



**Welcome to our  
Member Review  
and Summary  
Financial Statement**

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## Our Branches

### Harpenden Branch

Aberdeen House,  
14 Station Road, Harpenden,  
Hertfordshire, AL5 4SE  
Telephone: 01582 344204  
Manager: Amanda Andrews

### Radlett Branch

341 Watling Street,  
Radlett,  
Hertfordshire, WD7 7LB  
Telephone: 01923 854457  
Manager: Amanda Andrews

### 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

## 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

Head Office  
 Mardall House  
 9-11 Vaughan Road  
 Harpenden  
 Hertfordshire  
 AL5 4HU

## Board of Directors

Stephen Richardson	Chair
Nigel Boothroyd	Vice Chair and Senior Independent Director
Peter Baynham (resigned 26 October 2020)	
Judith Mortimer Sykes	
Richard Doe (appointed 23 April 2020)	
David Green (appointed 26 October 2020)	
Sarah Howe	
George McGrady	
Jill Robinson (resigned 31 March 2020)	
Mark Willis	

## Leadership Team

Raj Bains	Director of Customer Operations
Sarah Howe	Chief Executive Officer
Martin Langlands	Chief Risk Officer
Katherine Logan	Head of People
George McGrady	Finance Director
Stephen Mulley	Interim Head of IT & Transformation

## Solicitors

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

## Bankers

HSBC Bank plc  
 1 High Street  
 Harpenden  
 Hertfordshire  
 AL5 2RS

## Auditor

Mazars LLP  
 Tower Bridge House  
 St. Katharine's Way  
 London  
 E1W 1DD

## Chair's Statement



I am pleased to have this opportunity to provide you with an update on the progress your Society has made during 2020.

2020 has of course been dominated by the Covid-19 pandemic which has had an impact on everyone and every business, large or small, across the world. The spread of the coronavirus over the last 12 months has upended lives and communities, both through its direct impact on the health of individuals and families and through the lockdown measures taken by the government to reduce and slow down its spread.

The Society was classified as an essential business by the government and we continued to operate well during 2020 – this is in no small part because of the extraordinary efforts of all employees during the year, adapting exceptionally well to a different working environment with many having to work remotely from home. Our members supported us in this endeavour with understanding and patience and by limiting contact to essential transactions, members have also helped us protect stretched resources. I would like to thank everyone for their contribution to this effort in 2020 and with lockdown 3, at least for the next few months the challenges continue.

Your Society has supported 144, or 17% of mortgage borrowers, with payment deferrals during 2020 as a direct consequence of Covid-19. At the time of writing this has substantially reduced, however, we continue to offer support and assistance to all our borrowers during these unprecedented times.

### Society's performance in 2020

We began the year with the view that we could continue to build on the good growth in our mortgage business that we had seen in 2019 (8.3% growth vs 2018).

However the impact of Covid-19 and several lockdowns in the year have had a profound impact on the performance of the Society.

With the announcement that the housing market would close with estate agents, valuers, removals and construction unable to operate under the strict lockdown measures, we undertook a complete reforecast of our plans which assumed that the combination of Brexit uncertainty and the pandemic would result in the housing market slowing down significantly in 2020. However in practice we saw the housing market respond very positively as restrictions were lifted in the summer, and to the additional boost of the stamp duty holiday. As a result we only saw a small fall in our mortgage book of 1.9% (£231m to £226m). Profits however were hit hard with interest income impacted by the delay to mortgage completions and also the reduction in the bank base rate impacting the Society's return on funds deposited with the Bank of England. The reduction in net income has resulted in pre-tax profit falling to £211k compared with £891k in 2019. The pretax profit for 2019 includes a gain of £162k from the revaluation of investment property following their reclassification in the year. Further details are included in the Business Review on page 16.

The underlying credit quality of the Society's lending is highlighted by the minimal increase in loan loss provisions set aside to cover the increase in impairment losses associated with the impact of the coronavirus on the economy generally and our mortgage customers specifically.

With the significant drop in the Bank of England base rate, interest rates across the market have fallen. We have needed to take the painful decision

## Chair's Statement

to adjust downwards the rate of interest we are able to pay to our savings members in order to protect the Society's net interest margin.

We also decided to close two branches during the year. The Society conducts periodic strategic reviews of the branch network to ensure that they continue to offer services and value to all members. The two branches affected were Wendover and Buckingham. The branches had low utilisation however in addition the restrictive size of each of the premises meant there was insufficient physical space to enable us to keep colleagues and members safe in line with the Government's social distancing requirements. We recognise that for the branch users it was disappointing news however the Society has endeavoured to support members in the local area through alternate branches and methods of transacting with the Society.

### Outlook for 2021

Economically the outlook for this year and beyond looks very uncertain, despite the recent budget announcements extending both the furlough scheme and stamp duty tax relief as well as the continued increases in house prices. In addition, there remains the drag that the trade deal with the EU will have on many businesses particularly those that export to and import from the EU. Unemployment is rising and is likely to rise significantly.

It's difficult to predict how this will play out in the housing market – the balance of probability is likely to be a combination of a slowdown in house purchases and a potential for some fall in house prices albeit in 2020 there was an increase in values.

As a result, the Board has adjusted its priorities for the Society over the next year. We will continue to focus on keeping our finances strong with significant levels of excess capital above both our regulatory and internally assessed requirements. The operational resilience of the Society will be enhanced to cater for changes in members' needs and expectations of services resulting from the pandemic.

### Building a Sustainable Society

Notwithstanding the difficulties and challenges created by the pandemic we remain committed to ensuring your Society has a long-term future as an independent local building society which continues to be relevant to its members and customers and offers good service and value.

Our mutual ethos and values remain at the heart of our Society. We will continue to commit to our social purpose in a responsible and sustainable way.

### Board Changes

Since my last report, we have made further changes to the Board. David Green joined in October as a Non-Executive Director of the Society and was appointed as the Chair of the Audit Committee. David, is a qualified accountant and brings significant experience having spent his career in financial services, most recently as CEO at Hoare & Company, the private bank and as a non-executive director at Cynergy Bank Ltd (previously Bank of Cyprus UK).

I would like to take this opportunity to thank Peter Baynham, our previous Chair of the Audit Committee, who resigned from the Board in October. Peter has served as a Non-Executive Director since 2014, during which time he has been an active member of the Board. We all send Peter our best wishes for the future.

Jill Robinson also stepped down from the Board at the end of March 2020. We would like to thank Jill for her contribution to the Board since she joined in 2016

We also welcome Richard Doe who joined the Board in April as a Non-Executive Director. Richard has extensive experience in financial services and joined the Society from Paragon Bank where he was Managing Director.

### Governance

The Board is responsible for the long-term sustainability of the Society, for protecting our culture and values, and for governance. We have always considered the impact of our decisions on our members, colleagues, and wider communities we serve because we believe this is good business practice.

Being member-owned, and having built significant capital strength over the long term, we have been able to choose to forgo higher levels of profit to deliver more services to members and invest for the future.

The Board continues to maintain its strong governance and oversight of the Society.

### Colleagues

We recognise the need to attract and retain talented people and have therefore recruited new employees during 2020. The whole team has been exceptional in their dedication and commitment to the Society and our members in 2020 and I would like to thank them all.

I would also like to take this opportunity to thank all our members, customers and professional partners for their support in an extraordinary and difficult year.

### Stephen Richardson

Chair  
18 March 2021

## Chief Executive's Review



The start of 2020 began with optimism, the intention was to focus on growing revenues, launching new member initiatives and invest in building the skills and talent at the Society.

However the unthinkable news that a global pandemic was taking hold in the UK forced the Board and leadership team to re-think and re-plan the year ahead. Our priorities swiftly changed to ensuring the continued safe operation of services for members whilst supporting our colleagues to adapt to changing workplace practices.

The majority of the Society was quickly mobilised to working from home ahead of the full lockdown. Adapting to the changing government guidelines at short notice and responding to information requests from the Bank of England has, as you might expect, been an extra workload to accommodate. It was also vitally important to listen to feedback from our people, ensuring they felt fully supported both in the workplace and with their workloads whilst dealing with the uncertainty, anxieties and confusion as more was being discovered about the virus and its spread.

This year has undoubtedly been a significant learning curve for us all, in a situation where there is no prior experience, a perfect script or clear answers. It was evident to me early on that actions would need to be swift and decisive based on the best information available at the time. We had to plan for the unthinkable and accept that whilst we could not get everything absolutely right first time we would take great care to monitor, listen and take the necessary steps as each situation unfolded.

### Market Conditions

The macro economy and government interventions have been a critical factor impacting the 2020 results. Government announcements affecting our services often came with short notice and no clear or incomplete guidance. The tension between economic stimulus and health protection measures has created challenge for every business and all UK citizens. However for our Society a number of interventions should be noted as being beneficial, from the furlough scheme through to mortgage payment deferrals and the temporary suspension of Stamp Duty, with the recent budget announcement extending the Government's support in these areas.

The second half of 2020 saw extraordinary levels of mortgage enquiries, we completed 2020 with our largest ever pipeline of mortgage business and we continue to attract new funds into the Society. We have learned a great deal as an organisation and invested in strengthening our core systems and processes further underpinning the soundness of our business operation, with a strong platform to bounce back to growth in 2021.

The Chair has in his statement commented on the changes to bank base rate and housing market impacts. The market has been very competitive and volatile as providers of mortgage and savings products have taken action to keep their plans on track. The underlying cost base has been well managed however inevitably loss of income in the first quarter of 2020 has impacted the cost to income ratios. This will adjust back to the right levels as we grow.

## Chief Executive's Review

### Our people

All at the Society have been required to adapt to the changing circumstances. It is an understatement to say it has not been easy, however I am incredibly proud to be leading an organisation that exemplifies a deep commitment to do what is right for our members, embracing new situations and overcoming difficulties which have been most complex at times and certainly many in number. This has inevitably resulted in people working long days with absolute focus, dedication and resilience.

We have continued to add new skills and capabilities to the Society throughout the year as we seek to build the business for future growth. As you may imagine, the experience of joining a company in lockdown is much harder and the People team have been excellent in helping the Society adapt to virtual interviews, inductions and on-boarding in a Covid-secure way.

We are also committed to growing our organic talent too. Whilst many of the learning and development plans have been delayed, we accelerated cross-skilling of teams, promoted 3 individuals and 2 people were seconded into new roles. We are also incredibly proud of Caroline Williams who achieved her MSc from Loughborough University in Leadership and Management, having been sponsored by the Society. Caroline was also the winner of the Student Award voted for by her fellow graduands.

It is also important to acknowledge that we have also taken some difficult decisions. We closed two of our branches however whilst we sought to minimise the impacts for affected colleagues, there were redundancies. We also recognised by May that the Society would not be in a position to offer a discretionary bonus scheme in 2020 due to the difficult trading conditions, despite everyone's extraordinary efforts. However doing the right thing at times requires us to make these most difficult of decisions and at all times we have aimed to be open and transparent with our teams. During this period we also received government subsidy of c.£57k for furlough costs relating to some of our employees.

Despite the trading challenges it has remained important to demonstrate our appreciation and recognition of colleagues. The 'Harpden Heroes award' was a peer group recognition scheme identifying those going above and beyond to make a difference to others whether that was to support team members or customers. In addition a number

of 'surprise treats' were sent to all colleagues from a chocolate 'pick me up' to shopping vouchers and a Christmas hamper. Small gestures designed to simply say thank you.

In October we also joined the Banking Standards Board Culture survey to have a more in-depth understanding of the Society culture and actions we can take to further the Society on its journey to be an outstanding place to work. The results will shape our people plan in 2021.

### Members

A key priority in 2020 was that of keeping our services open for members and more specifically those experiencing financial or accessibility difficulties due to the pandemic.

We continued to enhance services introducing two factor authentication for members using online services, extending the time length to prevent accounts going into dormancy due to lockdown restrictions and changing processes to support those prevented by Covid -19 from venturing out to transact as normal on their accounts. In responding to lockdown rules, opening hours were affected over the course of the year to protect the branch teams and members. Our savings member base as expected was down against 2019, in part due to limited access to open accounts, branch closures and rate changes, however overall membership was up against the forecast and in the latter part of 2020 we experienced an influx of new savers.

We have also worked hard on the experience for mortgage brokers to make it easier for them to submit mortgage applications online. With the housing market closed for a quarter of the year coupled with a natural lag in completions, borrowing members have naturally reduced in number, despite this we ended the year with 2% more borrowers than we had reforecast mid-year.

We were delighted to win for the 6th consecutive year 'Best Local Building Society' in the What Mortgage Awards and we again won the accolade for 'Best Children's Savings Account provider' in the Personal Finance awards. In addition we were nominated for the What Mortgage Award for 'Best Building Society for customer service'. This recognition has always been a welcome boost for our hardworking teams and something we are very proud of.

The Society continues to be an active participant in a Green Finance Taskforce set up by the Building

## Chief Executive's Review

Societies Association with the objective to find ways to help home owners reduce the 15% of harmful Carbon Emissions generated by the UK housing stock. As I mentioned last year, there is a growing need for solutions in this space and we are committed as a Society to deliver environmentally better solutions as a business in our own right and to support our members seeking to do the same.

The Society has engaged with third party specialists to increase its underlying dataset and build a greater understanding of the potential impact of climate-risk. Further details of the Society's assessment of the risk is considered on page 21.

In 2021 we will be broadening our mortgage product range with 5 new products in development for first time buyers through to Green mortgages and expanding our savings product offering with new bonds and a regular saver option as well as enhancing our products for young savers.

### Performance

2020 hampered the mortgage growth plans with an overall book contraction of 1.9%. However we are confident that we will return to a good level of growth in 2021 with the book increasing by 2% during the second half of the year and having made a strong start this year. The mortgage team have supported brokers when the market was in difficulty and lenders struggled to support service levels. We increased our marketing presence, and have continued to offer brokers a flexible offering with consistent specialist products.

We have experienced growth in savings deposits despite a number of rate reductions primarily due to the drop in bank base rate. We have chosen not to pass on the full base rate reduction in order to protect members' rates and have maintained a positive net interest margin overall albeit below our plan.

In 2021 we will invest for growth which will be in people and marketing costs as well as infrastructure. Whilst investment costs will increase we aim to return profits back to more normal levels.

### Community

Supporting the local communities in which we operate remains an incredibly important part of the Society's purpose. We have a strong legacy of charitable giving with an endowment fund operated through the Hertfordshire Community Foundation (HCF). In 2020 there was a significant need for financial support to enable locally run charities to

continue to operate, with their usual fundraising activities stopped due to Covid-19. The Society donated £39k to support well-deserving local charity projects. We continued with our commitment to support Youth Talk, a charity that supports young people, predominantly teenagers, battling with mental health and anxiety issues. In addition 3 of our branches were active in supporting the HCF 'winter appeal' helping Hertfordshire's most vulnerable residents to stay warm, safe and well.

### Looking forward

Firstly I should say that I believe 2021 will be a good year for the Society – we have a good strategy, great people and a strong foundation to build from with a financially resilient member base.

It is difficult to predict how quickly the economy will start to recover. Whilst the bank base rate is at an all-time low speculation continues with regard to the key macro-economic indicators. The Government will likely seek to deploy options to reduce its borrowing which may have wider reaching impacts for individuals and businesses. I anticipate other providers will seek to restore profits to either improve or in some cases repair their capital reserves due to the impact of Covid-19. We are however a strongly capitalised business which enables us to confidently invest in growing safely without the need to deliver exceptional profits, instead we can plan our growth based on a long term sustainable outcome.

At this point I wish to thank all our members for their continued support of the Society through these very difficult times and particularly all of the team at Harpenden for their exceptional contribution to keeping our show on the road despite the challenges.

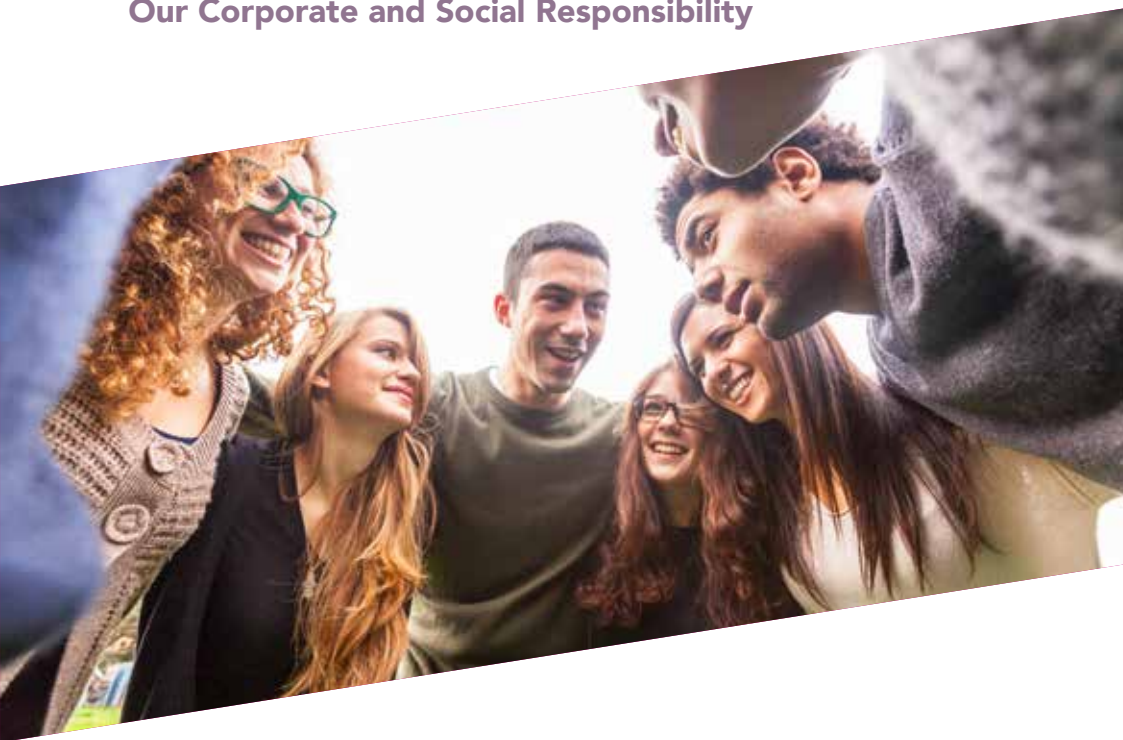
### Sarah Howe

Chief Executive

18 March 2021



## Our Corporate and Social Responsibility



### Social and community

During an extremely difficult year, the effects of Covid-19 has caused significant challenges within the local community. As an independent regional Building Society employing many local people, our history and heritage is rooted within the local communities where we operate. Our mutual and community ethos is at the very core of our commitment to Corporate Social Responsibility (CSR). We believe in giving back to our communities wherever we can, especially during these difficult times.

Covid-19 has caused major health concerns and worries; meaning we have been distanced from friends and families and local business and services have suffered, of which many of our members rely upon daily. The pandemic has caused chaos for community events, charities, clubs and projects. It is at times like this when a community is tested to its limits like never before. Despite it being difficult for us to support our local community with the same velocity as normal, we have managed to maintain our commitment to funding partnerships and also to support our members where we can.

Our CSR programme ensures we respond to community needs in ways that matter to them the most.

Our programme has two primary purposes:

Firstly, demonstrating our core best practice behaviours as a Building Society:

- Ensuring our commitment to providing responsible Financial Services
- Serving our customers with honesty and integrity
- Considering the contributions of our employees at all times and ensuring recognition of their part in our success
- Striving to optimise benefits for our Members

Secondly, to ensure we have an ongoing commitment to the local communities in and around where we operate. These are enshrined in our roots as a Society, having been established in 1953 to help local people buy their own homes.

## Our Corporate and Social Responsibility (continued)

### Our Charitable Trust

Our purpose is to make a tangible difference to the lives and well-being of the communities around us. This has been more challenging than ever during 2020, but our employees still committed to supporting and fundraising for Alzheimer's Research UK. From donations made following our AGM in April 2020, we are proud that the fantastic amount of £1,401 was raised and donated and we thank everyone for their support and generosity.

Our Charitable Trust was set up specifically to help people living in the local communities where we are based. We received a multitude of project applications for funding. Our Trust supports a diverse range of applications and objectives. Each application is assessed against criteria looking at the positive and direct impact the project will have for local people. These applications have all been delivered in collaboration with Hertfordshire Community Foundation.

During 2020 the Society allocated funding to;

**Trinity Community Project - £8,040.** A charity that has been operating for 34 years. They provide services to adults living in St Albans and the local district who have learning disabilities or mental health issues, who may be socially isolated and/or suffer from discrimination and prejudice.

**Age UK Dacorum - £6,000.** A registered charity, Age UK Dacorum deliver a wide range of services within the community in clients' homes and at many venues throughout the borough to enhance peoples' lives and reduce loneliness and isolation.

**Community Action Dacorum (CAD) - £5,000.** CAD acts as the CVS (Council for Voluntary Service) for the Borough, running 11 different services that provide benefit for people living in the area. Initiatives include supporting people into employment who have complex needs, community transport services, supporting children and families and supporting charities and schools through building networks with local businesses.

As part of our CAF donations we have also allocated funding to;

**Beech Hyde Association - £14,650** - Aim to raise funds for Beech Hyde Primary School. This funding contributes to the build of a Reception Class Canopy for outdoor space, for Child Initiated Learning. It also aids the build of the Library Canopy, enabling them to have an outside reading area, attached to the library.

**Friend of Saucy Wood School - £5,000** - A group of parents, guardians and carers of pupils attending the school. The grant was to contribute to the removal of a dilapidated outside canopy and replace it with a new "Outside Classroom". This benefits the children in the Reception year where the "outside classroom" will be constructed and also to benefit all years across the school who would be able to use the space.

### A strong partnership with HCF

We partner with Hertfordshire Community Foundation (HCF), an independent charity which encourages local philanthropy. They provide advice and applications for funding and support from small charities, voluntary groups and individuals in Hertfordshire. Our objective in partnering with HCF is to support children, families, the elderly, education, health, mental health and local community projects.

These are primarily within Hertfordshire but also covering Bedfordshire and Buckinghamshire. Working with the HCF strengthens our roots with the local communities and helps improve the lives of vulnerable people. In 2020, for the third year, we continued our funding support of Youth Talk, a charity that provides a safe place where young people aged 13-25, can come for counselling and support. This service is available to those who live, work or attend school/college in the District of St Albans. Youth Talk have an array of counsellors who are qualified therapists and highly experienced in working with young people. They also have a National award for innovation and an award for services to the community.

The Society is close to completing a three year grant to fund 100 counselling sessions per year for young people. We believe this will have a positive and meaningful impact to those young people.

In 2020, Youth Talk were able to offer 3,168 counselling sessions to distressed young people. It's a huge achievement and we're immensely proud to support them.



## Our Corporate and Social Responsibility (continued)

### Our employees

As a local building society, we are proud to continue to provide employment opportunities in the communities around us. We are always focussed on the well-being and support of our employees, however Covid-19 has provided unforeseen challenges and the Society has had to adapt to new working environments. These difficult times have shown the spirit and commitment that our employees display each day and we have managed to provide services and opportunities to help support their mental and physical well-being. The voice of our employees has continued to be entrenched in many aspects of the organisation. We have provided flexibility for working opportunities to help our employees manage their professional and family lives during challenging times.

Our customer facing employees have been fully committed to providing the best service possible to their community. Despite having to work in challenging situations, the safety and well-being of our employees, as well as our members, has been paramount. We have been determined to support our community and despite our branches having to function at reduced opening hours, we are proud of the dedication and service our employees have continued to deliver.

Our office based employees fully accepted the challenge that Covid-19 has provided many businesses. We have adapted and shown flexibility in the way we work. It has provided many challenges and difficulties, many of which are extremely difficult to plan for. With colleagues and departments separated and adapting to working from home and with the removal of face to face engagement, the reliance on technology has never been more evident. Our teams have adapted quickly, our robust systems have meant we were still able to fully function and deliver, albeit in a very different way.

At the heart of everything we have tried to deliver in 2020, it has always been to support and guide our members and employees through this difficult period, as best we can. Helping those who have felt isolated and unable to visit our branches, supporting the mental health of our employees and providing flexibility to situations of our members, have all been at the forefront of our achievements in the past 12 months.



### Our training opportunities

The Society is committed to providing training and learning opportunities for our employees. Our online learning platform provides a range of learning material and modules designed to increase knowledge and improve skills.

### Our sustainability promise

We plan to continue to grow the business in a responsible and sustainable way ensuring we are a responsible and forward-thinking organisation.

As part of our CSR planning, we are committed to:

- Encouraging a paperless environment in our head office, our branches and working from home. We ask employees to consider the environment before printing and encourage the use of digital capabilities
- Buying goods and services that minimise environmental impacts
- Creating an environment where we have increased the amount we recycle and reduce the waste materials we dispose of
- Helping support and fund charities and schemes that contain social and environmental benefits for their communities.

The Society is also an active participant in a Green Finance Taskforce set up by the Building Society Association. The objective is to find ways to help homeowners reduce the 15% of harmful Carbon Emissions generated by the UK housing stock. There will be a growing importance to focus on this objective and we are fully committed as a Society to deliver environmentally friendly solutions and to support our members seeking to do the same.

## 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 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.



### Nigel Boothroyd

#### Vice Chair

Nigel joined the Society as a non-executive director in March 2019 and was appointed Vice Chair in May 2020. He has been the Senior Independent Director since January 2021 and is a member of the Board Risk & Compliance Committee, the Remuneration Committee and the Nominations Committee.

He has significant executive-level experience within financial services, having spent some 38 years at HSBC Group. He has carried out a number of senior roles, with experience of corporate and commercial banking; credit risk; operational risk; retail banking and wealth management. Nigel has served on a number of Executive and Risk Committees within the UK, Europe and North America. He was also the National Head of Corporate Banking with HSBC Canada between 2012 and 2015.

Nigel is an experienced non-executive director and, in addition to his role at the Society, is currently the Chair of the Risk Committee at Redwood Bank Limited and a non-executive director at British Arab Commercial Bank plc.

## Your Board of Directors



### Richard Doe

#### Non-Executive Director

Richard joined the Society as a non-executive director in April 2020 and is a member of the Remuneration Committee and the Nominations Committee.

Richard has over 35 years' experience in retail banking, covering mortgages, SME lending and retail savings. He has a marketing and business strategy background and was previously CEO of ING Direct in the UK and Managing Director of Paragon Bank plc.

He is a Chartered Banker and Fellow of the Chartered Institute of Marketing where he is also a member of the Appointments and Remuneration Committee.



### David Green

#### Non-Executive Director

David joined the Society as a non-executive director in October 2020 and chairs the Society's Audit Committee. He is also a member of the Board Risk & Compliance Committee.

He is a chartered accountant with around 40 years' experience in retail financial services. He joins us having recently retired as CEO of a leading private bank. He also served as an independent non-executive director for 7 years at a challenger bank.

## Your Board of Directors



### Sarah Howe

#### Chief Executive Officer

Sarah joined the Society in January 2019 from Saffron Building Society where she was an executive director.

With over 30 years' experience, Sarah has worked for market leading organisations in financial services and the retail home shopping sector. Sarah was the Chief Customer Officer at Saffron Building Society having joined them in 2013. Prior to that she was the Marketing Director for RIAS PLC (general insurance) and Chief Marketing Officer for Bupa where she worked for 10 years.

Sarah held the position of Independent Chair of the Openwork Client Panel from January 2017 until December 2019. The panel was advisory with a focus on customer outcomes and providing recommendations to the board of Openwork Holdings Limited.

Sarah is a member of the Building Societies Association (BSA) Council, the trade body for the Building Society sector and also a member of the BSA Remuneration and Nomination committees.



### 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 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.

George represented the Society as a non-executive director of Mutual Vision from March 2019 until the planned restructure of the Board in September 2020. Mutual Vision is an IT software service provider and, along with a number of other Societies, Harpenden Building Society is a long term shareholder in the business.

## Your Board of Directors



### Judith Mortimer Sykes

#### Non-Executive Director

Judith joined the Society in October 2011, and was formerly the Vice Chair and Senior Independent Director. She is the Chair of both the Society's Remuneration Committee and Nominations Committee and a member of the Audit 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.



### Mark Willis

#### Non-Executive Director

Mark joined the Society as a non-executive director in April 2019 and is currently chair of the Board Risk & Compliance Committee and member of the Audit Committee.

Mark has spent his career in financial services, most recently as Chief Risk Officer at National Counties Building Society which he joined in 2013. Previously, he served in a number of both operational and oversight roles in financial risk management at Nationwide Building Society (including Head of Market Risk) and with Nationwide Pension Fund as trustee.

Mark is currently a Reader in the Church of England and trustee of the National Counties Pension Fund.

He graduated in Philosophy Politics and Economics from Keble College, Oxford and is qualified as a Chartered Accountant and Corporate Treasurer. He also holds the PMI Award in Pension Trusteeship.

## Summary Financial Statement

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 April 2021.

### Summary Directors' Report

The Chair's Statement and Chief Executive's Review both set out the impact the global pandemic has had on the Society and how it has responded to the many challenges it has presented. Of particular note is the compounding impact on net income from the c.1.9% contraction in the mortgage book and the reduction in liquid asset yield following the 0.65% reduction in Bank Base Rate (BBR). The overall impact has been a £683k reduction in net interest income on 2019.

Whilst administration expenses have reduced by £213k on 2019, overall profit for the year was down, at £167k (2019: £783k).

The reduction in profit for the year is partially related to a revaluation gain of £162k on investment property in 2019. This relates to a reclassification of an element of the Society's freehold property to investment property to reflect the proportion on which the Society receives rental income. This prior year reclassification has resulted in a restatement of the 2019 position. The increase was based on an independent valuers report commissioned to assess the value of both freehold and investment property with a further £206k increase in the revaluation reserve due to an additional increase in value attributable to the freehold property. Further details can be found in the notes to the audited annual accounts.

The reduction in administrative expenses can be further analysed as a consistent staff cost charge to 2019 but with management expenses reducing by 12% from £2,739k to £2,420k. Staff costs include the withdrawal of the discretionary bonus scheme offset by the full year impact of new employees that joined the Society during 2019. It also includes the net impact of new employees in 2020 and is therefore a direct result of continuing to strengthen the people capability to meet the Society's future needs.

The Directors have assessed the risks facing the Society and these are set out within the Directors' Report of the audited annual accounts. In addition to the increased credit risk impact caused by the pandemic, other evolving risks of particular note is the impact of post-Brexit December 2020 'trade agreement' and the increasing focus on environmental and climate risk.

Whilst the Directors have assessed the direct impacts of Brexit as low, there may be indirect impacts that present themselves as the new relationship with the EU evolves. However, the Society has a strong capital base to manage any future macroeconomic consequences of the UK leaving the EU.

The Chief Executive has highlighted that the Society has a part to play in meeting our responsibilities for climate risk both in terms of how we operate and also how we assist our members in the changes they will be making. We are taking an active role in the Building Society Association's (BSA) Green Task Force and exploring products and services that support this agenda.

The Society continues to focus on its core objective, namely, to provide a competitive mortgage range funded by retail savings, predominately through members local to our branch network, despite the adverse conditions referenced above.

As noted above, the mortgage book contracted by 1.9% in 2020, however, the overall balance sheet increased to £302m with the net c£5m increase due to additional savings balances. We have previously noted that the Society has had high levels of liquidity and we have continued to actively manage our liquidity levels downwards. This had been a gradual planned realignment that has taken place over a number of years. The impact of book contraction and the additional savings balances attracted to the Society have, to some extent, reversed this transformation. However, this is seen as a temporary shift driven by the impact of the pandemic and the short term plan remains to complete this essential rebalancing requirement that underpins the Society's long term financial strength.

As noted in the Chair's Statement and the Chief Executive's Report, the impact of Base rate reductions during the year have been carefully considered. An Executive Product Pricing Committee convenes monthly to discuss pricing and ensure sufficient attention is focused on both new product development and the pricing decisions taken. This includes the assessment of various factors when considering rate changes, one of which is the BBR, but other factors include competitive pressure, funding requirements, liquidity position, growth expectations and also balancing the competing needs of both mortgage and savings customers.

The Society strives to provide fair interest rates for both mortgage and savings customers, in the context of the reshaping of the funding base. From a savings perspective we consider the rates to be competitive in the marketplace. However, the market is fluid and, as noted, the Society monitors the market closely for change through its Product and Pricing Committee.



## Summary Statement

for the year ended 31 December 2020

<b>Results for the year</b>	<b>2020</b>	Restated 2019
	<b>£000</b>	£000
Net interest receivable	<b>6,202</b>	6,885
Other income and charges	<b>219</b>	344
<b>Total Net Income</b>	<b>6,421</b>	7,229
Administrative expenses	<b>(6,192)</b>	(6,394)
Impairment of loans and advances	<b>(16)</b>	56
Provisions for liabilities	<b>(2)</b>	-
<b>Profit for the year before taxation</b>	<b>211</b>	891
Taxation	<b>(44)</b>	(108)
<b>Profit for the year</b>	<b>167</b>	783
Revaluation of property, plant and equipment	-	248
Movement in related deferred tax	<b>(24)</b>	(42)
<b>Total comprehensive income for the year</b>	<b>143</b>	989

<b>Financial position at end of year</b>	<b>2020</b>	Restated 2019
	<b>£000</b>	£000
<b>Assets</b>		
Liquid assets	<b>70,768</b>	61,157
Mortgages	<b>225,932</b>	230,337
Fixed and other assets	<b>5,329</b>	5,276
<b>Total assets</b>	<b>302,029</b>	296,770
<b>Liabilities</b>		
Shares	<b>268,084</b>	263,118
Borrowings	<b>4,571</b>	4,099
Other liabilities	<b>644</b>	968
Provisions for liabilities	<b>13</b>	11
General reserve	<b>27,500</b>	27,333
Revaluation reserve	<b>1,217</b>	1,241
<b>Total liabilities</b>	<b>302,029</b>	296,770

Approved by the Board of Directors on 18 March 2021 and signed on its behalf by:

**Stephen Richardson**  
Chair

**Sarah Howe**  
Chief Executive

**George McGrady**  
Finance Director

## Summary Statement

for the year ended 31 December 2020

	<b>2020</b>	2019
Gross capital as a percentage of shares and borrowings	<b>10.53%</b>	10.69%
Liquid assets as a percentage of shares and borrowings	<b>25.96%</b>	22.89%
Profit for the financial year as a percentage of mean total assets	<b>0.06%</b>	0.26%
Management expenses as a percentage of mean total assets	<b>2.07%</b>	2.12%

### 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 total assets at the beginning and end of the financial year..

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.

# Independent Auditor's Statement

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

We have examined the Summary Financial Statement of Harpenden Building Society set out on pages 16 to 18.

### Respective responsibilities of directors and auditor

The directors are responsible for preparing the Summary Financial Statement in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Member Review 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.

### Basis for opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts 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 2020;
- 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 information has been omitted which although not specifically prescribed by section 76 of the Building Societies Act 1986 and regulations made under it, in our opinion, is necessary to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2020.
- We also read the other information contained in the Member Review and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement. Our report on the Society's full annual accounts describes the basis of our opinions

### Opinion on summary financial statement

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and Directors' Report of Harpenden Building Society for the year ended 31 December 2020 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

### Use of the statement

This statement is made solely to the society's members and depositors as a body in accordance with section 76(5) of the Building Societies Act 1986. Our audit 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 and depositors as a body for our audit work, for this statement, or for the opinions we have formed.

Mazars LLP  
Statutory Auditor  
Tower Bridge House  
St. Katharine's Way  
London  
E1W 1DD

18 March 2021

## 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 July 2018. The Society has adopted a Remuneration Policy, which describes how the Society complies with the FCA's Remuneration Code. The remuneration of the individual Directors is detailed on page 22.

### The Level and Components of Remuneration

*Code Principle: Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values, and be clearly linked to the successful delivery of the company's long term strategy.*

#### Board comment:

The Remuneration Committee has responsibility for the Remuneration Policy and to review all workforce remuneration and the alignment of incentives and rewards with the Society's culture and strategy. The Remuneration Committee has delegated responsibility to determine the Remuneration Policy for the Executive Directors and the Leadership Team.

The Remuneration Policy outlines the overall approach and principles the Society adopts towards managing remuneration for all employees and non-executive directors. We have a simple approach to compensation which reinforces our strategy and values by rewarding the right behaviours and outcomes for members and the Society, focussing on long-term sustainable growth and discouraging unnecessary risk taking in line with the Remuneration Code.

### Executive Director Emoluments

Total remuneration includes base pay, performance related pay bonus, benefits and pension. Executive Director remuneration is reviewed annually.

**a) Fixed Remuneration - Base Pay.** This takes into account role and experience, comparison to the local external market and benchmark data.

**b) Variable Remuneration – Annual Bonus.** The discretionary performance-related bonus scheme is linked to both individual performance and the achievement of Society corporate targets. Targets include member satisfaction, profitability, mortgage book growth and employee engagement. This is reviewed by the committee annually to ensure the measures are appropriate. The bonus payment is not pensionable and the scheme is designed to deliver a maximum award of 20% of basic salary. Payments may be reduced or withdrawn if the Board considers there is an item or event of material importance or relevance to have a significant influence on the regulatory status, financial performance or financial statements of the Society. In addition, a 'profit hurdle' has been set that should be exceeded before any element of the bonus is payable. The Society does not operate a long-term incentive scheme. The 2020 discretionary performance-related bonus scheme did not pay out as the profit hurdle was not reached.

**c) Retirement Benefits – 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) Employee Benefits.** The Executive Directors are entitled to a car allowance, private medical insurance ('self and partner'), Group Income Protection and Life Assurance.

**e) Contractual Terms - S. Howe** is employed on a Service Contract dated 13 December 2018, terminable by the Society or by the individual on six months' notice. **G. McGrady** is employed on a Service Contract dated 3 January 2017, terminable by the Society or by the individual on six months' notice.

# Directors' Remuneration Report

## 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 Life Assurance at the rate of three times annual fees. Performance of individual Directors is assessed by the Chair and their fellow Board members. The remuneration of the Chair is reviewed by the Committee and set by the Board with their performance assessed by all members of the Board. All other Non-executive Directors' remuneration is also set by the Board, following review by the Remuneration Committee.

## The Procedure for Determining Remuneration

*Code Principle: A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.*

### **Board comment:**

The Remuneration Committee reviews the Society's Remuneration Policy, including Director Remuneration Frameworks annually. The Committee consists of three Non-Executive Directors, one of whom chairs the Committee. Members of the Committee are unable to determine their own remuneration. This is stipulated in the Committee Terms of Reference.

*Code Principle: Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance and wider circumstances.*

### **Board comment:**

The Board has delegated authority to the Remuneration Committee, to review annually and effect appropriate remuneration packages for the Board of Directors, Chief Executive, Finance Director and other members of the Senior Management Team, ensuring that these are fair and appropriate to the duties and responsibilities of each and reflect their contribution to the Society's overall performance.

## Judith Mortimer Sykes

Chair of Remuneration Committee  
18 March 2021

## Directors' Remuneration Report

Total Directors' emoluments for the year amounted to £614,518 (2019: £707,804).

2020	Salaries £000	Bonus £000	Benefits £000	Pension Contributions £000	Total £000
S. Howe (Chief Executive)	199	-	12	20	231
G. McGrady (Finance Director)	141	-	12	14	167
	<b>340</b>	<b>-</b>	<b>24</b>	<b>34</b>	<b>398</b>

2019	Salaries £000	Bonus £000	Benefits £000	Pension Contributions £000	Total £000
S. Howe (Chief Executive)	195	29	12	20	256
G. McGrady (Finance Director)	138	21	12	14	185
	<b>333</b>	<b>50</b>	<b>24</b>	<b>34</b>	<b>441</b>

Mr D. Jervis was appointed to the Board on 25 October 2018 and resigned on 15 February 2019. Following his appointment, Mr D. Jervis received fees of £49k during 2019.

Non-Executive Director Emoluments (comprising fees only):

	2020 £000	2019 £000
S.J. Richardson	45	45
J. Mortimer Sykes	32	32
P.F. Baynham	27	32
J. Robinson	7	26
P.V. Smith	-	19
N. Boothroyd	26	26
M. Willis	32	30
Richard Doe	22	-
David Green*	23	-
	<b>214</b>	<b>210</b>

\*includes fees for service received prior to becoming a Director.

As at 31 December 2020, there were no outstanding mortgage loans granted in the ordinary course of business to Directors and connected persons (2019: Nil) representing loans to nil (2019: Nil) persons.

A register is maintained at the Head Office of the Society, under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and connected persons. A statement for the current financial year of the appropriate details contained in the register will be available for inspection at the Head Office for a period of 15 days up to, and including the date of the Annual General Meeting.





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

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