei**, Chief Financial Officer

The notes on pages 196–203 are an integral part of these financial statements.

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# Notes to the PRA statement of accounts

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## 1: Basis of preparation

### Form of presentation of the statement of accounts

The statement of accounts comprise the income statement, the statement of balances, and related notes, and are presented as a subset of the financial statements provided for the Bank.

Under the Bank of England Act 1998 (as amended) (the Act), the Bank is required to present financial and other disclosures in respect of its activities as the Prudential Regulation Authority.

Section 7(2A) of the Act requires that the Bank prepare for each of its financial years a statement of accounts in relation to the:

- (a) income received and assets accrued by the Bank by virtue of its functions as the Prudential Regulation Authority; and
- (b) expenses and liabilities incurred by the Bank by virtue of its functions as the Prudential Regulation Authority.

Section 7(4A) of the Act requires the Bank to comply with any directions given by HM Treasury as to:

- (a) the information to be contained in the statement and the manner in which it is to be presented; and
- (b) the methods and principles according to which the statement is to be prepared.

The direction from HM Treasury requires the accounting policies and disclosures applied to be aligned with those standards applicable to the Bank and also to include specific disclosures in relation to:

- (a) fair pay;
- (b) sickness absence;
- (c) exit packages; and
- (d) losses and special payments.

The statement of accounts has been prepared and shows the amounts related to the Bank's activities as the PRA that are reported within the Banking Department financial statements. The statement of accounts comprise the income statement, the statement of balances and related notes.

The additional disclosures have been included within the notes to the statement of accounts.

The Court of Directors confirms that the money levied by the Prudential Regulation Authority under Parliamentary Authority recorded in these statement of accounts of the PRA has been applied to the purposes intended by Parliament.

### **Accounting policies**

The principal accounting policies applied in the preparation of the statement of accounts are the same as those applied by the Bank.

### **Income from regulatory activity**

Fee income comprises levy fees collected from regulated firms through the Annual Funding Requirement (AFR) consultation process, along with fees for specific regulatory activity. This fee income is recognised to the value of relevant expenditure incurred in the year in the income statement.

### **Special project fees**

Special project fee income is recognised to match expenditure incurred on activity that has been designated as a special project, for which fees are raised separately in arrears.

There are special project fee activities for which fees are collected in advance, in anticipation of the total spending requirements in the year. Income is recognised through the income statement against cost incurred. Any surplus or deficit is returned or recovered in subsequent financial years.

### **Model Maintenance Fees**

Model Maintenance Fees are collected from eligible fee payers in anticipation of the total cost of providing internal model reviews throughout the year, and recognised through the income statement in its entirety throughout the year.

Other sundry income includes authorisation fees paid by firms and individuals, which is recognised in the income statement as incurred.

## Enforcement income

Financial penalty monies are recognised as revenue, capped at the level of enforcement expenditure in the year, where they have been levied and received in the financial year, in accordance with the PRA Financial Penalty Scheme. Where financial penalties specific to a single case exceed its costs, the excess penalty monies received can be used to cover expenditure on other cases in the current period. This is returned to fee payers (excluding those fined) in the following financial year. Any financial penalty monies received in excess of total enforcement expenditure in the current period is paid over to HM Treasury, and is not recognised as revenue in the Bank's accounts.

## Cost recoveries

Costs in relation to reports under section 166 of the Financial Services and Markets Act 2000 are fully recovered directly from the specific entities under review. The recovery of these costs is matched directly to the costs incurred in the income statement within expenditure.

## Cash balance held internally by the Bank of England

Cash held internally by the Bank of England is a notional cash balance at the reporting date and represents the difference between cash inflows and outflows during the year in respect of prudential regulatory activity.

## Treatment of a surplus or deficit

Any surplus or deficit between fees collected and income recognised in the year will be held as a payable or receivable on the balance sheet as the intention is to return any surplus or claim any deficit in the following financial year.

## 2: Fee income

	2026 (£mn)	2025 (£mn)
Fee income	338	330
<b>Total</b>	<b>338</b>	<b>330</b>

### 3: Other income

	2026 (£mn)	2025 (£mn)
Model Maintenance Fee income	10	9
Other sundry income	1	3
<b>Total</b>	<b>11</b>	<b>12</b>

### 4: Administrative expenses

	Note	2026 (£mn)	2025 (£mn)
Staff costs	6	175	172
Costs incurred centrally and allocated to the PRA		165	159
Professional and membership fees		1	3
Amortisation of intangible assets		4	2
Travel and accommodation		1	1
Other administration and general expenses		4	7
<b>Total</b>		<b>350</b>	<b>344</b>

Included within administrative expenses are costs incurred centrally and allocated to the PRA for provision of IT, Finance, Property and Procurement, and Human Resource services.

### 5: Enforcement fine income

During the year £1.9mn of enforcement fines were raised and collected. Enforcement income of £1.5mn (2025: £2.1mn) was recognised in the year, with the balance of £0.4mn payable to HM Treasury (2025: £31.8mn). This payment was made post year end. Enforcement fines received and then paid over to HM Treasury is not recognised as income.

## 6: Staff costs

	2026 (£mn)	2025 (£mn)
Wages and salaries	135	135
Social security costs	17	15
Pension and other post-retirement costs	23	22
<b>Total</b>	<b>175</b>	<b>172</b>

HM Treasury has made a direction under Section 7(4A) of the Bank of England Act 1998 requiring the Bank to disclose the following in respect of staff deemed to work exclusively for the PRA.

### Fair pay

The banded remuneration of the highest paid director (full time equivalent base salary plus benefits and excluding pension) in the financial year 2025/26 was £317,069 (2024/25: £307,696). This comprises a salary of £314,000 as at 28 February 2026 (2024/25: £304,880), plus non pension related benefits of £3,069 (2024/25: £2,816). This was 4.03 (2024/25: 4.16) times the median remuneration of the workforce, which was £78,639 (2024/25: £73,930). The decrease in the ratio from the prior year reflects the Bank's annual pay rise and a decrease in the total number of employees, which has increased the median pay.

During 2025/26 no employee received remuneration in excess of the highest paid director. Remuneration ranged from £27,692 to £273,983 (2024/25: £27,361 to £273,983).

### Exit package

There were two compulsory redundancies during the year in the range set out below:

£30,000–£60,000.

There was one exit package agreed during the year, in the ranges set out below:

£0–£10,000.

### Sickness absence

The average level of sickness absence in the organisation, calculated as working days lost per financial year based on the number of full-time equivalent employees was three days (six in 2024/25).

## Average staff numbers

The average number of persons employed by the Bank deemed to work exclusively for the PRA during the year was made up as follows:

	2026	2025
Governors and other members of Executive Team	7	7
Managers and analysts	1,375	1,409
Other staff	205	219
<b>Total</b>	<b>1,587</b>	<b>1,635</b>

The number of persons employed by the Bank and working for the PRA was 1,546 at 28 February 2026, of which 1,313 were full-time and 233 part-time (2025: 1,645; of which 1,408 were full-time and 237 part-time).

## 7: Taxation

Under the agreement with HM Revenue and Customs, the fees paid by regulated institutions for regulatory purposes are not subject to corporation tax, but net interest income on deposits and any other investment income are subject to corporation tax as non-trade credits. Such net interest or other investment income was £nil during the year (2025: £nil).

## 8: Fee and other receivables

	2026 (£mn)	2025 (£mn)
Fees receivable	1	1
<b>Total</b>	<b>1</b>	<b>1</b>

Fees receivable at the reporting date includes £nil (2025: £nil) on account invoicing relating to the annual funding requirement from counterparties for the 2025/26 fee year.

## 9: Intangible assets

	2026 (£mn)	2025 (£mn)
<b>Cost</b>		
At 1 March	52	52
Additions	–	–
<b>At 28 February</b>	<b>52</b>	<b>52</b>
<b>Accumulated amortisation</b>		
At 1 March	39	37
Charge for the year	4	2
<b>At 28 February</b>	<b>43</b>	<b>39</b>
Net book value at 1 March	13	15
<b>Net book value at 28 February</b>	<b>9</b>	<b>13</b>

Intangible assets comprise software development to enable the PRA to fulfil its regulatory duties.

There were no additions of intangible assets purchased but not paid for at the balance sheet date (2025: £nil).

## 10: Trade and other liabilities

	Note	2026 (£mn)	2025 (£mn)
Fees received in advance		2	5
Financial penalties received – due to HM Treasury	5	1	32
Financial penalties received – payable to fee payers	5	1	2
<b>Total</b>		<b>4</b>	<b>39</b>

In accordance with the PRA Financial Penalty Scheme, financial penalty monies received are payable to HM Treasury where they are in excess of enforcement costs incurred during the year, with the remainder due to fee payers.

## 11: Financial risk

The PRA's principal financial assets are cash, together with fees and other receivables.

### Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to meet its financial obligations to the Bank in its capacity as the PRA. The credit risk that the PRA faces arises when the PRA invoices counterparties from the financial services industry for the collection of regulatory fees and special project fees.

The Bank monitors the credit risk exposure, and the collection of fees from counterparties, on behalf of the PRA. The PRA has a strong record of collecting fees with outstanding amounts at the year-end relating to regulatory services already consumed by those counterparties almost negligible.

### Liquidity risk

Liquidity risk is the risk of encountering difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

In sterling, liquidity risk does not arise as the Bank is able to create sterling liquidity.

## 12: Losses and special payments

There were no reportable losses or special payments in the year.

## 13: Date of approval

The Members of Court approved the statements of account on pages 194–203 on 15 June 2026.

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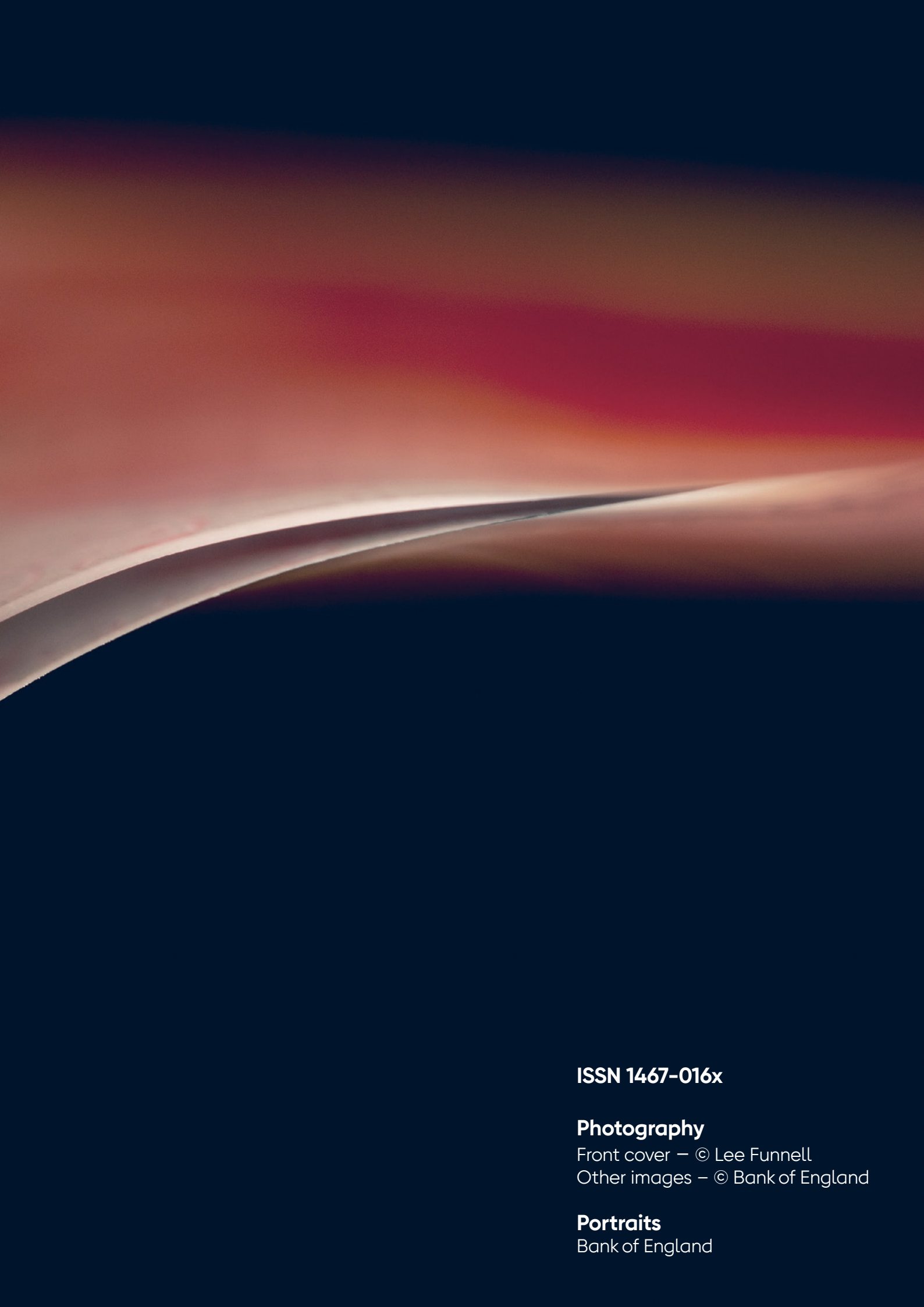
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**ISSN 1467-016x**

**Photography**

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maintaining monetary and  
financial stability

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