



Welcome to our Summary Financial Statement

For the year ended
31st December 2017

We believe in supporting our local communities to create a better future.

Katy,
Member Services
Representative

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Society Information

Established and incorporated 1953
Firm Reference Number: 157260
Eligible for investments by trustees
Member of the Building Societies Association
Member of UK Finance

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Board of Directors

Stephen Richardson	Chair
Judith Mortimer Sykes	Vice Chair and Senior Independent Director
Carl Astley	
Peter Baynham	
Alison Crossley-Mintern	
George McGrady (appointed 1 January 2017)	
Jill Robinson	
Paul Smith	

Senior Management

Carl Astley	Chief Executive
Roy Badcock	Society Secretary
Philip Bannister	Head of Operations
Kenneth Hale	Head of Lending
Nathaniel Lewis	Head of Treasury & Risk
George McGrady	Finance Director
William Purdy	Head of IT

Solicitors

Neves
Tollgate House
69-71 High Street
Harpenden
Hertfordshire
AL5 2SL

Bankers

HSBC Bank plc
1 High Street
Harpenden
Hertfordshire
AL5 2RS

Auditor

KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Harpenden Branch

Aberdeen House,
14 Station Road, Harpenden,
Hertfordshire AL5 4SE

Telephone: 01582 344204

Manager: Trish Shadbolt

Leighton Buzzard Branch

22 Market Square,
Leighton Buzzard,
Bedfordshire LU7 1HE

Telephone: 01525 852525

Manager: Isabel Hare

Tring Branch

38 High Street, Tring,
Hertfordshire HP23 5AA

Telephone: 01442 824722

Manager: Gill Pearce

Radlett Branch

341 Watling Street,
Radlett,
Hertfordshire WD7 7LB

Telephone: 01923 854457

Manager: Julia McNerney

Wendover Branch

3 Icknield Court,
Back Street, Wendover,
Buckinghamshire HP22 6EB

Telephone: 01296 623595

Manager: Jo Richardson

Buckingham Branch

23 Market Hill, Buckingham,
Buckinghamshire MK18 1JX

Telephone: 01280 823666

Manager: Sue Callingham

Chair's Statement

"We are well equipped to navigate our way through the challenges ahead."



I'm delighted to provide my overview on the progress your Society has made during 2017.

Market and Economic Background

It's been quite a mixed year for the housing market and the building society sector. The Building Societies Association recently released figures highlighting that, whilst the sector has performed well, new mortgage approvals during 2017 were down on the prior year.

This has been caused, at least in part, by the decision to leave the EU and the result of the UK General Election. These events have increased overall levels of uncertainty and adversely affected the economic outlook, in particular, on job security, earnings and house prices. There are also concerns about rising interest rates and how much mortgage repayments will increase, as those looking to move home became far more cautious about making that decision. This inevitable pause in the housing market has impacted the Society and has meant that we did not meet the mortgage book growth we set out to achieve in 2017.

However, unemployment remains at record low levels and, despite the first increase in Bank of England Base Rate in ten years, interest rates still remain low with any increases likely to be modest and over an extended period of time, so this should support a return to mortgage book growth. In fact, during the latter part of the year, we have seen an increase in activity and currently have a record pipeline that we expect to convert to lending in the near future.

Building a Robust Sustainable Society

Despite this backdrop, I am pleased to report that we have once again posted a robust post-tax profit for the year of £1.6m (2016: £1.9m). Why is it important that we generate a profit each year? Fundamentally, profit is the only mechanism we have to increase our capital, which in turn allows us to both invest in developing and supporting the Society and providing the long term protection that ensures the Society remains sustainable. It is therefore necessary that

we offer consistent and fair rates for both borrowers and savers whilst operating a long-term sustainable business model. As custodians of your Society, the Board recognises this is a key responsibility and we remain committed to this approach.

Investing in the Society's Infrastructure

We have continued to invest in the Society's infrastructure to ensure we can deliver the products and services you need, both now and into the future, as well as offering the expertise, quality and security of service that you rightly expect. As an example, during the year we have invested in our cyber security in terms of both physical and digital protection as well as bringing in the expertise and skills to continue to maintain and develop our cyber defences as the threat landscape evolves.

Looking Forward

We receive regular feedback from our customers commenting on the very good levels of service we provide. However, we are alert to the changing ways our customers would like to interact with us and that we need to provide greater choice to allow our customers to deal with us in the way which best suits them. As a result, we are continuing to invest in the development of our digital offering and you can expect to see improvements during 2018. I would like to stress that, unlike a number of other financial institutions, this is not about forcing customers to use lower cost alternatives but rather to provide choice.

We remain committed to providing a personal service and treating all our members and customers as individuals. We believe that this is the essence of a modern locally-based mutual and that your Society will continue to support our customers and our community over the long term.

Stephen Richardson

Chair
15 March 2018

Chief Executive's Review

"We have developed our infrastructure to support growth."



2017 has been a year of further progress and, against a backdrop of economic and political uncertainty, we have delivered solid performance and continued stability.

Managing in Uncertain Times

We remain mindful of uncertainties in the market and recognise the overarching need for prudence in all mortgage lending. Our loans are all individually underwritten by an experienced team. Responsible lending and decision-making are key to our lending strategy and our desire to reduce the risk of future default remains at the top of our agenda.

We recognise that the competition for residential mortgage lending is intense. Following the Bank of England's decision to increase the base rate for the first time since July 2007, the Board took the decision to retain the Society's standard variable mortgage rate (SVR) at 4.19%. This is good news for our mortgage borrowers.

While I'm pleased we have made good progress in a number of areas, 2018 promises to be another challenging year to which we are well positioned to respond.

Our Customer Focus

The Society is committed to offering consistent and fair rates for both borrowers and savers, whilst ensuring we operate a long-term sustainable business model. Our focus has remained on developing our mortgage proposition and we have launched a new product range that provides clarity around our offering.

We've also provided further focus on key account management for our brokers to help improve their customers' journey. This has been effective in increasing our mortgage pipeline, which currently is at the highest level in the Society's history. I remain confident that this will feed into increased mortgage growth in 2018.

We continue to offer good returns to our savers and have focused on existing customers for the past few years. We do not currently offer new accounts for corporates, preferring to give returns to our existing members.

I am delighted with all the positive feedback we have received from our customers during 2017. We are particularly pleased to have won the What Mortgage? 'Best Local Building Society Award', for an unprecedented third year running. These awards are voted for by consumers and industry professionals reflecting the views they have of the Society.

People and Community

For me, supporting the local community is fundamental to the building society ethos. We 'give something back' to the areas where our customers and employees live and work by supporting local projects, undertaking fundraising activities, taking part in community events and offering sponsorship. The Society introduced a volunteering scheme during 2017, which offers every member of staff the opportunity to take two days paid leave to support community projects or local charities.

Finally, I would like to take this opportunity to thank all of our members, customers and professional partners for their support over the past year and would like to extend this thanks to all staff across the Society who have worked tremendously hard to provide the highest possible levels of service and to continue the development of the Society.

Carl Astley

Chief Executive
15 March 2018

Your Board of Directors



Stephen Richardson

Chair

Stephen joined the Society as a non-executive director in January 2014 and was appointed Chair in June 2016. He is a member of the Society's Remuneration & Nominations Committee.

Stephen brings a wealth of strategic leadership to the organisation and has over 35 years of management and leadership experience in financial services at Barclays, Flemings and the Bank of New York, where he was Chief Operating Officer for Europe.

He was Global Head of Wealth Management at the World Gold Council (trade body for global gold mining companies) covering China, India, Europe and the USA until mid-2013.

Stephen now has a range of non-executive and advisory/consulting roles.



Judith Mortimer Sykes

Vice Chair

Judith joined the Society in October 2011, was appointed Vice Chair in March 2014 and became Senior Independent Director in January 2016. She is the Chair of the Society's Remuneration & Nominations Committee and a member of the Risk Committee.

She is an experienced non-executive director with substantial and varied board experience of corporate governance, strategy and risk.

Judith has significant financial services experience which has encompassed corporate banking at Bank of America. She also has extensive experience of retail banking in the mutual sector including six years as Head of Lending Control at the Nationwide Building Society where she spent 18 years of her career.

Your Board of Directors



Carl Astley

Chief Executive

Carl joined the Society as Finance Manager in 2006 before joining the Board in 2010 as Finance Director. He was appointed as the Society's Chief Executive in February 2016.

Carl is a key driver of the Society's strategy and development and committed to ensuring Harpenden Building Society remains an independent, mutual building society, based on providing a personal customer experience. He values the contribution made by our teams and actively encourages engagement and development at all levels.

Carl started his career and qualified as a Chartered Accountant with Deloitte before moving to the Financial Reporting Team at UBS.



Peter Baynham

Non-Executive Director

Peter joined the Society as a non-executive director in November 2014 and chairs the Society's Audit & Compliance Committee. He is also a member of the Risk Committee.

He is a Chartered Accountant and has previously held a number of senior positions in both financial services companies and other organisations. Until his retirement in 2011 he was, for over 10 years, a Partner in Mercer, the international consulting firm.

Peter holds a number of other non-executive positions including three other positions as Chairman of Audit and Risk Committees. He is a trustee of ABF The Soldiers' Charity.

Your Board of Directors



Ali Crossley-Mintern

Non-Executive Director

Ali joined the Society as a non-executive director in January 2015 and is a member of the Remuneration & Nominations Committee.

Ali is an experienced director with a proven track record of building and growing businesses in a variety of sectors including financial services, skincare and construction. She brings a substantial level of expertise to the board in the areas of marketing, commercial partnerships and strategic development.

Currently, Ali is Managing Director of Junction, part of the BGL Group and has previously held the position of Executive Director of McCarthy & Stone, Chief Operating Officer of Saga Financial Services and Marketing Director for Prudential plc.

Your Board of Directors



Jill Robinson

Non-Executive Director

Jill joined the Society as a non-executive director in September 2016 and is a member of the Risk Committee and the Audit & Compliance Committee.

She has gained considerable experience as Operations and Finance Director within large multi-national financial services companies and has a proven track record of transforming operations for the benefit of customers to align with corporate strategy.

Jill has held several senior roles including Transformation Director for Prudential plc, Head of Customer Service Delivery for Mercer and, more recently, Finance and Outsourcing Director dealing with the sale of Marine and General Mutual.



George McGrady

Finance Director

George joined the Society as Finance Director in May 2016 and joined the Board in January 2017.

George provides the Society with financial oversight and has been an active leader for the Society's strategic financial direction based on financial strength, sustainability and member value. His strong background means that he is also a key member of the leadership of the organisation.

He is a Chartered Accountant with a wealth of financial experience gained through extensive periods at a number of organisations including KPMG and, most recently, as Chief Financial Officer of Hornbuckle, the UK's largest independent pension administration provider. George has a strong background in the mutual sector having collectively spent 12 years with Nationwide and Lambeth building societies.



Paul Smith

Non-Executive Director

Paul joined the Society as a non-executive director in May 2011 and is the Chair of the Risk Committee. He is also a member of the Audit & Compliance Committee.

Paul has considerable non-executive experience within both the public sector and social housing sector including roles within the Department for Transport, HMRC, Ministry of Defence and the NHS.

Paul has significant experience from a finance career at Ford Motor Company including three years as Finance Director.

Business Review 2017

Strengthening our business for the future

Meeting our customers' changing needs.



Protecting our customers

Safe, secure and here for the long term.



Summary Directors' Report

This financial statement is a summary of information in the audited annual accounts, the Annual Business Statement and Directors' Report, all of which will be available to members and depositors free of charge on request at every office of Harpenden Building Society from 1 April 2018.

Business Review

The Society has performed well against a backdrop of uncertainty in the UK marketplace. Ongoing Brexit negotiations, a snap UK General Election and the first Bank of England Base Rate rise in over a decade are some of the key events in 2017 that inevitably added pressure to the UK mortgage and savings markets.

Despite these challenges, the Society continued to focus on

its core objective - providing a competitive mortgage range funded by retail savings, predominately through customers local to our branch network. This straight forward strategy has helped us navigate steadily through 2017 and we ended the year with relatively unchanged mortgage and savings book positions.

The Society strives to provide

competitive interest rates for both mortgage and savings customers. However, the Bank of England's Bank Base Rate (BBR) increase to 0.50% in November will have left some customers questioning why their mortgage or savings rates did not move as a result. The Society assesses various factors when considering rate changes, one of which is the BBR, but there are many others factors such as competitive

pressure, funding requirements, liquidity position and growth expectations. The Society must also balance the competing needs of both mortgage and savings customers and take a longer term view of the Society's capital and financial strength. From a savings perspective, the Society's average interest rate continues to be competitive in the marketplace. Having said that, the market is fluid and the Society monitors the market closely for change.

During the year we continued to build on and improve the business operational capability and capacity. We strengthened our support teams and

introduced a marketing function. This function works closely with our Business Development team who provide dedicated support to mortgage intermediaries and is a key step in our journey to be a truly transparent, customer centric business.

Total assets decreased by £2.2m (2016: increase £9.6m) to £314.7m (2016: £316.9m) at 31 December 2017, a decrease of 0.7% (2016: increase 3.1%).

Mortgage balances net of provisions decreased by £3m (2016: £2.9m increase) to £198.0m (2016: £201.0m), a decrease of 1.5% (2016: 1.5% increase). We continue to offer an individual approach

Building our infrastructure

Supporting the business as it grows.



to underwriting and take the time to understand borrowers' circumstances and assess the affordability of the mortgage in a prudent and sensible manner.

In common with all regulated UK deposit takers, the Society continues to contribute to the Financial Services Compensation Scheme (FSCS) levy. This funds the scheme that offers depositors protection in the event of the failure of a financial institution. We continued to manage the Society safely, conservatively and prudently whilst ensuring that we maintained a commercial edge to our business that enables us to compete and thrive in these conditions.

Summary Statement

for the year ended 31 December 2017

Results for the year	2017	2016
	£000	£000
Net interest receivable	7,079	6,696
Other income and charges	208	179
Administrative expenses	5,127	4,595
Provisions for mortgage losses	(148)	179
Provisions for FSCS levies	14	(106)
Profit for the year before taxation	2,026	2,353
Taxation	(402)	(488)
Profit for the year	1,624	1,865
Revaluation of tangible fixed assets	-	-
Total comprehensive income for the year	1,624	1,865

Financial position at end of year	2017	2016
	£000	£000
Assets		
Liquid assets	112,316	111,332
Mortgages	197,953	201,028
Fixed and other assets	4,430	4,520
Total assets	314,699	316,880
Liabilities		
Shares	282,446	285,624
Borrowings	5,771	6,389
Other liabilities	721	664
Provisions for liabilities	73	139
General reserve	24,291	22,667
Revaluation reserve	1,397	1,397
Total liabilities	314,699	316,880

Approved by the Board of Directors on 15 March 2018 and signed on its behalf by:

Stephen Richardson
Chair

Carl Astley
Chief Executive

George McGrady
Finance Director

Summary Statement

for the year ended 31 December 2017

	2017	2016
Gross capital as a percentage of shares and borrowings	8.89%	8.25%
Liquid assets as a percentage of shares and borrowings	38.97%	38.13%
Profit for the financial year as a percentage of mean total assets	0.52%	0.60%
Management expenses as a percentage of mean total assets	1.62%	1.47%

Notes to the Key Financial Ratios

Gross capital comprises general reserve and revaluation reserve. The gross capital ratio gives an indication of the extent to which the Society is funded by retained profits and other reserves compared with money invested by shareholders and depositors. Such capital provides a financial cushion against any losses that might arise in the Society's business and therefore protects investors.

The liquid assets ratio measures the proportion that the Society's assets held in the form of cash, or short-term deposits readily convertible into cash, bears to the Society's liability due to investors. Such liquidity enables the Society to meet requests by investors for withdrawals, to make new mortgage loans and to fund its general business activities.

Mean total assets are calculated as the average of 2017 and 2016 total assets as shown in the balance sheet.

Profit for the year as a percentage of mean total assets measures the proportion that the Society's profit after taxation bears to the average of total assets during the year. The Society has to make a reasonable level of profit each year in order to maintain a strong gross capital ratio thereby providing protection for investors' funds. The Directors believe that the profit for the year is both prudent and consistent with the concept of mutuality.

The management expenses ratio measures the proportion that the Society's administrative expenses bear to the average of the Society's total assets during the year.

Auditor's Report

Independent Auditor's Statement to the Members and Depositors of Harpenden Building Society

Opinion

We have examined the summary financial statement of Harpenden Building Society ('the Society') for the year ended 31 December 2017 set out on pages 12 to 15.

On the basis of the work performed, as described below, in our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2017 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Basis for opinion

Our examination of the summary financial statement consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2017, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;
- Checking that the format and content of the summary financial statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2017.

Our report on the Society's full annual accounts describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

Directors' responsibilities

The directors are responsible for preparing the summary financial statement, in accordance with applicable United Kingdom law.

Auditor's responsibilities

Our responsibility is to report to you our opinion on the consistency of the summary financial statement with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the society's members, as a body, and to the society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body and the society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

Simon Clark

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill, Snow Hill Queensway, Birmingham B4 6GH
15 March 2018

Directors' Remuneration Report

The purpose of this report is to explain how the Society complies with the principles relating to remuneration in the UK Corporate Governance Code April 2016. The Society has adopted a Remuneration Policy which describes how the Society complies with the FCA's Remuneration Code.

The Level and Components of Remuneration

Code Principle: Executive directors' remuneration should be designed to promote the long-term success of the company. Performance-related elements should be transparent, stretching and rigorously applied.

Board comment: The Remuneration Policy is designed to attract, retain and encourage high calibre executives to manage and develop business for the Society. Basic salaries are reviewed annually by reference to jobs carrying similar responsibilities in comparable organisations and in the light of market conditions generally.

Executive Director Emoluments

Total remuneration includes basic salary, performance related pay bonus, benefits and pension.

- a) Basic Salary - takes into account duties, responsibilities, performance and levels for comparable positions in other organisations.
- b) Bonus – an annual performance-related pay scheme was introduced in 2017. This is linked to the achievement of the Society's objectives including member satisfaction, financial performance and staff engagement. This is reviewed by the Remuneration & Nominations Committee annually to ensure the measures are appropriate. The bonus payment is not pensionable and the scheme was designed to deliver a maximum award of 15% of basic salary. The Society does not operate a long-term incentive scheme.
- c) Pension - the Executive Directors have defined contribution pension plans, to which the Society and employee both contribute. The Society makes a contribution of 10% of salary.
- d) Benefits – the Executive Directors are entitled to a car allowance, family private medical insurance and Death-in-Service at the rate of three times annual salary.

- e) Contractual Terms - Mr C. Astley is employed on a Service Contract dated 17 October 2016, terminable by the Society or by the individual on six months' notice. Mr G. McGrady is employed on a Service Contract dated 3 January 2017, terminable by the Society or by the individual on six months' notice.

Non-Executive Director Emoluments

Fees are based on comparable data from similar financial service organisations and are reviewed annually. Non-Executive Directors do not qualify for a pension or a bonus but do qualify for Death-in-Service benefit at the rate of three times annual fees. Performance of individual directors is assessed by the Chair and their fellow Board members. The Chair is assessed by all members of the Board.

The Procedure for Determining Remuneration

Code Principle: There should be a formal and transparent procedure for developing policy on Executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his or her own remuneration.

Board comment: The Remuneration & Nominations Committee reviews the Society's Remuneration Policy annually. The Committee consists of three Non-Executive Directors, one of whom chairs the Committee. The Executive Directors attend by invitation but take no part in the discussion of their own salary. The Committee reviews Directors' remuneration annually using data from comparable organisations, and takes advice from external consultants when appropriate.

Directors' remuneration Report

The total emoluments for both Executive and Non-Executive Directors for the year amounted to £521,067 (2016: £345,411).

2017	Salaries	Bonus	Benefits	Pension Contributions	Total
	£000	£000	£000	£000	£000
C.D. Astley (Chief Executive)	150	15	7	15	187
G. McGrady (Finance Director)	120	12	6	12	150
	270	27	13	27	337

2016	Salaries	Bonus	Benefits	Pension Contributions	Total
	£000	£000	£000	£000	£000
C.D. Astley (Chief Executive)	149	3	1	15	168

Non-Executive Director Emoluments (comprising fees only):

	2017 £000	2016 £000
S.J. Richardson (Chair from 23 June 2016)	39	32
J. Mortimer Sykes	32	32
P.F. Baynham	26	26
A.V. Crossley-Mintern	26	26
J. Robinson (Appointed 1 September 2016)	26	9
P.V. Smith	32	32
H.H. Titcomb (Chair until 23 June 2016)	-	21
	181	178



**We hope you have enjoyed
the journey, please share
your feedback**

feedback@harpendenbs.co.uk
www.harpendenbs.co.uk/feedback



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Supporting our local communities to create a better future