



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

For the year ended 31st December 2022

Contents

Society Information	3
Member Review	
Chair's Statement	4
Chief Executive's Review	5
Our Corporate and Social Responsibility	6
Your Board of Directors	9
Summary Financial Statement	
Summary Directors' Report	12
Summary Statement.....	13
Independent Auditor's Statement	15
Directors' Remuneration Report.....	16

Our Branches

Harpden 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: Christian Sablone

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	Head Office
Firm Reference Number: 157260	Mardall House
Member of the Building Society Association	Harpden
Member of UK Finance	Hertfordshire AL5 4HU

Board of Directors¹

Stephen Richardson	Chair
Nigel Boothroyd	Vice Chair and Senior Independent Director
Lesley Beecher	
Richard Doe	
David Green	
George McGrady	
Mark Willis	

Leadership Team²

Tracy Campbell	Head of People
Mike Cutler	Commercial Director
Richard Doe	Chief Executive Officer
Gemma Fient	Director of Operations
Ian Jones	Chief Risk Officer
Ashif Kassam	Interim Finance Director
Gavin Mullen	Society Secretary
Gary Richardson	Director of IT & Transformation

Bankers

HSBC Bank plc
1 High Street
Harpden
Hertfordshire
AL5 2RS

Auditor

Mazars LLP
30 Old Bailey
London
EC4M 7AU

¹Reflects the position as at 31 December 2022. George McGrady has since resigned (effective 31 January 2023).

²Reflects the position as at 20 March 2023.

Chair's Statement



I am pleased to have this opportunity to provide you with an update on how your Society performed during 2022.

Society's performance in 2022

In last year's statement I explained that we had started 2022 with a smaller balance sheet, and therefore we were forecasting that the Society may find it difficult to grow profits.

The current business environment has had a marked effect on all commercial property values, which has led us to record a loss in value in relation to the Society's own freehold and investment properties in our accounts. This has contributed to a reported loss before tax in the year of £287k, and a total comprehensive loss for the year of £585k.

However notwithstanding this it is pleasing to report that our CEO, Richard Doe, and the whole team at the Society have achieved a very successful improvement such that the mortgage book has grown by 9.1% and a profit before tax (on operations pre any valuation adjustment for the Society's owned property) of £213k has been delivered.

Everyone at the Society is to be congratulated in delivering this excellent performance improvement.

The Society holds significant surplus capital and liquidity which provides the capacity and time to continue to build a stronger and more sustainable business.

Outlook for 2023 and Building a Sustainable Society

Notwithstanding the headwinds that our existing members and future members face in terms of the cost-of-living crisis and a slowing housing and mortgage market we are confident that Richard and the Leadership Team supported by the Board are very focused on continuing to deliver positive growth in the mortgage business in 2023 as well as improving profits for the year.

Board Changes

There have been no changes to the composition of the Board during the year, however George McGrady resigned on 31 January 2023.

Governance

The Board is responsible for the long-term sustainability of the Society, for protecting our culture and values, and for governance. 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, in addition to our usual recruitment needs relating to turnover, we recruited 9 additional new roles during 2022.

Finally, I would like to take this opportunity to thank all our members, customers and professional partners for their past, and continued support.

Stephen Richardson

Chair

20 March 2023

Chief Executive's Review



In my report last year, I talked of the need for the Society to transform its operations and to start growing once again. I am pleased to report that through investment in our people and a focused business improvement programme we were able to increase mortgage lending in 2022 and delivered net growth of £20m (9.1%). This compared to a net reduction of 4.1% in 2021. Sustainable mortgage growth is important to the Society in order to drive revenue and capital growth to support future lending and investment.

As a result of these changes, mortgage service levels have materially improved both for new Members and mortgage intermediaries. The Society was delighted to win the "Best Local Building Society" award in the What Mortgage Awards for the 8th year running as well as being highly commended for the "Best Self-Build Mortgage Lender" and "Best Building Society Customer Service".

Throughout the year we have seen strong demand for our specialist mortgage products which are designed to meet the needs of borrowers underserved by the larger lenders. Equally, our saving Members appreciate our continued branch presence and personal service.

As a result of this mortgage growth and an improved return on surplus liquidity due to higher interest rates, our net income significantly improved year on year.

Despite the increase in net income however, the current economic environment has had a marked effect on all commercial property values, which has led us to record a loss in value in relation to the Society's own freehold and investment properties in our accounts. This has contributed to a reported loss before tax in the year of £287k, and a total comprehensive loss for the year of £585k.

The Society used its surplus liquidity to fund mortgage growth and Members savings balances remained broadly flat over the year but are now growing to support future mortgage lending. During the year the Society established a draw down facility with the Bank of England to provide access to additional liquidity if required. The Society continues to hold significant surplus capital which will support future lending growth.

As the most severe impacts of the pandemic receded in 2022, these were replaced by other economic challenges. The war in Ukraine, high inflation and a rapidly increasing Bank Base Rate have created a new set of challenges for many across the UK.

Rising interest rates are welcomed by savers and the Society has increased its interest rates throughout 2022. However, the unusual speed and rate of increase is a challenge for mortgage borrowers. The Bank of England started to increase rates in December 2021 and by the end of 2022 these had risen by 3.4% from a historical low of 0.1%. The Society seeks to balance the needs of both savers and borrowers and we strive to offer value to our saving Members whilst helping borrowers manage their mortgage costs.

Despite the economic environment and the rapid rise in interest rates, customers in arrears or needing forbearance remain very low. However, we remain ready to provide assistance to any borrowing Member in financial difficulty.

I am also pleased to confirm that the Society has continued to provide support to our local communities and beyond, throughout 2022, including our continuing commitment through the Hertfordshire Charitable Trust as well as supporting our local foodbanks and several local and national charities. Colleagues from across the Society have given up their time to support charitable organisations either through fundraising or by hands on practical help.

In conclusion, 2022 was a positive year for your Society. The progress made so far has created a platform for sustainable growth and we aim to build on that momentum to support more savers and borrowers in the future.

None of what the Society achieved in 2022 could have been done without the commitment and adaptability of my colleagues and I am grateful for their continued support.

Richard Doe

Chief Executive
20 March 2023



Our Corporate and Social Responsibility

Social and community

Following the many challenges and obstacles that Covid-19 has provided since 2020, we now encounter many financial and economic difficulties, which continue to cause significant disruptions to our local communities. We employ many local people, and our history and heritage are centred around helping our local communities, in as many ways as we can.

As a mutual society, our communities are at the heart of our commitment to Corporate Social Responsibility (CSR). We believe in giving back to our communities whenever we can, especially supporting those in need during these difficult economic times. During 2022, the UK economy experienced increases in inflation, supply chain and shipping challenges, the ongoing effects of Russia's invasion of Ukraine and a fear of a looming recession.

For many, the effects were undeniable. Rising mortgage costs, inflated gas and electric bills, and a cost-of-living crisis – which has not only affected many of our members but also our local communities, charities and clubs in which we pride ourselves on supporting.

Not only have these effects impacted us financially, but also, we can never ignore their impact upon people's mental health. Worries and concerns about paying bills, buying everyday items and managing their household can cause great disruption.

As we faced many challenges in 2022, and continue to encounter these in 2023, supporting our local communities has never been so important to us. Despite it being difficult for us to support with the same velocity as in previous years, we have managed to maintain our commitment to funding partnerships and to support our members where we can.

Our CSR programme continues to have two primary purposes and ensures we respond to our communities needs in ways that matter to them the most.

Firstly, by 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
- Recognising our employees' contributions and 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.

Our Charity of the Year

Our chosen charity for the year was Bowel Cancer UK and thanks to our members, we managed to raise £1,193 as part of our AGM process. We would like to thank everyone for their support.

Our Endowment Fund

The purpose of our Endowment Fund is to support children, health and local community projects primarily within the geographic area of Hertfordshire but also Bedfordshire. During 2022, we received a wide range of project applications for funding. We're committed to supporting a diverse variety of applications and each submission is assessed against specific criteria. We analyse the positive and direct impact the project will have for local people and the community. All our awards have been delivered in collaboration with Hertfordshire Community Foundation (HCF), an independent countywide charity that provides grant support to local grass-roots organisations and to children and families in crisis by encouraging local philanthropy. HCF helps identify and research suitable projects for us to fund in line with our areas of priority.



Our Corporate and Social Responsibility (continued)

During 2022 the Society allocated funding to:

Sunnyside Rural Trust £4,980

Sunnyside is a charity supporting young people and adults with learning disabilities through training and employment opportunities within their social enterprises.

We were delighted to fund the opening of a community café at their Northchurch site, which provides retail experience for young people and adults with learning difficulties. A basic farm shop was already in operation, but our funding helped enhance the offering by installing plumbing for a barista coffee machine and a hot water tap, plus creating a simple menu preparation area.

Harpden Connect £3,000

Harpden Connect provides transport facilities for the people in Harpenden and the surrounding area, including those who have a special need of such facilities because they are elderly, disabled, parents or guardians of young children or those living where there are inadequate public transport facilities. Our funding provided support towards the ongoing running costs of delivering the community bus service, operating costs, insurance and road tax.

Hector's House £5,000

Hector's House is a charity which aims to prevent suicide through education, awareness and support. They visit schools, organisations and local community groups to deliver mental health presentations and offer support and signposting to every person who seeks help. They raise awareness around mental health and the stigma surrounding suicide through their digital presence. They also provide support for other concerns; anxiety, substance abuse and eating disorders. Our funding was to provide support to deliver presentations and visits to schools, continue to raise awareness and contribute to delivering psychotherapy and services to those in need.

Youth Talk £9,963 – (year 2 of a 3 year partnership)

Youth Talk is a charity that provides confidential counselling/psychotherapy to 13-25 year-olds who live, work and/or attend school or college in the District of St Albans and surrounding areas. Their approach focuses on the need to catch problems early and prevent an increase in severity. Youth Talk have an array of counsellors who are qualified therapists and highly experienced in working with young people.

In 2022, we entered the second of our three-year partnership. This multi-year commitment allows Youth Talk to provide free counselling, both digitally and in person, to young people with mental health issues. One year's funding provided 110 vital sessions of counselling for 10 clients.

In total last year, Youth Talk supported 346 young people and offered 4,000 counselling sessions. It's a huge achievement and we're immensely proud to continue to support them.

Our employees

Our employees have generously provided their time to volunteer over the past 12 months. Most notably providing regular donations to the King's Pantry Food Bank in Harpenden, supporting their Christmas Hamper Appeal and packing 'Bags of Kindness' for the Small Acts of Kindness charity - to distribute to people in need (predominantly the elderly) across Hertfordshire. We also became a wellbeing friend to individuals in the local community who may experience loneliness or feel socially isolated. Our employees continued comfort, support and friendship has been invaluable and we are extremely proud of their commitment to helping others.

Our Corporate and Social Responsibility (continued)

Our Branches

We had another busy year supporting our local communities:

Harpden Branch

- Supported and promoted local events such as the Harpenden Choral Society, Crabtree School Fireworks, and the Harpenden Musical Theatre.
- Attended the 100-year celebration of the Harpenden Royal British Legion and received an award for supporting its Poppy Appeal. It also raised over £290 selling poppies in branch.
- Raised £70 for the Kings Pantry Food Bank as well as providing regular food donations.
- £125 was also raised for local charities at the Harpenden Summer Carnival where we ran a stall and continued to support Keech Hospice through our 'dress down' casual days.
- We also raised £425 and £265 for Cancer Research UK and Keech Hospice, respectively.

Leighton Buzzard Branch

- Raised £315 in funds for both Cancer Research UK and the Cats Protection Society.
- Donated food to the local community fridge and books to the local supermarket's children's bookshelf and the local library.
- Participated in the Christmas lights switch on.
- Decorated our branch windows for local and national events (such as the May Fayre, Carnival, and the Queen's Jubilee), and distributed brochures for the local Rotary Club.

Tring Branch

- Supported Tring Together, our local community hub.
- Sponsored the Pop-up Zoo at the annual Summer Fayre and the Year 2 race at the Midsummer Fun Run.
- Sponsored the Tring Christmas Fayre paying for Donner and Blitzen to appear at the Christmas Grotto.
- Raised £758 for Rennie Grove Hospice by selling raffle tickets for a selection of luxury hampers sourced by the branch, and our Branch Manager raised £1,235 for PACE by doing a sponsored sky dive.
- The branch continued to support Hectors House and donated food items to its local food bank.

Radlett Branch

- Supported the local mayor Cllr John Graham by having two collection tins within the branch for his chosen charity which was the Peace Hospice.
- Brought back the window display to promote clubs or events in the local community – this brings a lot of attention to the branch and helps raise awareness to everything that is happening in the local area. We get great feedback, and it shows that the local community are grateful for our support and getting involved.

Our training opportunities

Across the organisation our colleagues completed a total of 1000 hours of e-learning, ensuring we kept up to date with regulatory and legislative requirements. This was alongside face-to-face training and coaching for individuals and teams, further developing their skillsets. Support and development for our line managers was a particular focus this year with everyone undertaking training to help strengthen our performance culture.

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.
- Tracking our energy consumption and water usage with a view to setting targets to reduce our consumption/usage.
- 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.
- Helping support and fund charities and schemes that contain social and environmental benefits for their communities.

Your Board of Directors



Stephen Richardson

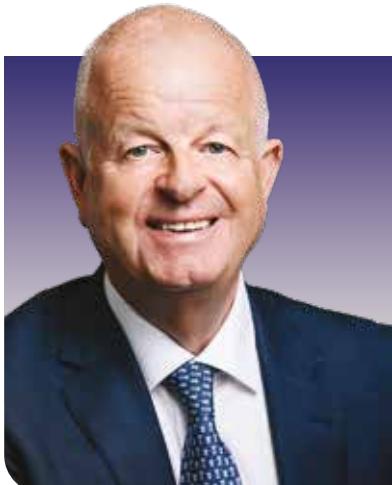
Chair

Stephen joined the Society as a non-executive director in January 2014 and was appointed Chair in June 2016. He is Chair of the Nominations Committee and a member of the Remuneration 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 and the Senior Independent Director in January 2021. He is Chair of the Remuneration Committee and a member of the Risk & Compliance 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 a non-executive director at British Arab Commercial Bank plc where he is also the Chair of the Remuneration and Nominations Committees.

Your Board of Directors (continued)



Lesley Beecher

Non-Executive Director

Lesley joined the Society as a non-executive director in July 2021 and is a member of the Audit, Nominations and Remuneration Committees.

Lesley has worked in financial services for the last 25 years. She is a technology specialist and was a retail banking CIO in her previous role. In parallel, for 7 years Lesley was a non-executive director for a company offering services to the credit union sector.



Richard Doe

Chief Executive Officer

Richard joined the Society in April 2020 initially as a non-executive director and became Chief Executive Officer in September 2021.

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.



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 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 (continued)



George McGrady

Finance Director

George joined the Society as Finance Director in May 2016 and joined the Board in January 2017. While he was in office for the financial year, George has since resigned as a director with effect from 31 January 2023. During the year, he was responsible for providing the Society with financial oversight and was an active leader for the Society's strategic financial direction based on financial strength, sustainability and member value. He was also a member of the Leadership Team.

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, which at the time was 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.



Mark Willis

Non-Executive Director

Mark joined the Society as a non-executive director in April 2019 and is currently chair of the Risk & Compliance Committee and a 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 operational and oversight roles in financial risk management at Nationwide Building Society (including Head of Market Risk) and with Nationwide Pension Fund as trustee.

He is a Chartered Accountant and Corporate Treasurer and also holds the PMI Award in Pension Trusteeship.

Summary Financial Statement

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 April 2023.

Strategic Business Review

The Chair's and Chief Executive have commented on the Society's performance for 2022 and the steps taken to grow the mortgage book. During 2022, there has been net growth in the mortgage book of 9.1% and this, in conjunction with the impact of Bank Base Rate (BBR) rises on the mortgage book, has resulted in a £1.2m increase in interest receivable for the year. There was also a significant increase in liquid asset income of £0.8m as increasing yields, representing the BBR rises in the latter half of the year, were implemented. The income growth was offset by interest payable of £1.3m as rate rises were passed onto savers. This has resulted in an overall increase of c.£0.7m in net interest income in 2022.

Administrative expenses, which are made up of staff costs and management expenses were largely unchanged year on year. Staff costs were £0.3m up while management expenses were down £0.3m.

The increase in staff costs is mainly due to new starters in 2022 as the Society continued to strengthen the people capability to meet the Society's future needs.

The Society's credit risk profile continues to remain strong and has proved to be resilient to the impact of the 'Cost of Living' crisis now impacting the UK. Overall Loan to Value's (LTVs) for the mortgage book remains low and this results in minimal exposure to losses resulting from any future material reduction in house prices and/or increases in loan defaults. However, as a result of the growth in the mortgage loan book during the year the Society has had to increase its provisions by c£0.2m.

As a result of the above, net operating profit before tax (pre any adjustment for revaluation changes of Society owned properties) has increased from a small loss of £0.03m in 2021 to a profit of £0.2m in 2022.

There was however a loss on revaluation of £500k during 2022, which when taken into account causes a Loss before tax of £287k (2021 Profit before tax: £86k). Total comprehensive loss for the year was £585k (2021 income: £386k), after reflecting a revaluation loss in 2022 of £509k (2021 income: £346k). The total revaluation loss for the year of £1,009k was as a result of a reduction in commercial property values during the year.

The Directors set out their assessment of the principal risks and uncertainties facing the Society on pages 16 to 18 of the Directors' Report, Accounts and Annual Business Statement, for the year ended 31 December 2022. It is recognised that there are risks and uncertainties associated with the potential adverse effects of the Pandemic, Brexit, higher inflation & interest rates, and that any consequent economic downturn, disruption to financial markets or political instability could have an impact on the Society's business model. The impact of an Economic downturn have been stress tested against the Business Plan during the year to ensure that it has appropriate management control processes and sufficient capital and liquidity to withstand such impacts.

Throughout 2022 the Society continued to focus on its core objective, namely, to provide a competitive mortgage range funded by retail savings, predominately through members local to its branch network.

As noted above, the mortgage book grew by 9.1% in 2022 to £237.1m, with the overall balance sheet increasing by £10.0m to £305.8m. The Society continued to maintain its funding at approximately the same level as 2021, however the high levels of liquidity maintained by the Society dropped during the year to fund the mortgage loan growth of c£20m.

An Executive \ Liquidity Oversight Group convenes weekly 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 Bank Base Rate, but other factors include competitive pressure, funding requirements, liquidity position, growth expectations and 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.

Summary Statement

Results for the year	2022 £000	2021 £000
Net interest receivable	7,331	6,614
Other income and charges	118	132
Total Net Income	7,449	6,746
Administrative expenses	(7,060)	(6,952)
Fair value (loss)/gains on investment property	(500)	109
Impairment of loans and advances	(176)	178
Provisions for liabilities	-	5
(Loss) / Profit for the year before taxation	(287)	86
Taxation: credit/(charge)	84	(50)
(Loss) / Profit for the year	(203)	36
Revaluation of tangible fixed assets	(509)	346
Movement in related deferred tax	127	4
Total comprehensive (loss) / income for the year	(585)	386

Financial position at end of year	2022 £000	2021 £000
Assets		
Liquid assets	64,360	73,001
Mortgages	236,830	216,948
Fixed and other assets	4,573	5,818
Total assets	305,763	295,767
Liabilities		
Shares	263,005	260,715
Borrowings	13,596	4,532
Other liabilities	644	1,417
General reserve	27,508	27,711
Revaluation reserve	1,010	1,392
Total liabilities	305,763	295,767

Approved by the Board of Directors on 20 March 2023 and signed on its behalf by:

Stephen Richardson

Chair

Richard Doe

Chief Executive

David Green

Non Executive Director
& Chair of the Audit Committee

Summary Statement (continued)

for the year ended 31 December 2022

	2022	2021
Gross capital as a percentage of shares and borrowings	10.53%	10.97%
Liquid assets as a percentage of shares and borrowings	23.27%	27.52%
(Loss) / Profit for the financial year as a percentage of mean total assets	(0.07)%	0.01%
Management expenses as a percentage of mean total assets	2.34%	2.32%

The ratios shown above are included on page 71 of the 'Directors' Report, Accounts and Annual Business Statement', for the year ended 31 December 2022.

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 Society made an unrealised loss for the year as a result of valuation changes in its property held for investment purposes. This reversed some of the revaluation profits made in previous years, that were capital additive, but this has not unduly impacted the strong Capital position as at the end of 2022. Therefore, the Directors believe that despite the loss the Society remains in a strong position going forward.

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 Report

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

We have examined the Summary Financial Statement of Harpenden Building Society (the "Society") set out on pages 12 to 14.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Member Review and 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 Business Review and Summary Financial Statement with the 'Directors' Report, Accounts and Annual Business Statement', the Annual Business Statement and the Directors' Report and its conformity with the relevant requirements of Section 76 of the Building Societies Act 1986 and regulations made under it.

Basis of opinion

Our examination of the Summary Financial Statement consisted primarily of:

- Agreeing the amounts included in the Member Review and Summary Financial Statement to the corresponding items within the 'Directors' Report, Accounts and Annual Business Statement', the Annual Business Statement and the Directors' Report of the Society for the year ended 31 December 2022 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 'Directors' Report, Accounts and Annual Business Statement', the Annual Business Statement and Directors' Report of the Society for the 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 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 'Directors' Report, Accounts and Annual Business Statement', the Annual Business Statement and the Directors' Report of the Society for the year ended 31 December 2022.

We also read the other information contained in the Member review and Summary Financial Statement 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 'Directors' Report, Accounts and Annual Business Statement' describes the basis of our opinion on those annual accounts, the Annual Business Statement and the Directors' Report.

Opinion

In our opinion the Summary Financial Statement is consistent with the 'Directors' Report, Accounts and Annual Business Statement', the Annual Business Statement and the Directors' Report of Harpenden Building Society for the year ended 31 December 2022 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 as a body and the Society's 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 as a body and the Society's depositors as a body for our audit work, for this statement, or for the opinions we have formed.

Mazars LLP

Statutory Auditor

30 Old Bailey, London EC4M 7AU

20 March 2023

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 18.

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. In determining Executive Director and Leadership Team remuneration, it first reviews 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. The policy is made available to all employees.

Executive Director Emoluments

Total remuneration includes base pay, performance related bonus, benefits (such as medical insurance) 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 an on-target bonus of 15% of basic salary with a maximum award of 30% of basic salary for leading performance which achieves stretch targets. 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 2022 discretionary performance-related bonus scheme paid 5% to Richard Doe. George McGrady did not receive a payment as he was on notice to leave. Ashif Kassam was appointed as Interim Finance Director in November 2022, paid on a contract basis, and as such does not receive any bonus or other employee benefits.
- c. **Retirement Benefits – Pension.** The Executive Directors have defined contribution pension plans, to which the Society and employee both contribute. The pension contribution to Executive Directors aligns with that of the workforce and is set at 10% of basic salary. Richard Doe opted not to take the employer pension benefit in 2022.
- 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.** R Doe is employed on a Service Contract dated 24 September 2021, terminable by the Society or by the individual on six months' notice. G. McGrady resigned and his employment ended on 31 January 2023.

Directors' Remuneration Report (continued)

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. All historical service agreements have a provision for Life Assurance at the rate of three times annual fees. The remuneration of Non-Executive Directors is a matter for the Board Chair and the Chief Executive. The remuneration of the Board Chair a matter for the vice-chair and the Chief Executive. 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 determine appropriate remuneration packages for the Board of Directors, Chief Executive, Finance Director, and other members of the Leadership 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.

Nigel Boothroyd

Chair of Remuneration Committee
20 March 2023

Directors' Remuneration Report (continued)

The total emoluments for both Executive and Non-Executive Directors for the year amounted to £525,869 (2021:£697,429).

2022	Salaries	Bonus	Benefits	Pension Contributions	Total
	£000	£000	£000	£000	£000
R. Doe (Chief Executive)	170	9	1	-	180
G. McGrady (Finance Director - resigned 31 January 2023.)	146	-	12	15	173
	316	9	13	15	353

2021	Salaries	Bonus	Benefits	Pension Contributions	Total
	£000	£000	£000	£000	
R. Doe (Chief Executive)	45	-	-	-	45
S. Howe (former Chief Executive)	262	-	14	23	299
G. McGrady (Finance Director)	143	-	12	14	169
	450	-	26	38	513

	2022 £000	2021 £000
S. Richardson	46	45
L. Beecher	28	13
N. Boothroyd	33	32
R. Doe (Resigned as a Non-Executive Director 24 September 2021)	-	20
D. Green	33	32
M. Willis	33	32
J. Mortimer Sykes (Retired 23 April 2021)	-	10
	173	184



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