



Harpenden
Building Society

Welcome to our Directors' Report, Accounts and Annual Business Statement

For the year ended 31st December 2025

Contents

Society Information	3
Chair's Statement	4
Chief Executive's Review	6
Your Board of Directors	9
Directors' Report	12
Corporate Governance Report	22
Directors' Remuneration Report	37
Directors' Responsibilities	40
Independent Auditor's Report	41
Statement of Comprehensive Income	49
Statement of Financial Position	50
Statement of Change in Members' Interests	51
Statement of Cash Flow	52
Notes to the Accounts	53
Annual Business Statement	75

Our Branches

Harpenden branch, 52 High Street, Harpenden, Hertfordshire, AL5 2SP

Leighton Buzzard branch, 22 Market Square, Leighton Buzzard, Bedfordshire, LU7 1HE

Radlett branch, 341 Watling Street, Radlett, Hertfordshire, WD7 7LB

Society information

Established and incorporated: 1953
Firm Reference Number: 157260
Member of the Building Society Association
Member of UK Finance

Head Office
Mardall House
Harpenden
Hertfordshire
AL5 4HU

Board of Directors

Nigel Boothroyd	Chair
Trevor Barratt	(appointed 02 January 2025)
Lesley Beecher	
David Green	
Tina Kokkinos	(resigned 29 July 2025)
Tracie Meadows	
Mark Williams	
Mark Willis	

Executive Committee

Gemma Fient	Director of Operations
Ian Jones	Chief Risk Officer
Tracie Meadows	Chief Executive Officer
Gavin Mullen	Society Secretary
Ben Richardson	Commercial Director
Gary Richardson	Director of IT & Transformation
Shirine Vincent	Director of People and Culture
Mark Williams	Finance Director

Bankers

HSBC Bank plc
1 Centenary Square
Birmingham
B1 1HQ

Auditor

Forvis Mazars LLP
30 Old Bailey
London
EC4M 7AU

Chair's Statement



I am pleased to present the Annual Report and Accounts of Harpenden Building Society for the year ended 31 December 2025.

This marks my second year as Chair of the Society. During the year, the Board has remained focused on strengthening the foundations of the business, supporting our members through a changing economic environment and ensuring that the Society is well positioned to deliver sustainable long-term value as a mutual.

Leadership and People

During 2025, Tracie Meadows completed her first full year as Chief Executive of the Society. The Board has been encouraged by the clarity of leadership and operational focus demonstrated during the year and by the progress made in advancing the Society's strategic priorities. We continue to work constructively with Tracie and the executive team, providing appropriate challenge and oversight as the Society develops further.

Performance in 2025

The Society has continued to operate with a strong focus on its mutual values and its commitment to putting members first. The Board recognises that the dedication and professionalism of our colleagues are central to the quality of service delivered to members and to the Society's overall performance.

I am pleased to report a strong financial performance in 2025. Profit before tax was £772,000, with net mortgage growth of 14.6%, taking the mortgage book to £369.6 million. The balance sheet expanded by 9.4% to £463.0 million, and the Society maintained a healthy Net Interest Margin of 2.35%.

The Board has satisfied itself that capital, liquidity and risk have been managed prudently throughout the year, providing resilience while enabling the Society to continue supporting members through appropriate lending and savings products.

Outlook and Strategy

The economic environment remains uncertain, and the Board continues to monitor closely the potential impacts on margins, funding costs and member behaviour. Notwithstanding this, the Society enters 2026 with a resilient balance sheet, a clear strategic direction and a strong service proposition.

In January this year, we introduced our refreshed brand, aligning its launch with the opening of our flagship branch in the heart of Harpenden. This development reflects the Board's support for measured investment in modernisation, while maintaining a strong local presence and focus on member service.

The Board remains committed to building a sustainable Society that can grow responsibly, invest appropriately in its people and systems and continue to meet the needs of both current and future members. We believe that the Society's conservative risk appetite and mutual model provide a sound basis for navigating the period ahead.

Board Changes and Governance

During the year, the Board has continued to review its composition, effectiveness and committee responsibilities to ensure robust governance, effective oversight and appropriate succession planning.

Trevor Barratt, who joined the Board as a non-executive director in January 2025, has settled well into his role and brings valuable sector and non-executive experience. He also chairs our new Transformation Committee, which we established during the year to oversee the Society's transformation programme

I would like to thank Tina Kokkinos for her valued contribution to the Board. Tina stepped down during the year to dedicate more time to her broader non-executive portfolio, and we wish her every success in her future endeavours.

The Board remains committed to maintaining high standards of governance and ensuring that decision-making is aligned with the long-term interests of the Society and its members.

Colleagues and Culture

Our colleagues are central to the Society's success and to the personal service that distinguishes us from many competitors. The Board continues to place strong emphasis on culture, capability and colleague engagement, recognising their importance to long-term sustainability.

In a competitive labour market, colleague attraction, retention and development remain key areas of focus. By supporting a positive and inclusive working environment and investing in skills and development, the Society is strengthening its capability to serve members effectively now and in the future.

Appreciation

I would like to thank my fellow Board members, the executive team and all colleagues for their continued commitment and professionalism during the year. I would also like to thank our members and professional partners for their ongoing support of Harpenden Building Society.

Nigel Boothroyd

Chair

11 March 2026

Chief Executive's Review



I am delighted to present our Annual Report and Accounts for 2025, reflecting my first full year as Chief Executive. Over the year, the Society has made further progress both financially and strategically, while continuing to evolve our culture. We have strengthened our foundations and remained focused on delivering sustainable value for members, underpinned by our long-standing commitments to trust, responsibility and our communities.

The UK economy entered 2025 on a more stable footing than the previous two years, as inflation continued to ease from its 2023 peak and interest rates moved decisively off their highs. The Bank of England base rate, which had reached 5.25% in 2024, began to fall in late 2024 and early 2025, reaching 4.50% in February and 3.75% in December.

For our members, this environment has been characterised by a gradual rebalancing between borrowers and savers. Higher interest rates over recent years placed pressure on mortgage affordability, particularly for customers coming off fixed-rate deals, while savers benefited from the strongest returns seen for over a decade. As rates begin to normalise, our focus has been on supporting customers through transition, helping borrowers manage repayments and plan ahead, while continuing to offer savers fair, competitive returns.

Mortgage markets continued to show signs of recovery during 2025 with many benefitting from the stamp duty holiday in the first quarter. Mortgage rates eased from their 2023 highs, with sub-4% products returning to parts of the market, improving sentiment and affordability. Remortgage activity remained robust as customers sought certainty and value, while the first-time buyer market continued to be constrained by higher deposit requirements and living costs. House prices proved more resilient than many expected, supported by strong employment levels and a persistent undersupply of homes, although overall transaction volumes remain below pre-pandemic norms.

The savings market remained highly competitive throughout the period. While headline best-buy rates moderated as expectations of interest rate cuts grew, returns remained materially stronger than those seen in the decade prior to 2022. Customer behaviour continued to evolve, with greater engagement in product switches, term deposits and online account management, alongside an ongoing demand for reassurance and access to branch-based support.

Against this backdrop, we have remained focused on our mutual purpose: balancing the needs of both savers and borrowers, maintaining financial resilience, and supporting members through changing economic conditions. Continued investment in digital capability has complemented our branch network, ensuring customers can manage their finances in the way that suits them, while still benefiting from trusted, personal service.

In this environment, I am pleased to report a year of solid financial progress in 2025. We achieved profit before tax of £772,000 and delivered net mortgage growth of 14.6%, taking our mortgage book to £369.6 million, supported by a strong lending pipeline of £78.5 million. Our balance sheet expanded by 9.4% to £463.0 million, and we maintained a healthy Net Interest Margin of 2.35%.

This growth has been driven by an expanding loan book, disciplined cost management, and enhanced operational efficiency, all of which will continue to strengthen our capital position and long-term sustainability.

Our Cost/Income Ratio was 91.3%, while the liquid assets ratio decreased to 20.2%. Mortgage arrears and forbearance have continued to be low and stable, and the average loan-to-value across our mortgage book stands at just 40%. Our overall provision for bad debts reduced to £281k. We have maintained a prudent approach to mortgage lending by avoiding high loan-to-value lending and upholding our traditional strengths in responsible underwriting.

I am proud of the strategic milestones achieved during 2025, including the Society's brand refresh; a carefully considered and strategically important initiative designed to ensure we remain relevant, distinctive and trusted in a changing financial services landscape. The refreshed brand supports our ambition to grow sustainably, deepen relationships with members, communities and partners, and remain true to our mutual values.

As part of a wider strategic review of how and where we serve our members, we also took the difficult decision to merge our operations in Tring with our Leighton Buzzard branch. This was not a decision taken lightly. While the Tring office was valued by many members, footfall had declined over time and operating costs had continued to rise, making it increasingly challenging to sustain the branch in the long term. Our priority throughout was to ensure members continued to receive the high standard of service they expect, supported by strengthened provision in Leighton Buzzard and alternative ways of accessing the Society.

At the same time, we reinforced our long-term commitment to the communities we serve through targeted investment. The launch of our refreshed brand was timed to coincide with the opening of our flagship branch in the heart of Harpenden on 15 January this year. Moving from Station Road to more prominent, modern premises on the High Street represents far more than a change of location. It places us closer to the people we serve, makes the Society more visible and accessible, and reflects our intention to retain a strong physical presence in an increasingly digital world.

The new branch provides a welcoming, contemporary environment that supports better conversations, improved accessibility and a stronger member experience. It reflects both who we are today and our long-term commitment to Harpenden and the surrounding area, helping us to serve existing members more effectively while continuing to grow responsibly and deepen our roots at the heart of the community.

Progress has also been made on the Society's core transformation programme, which remains a key strategic priority. During 2025, we continued to modernise both our front- and back-office systems, improving the resilience of our operations and laying the foundations for a better, more consistent experience for members. This programme is designed to streamline processes, enhance service quality and improve operational efficiency, enabling colleagues to focus more time on supporting members. While much of the work to date has focused on building capability and readiness, we expect the benefits of this investment, including improved customer experience and greater efficiency, to begin to be realised during 2026 and beyond.

Taken together, these developments demonstrate our commitment to evolving thoughtfully while remaining true to our roots as a mutual. By investing in our communities, modernising our operations and making careful decisions to ensure long-term sustainability, we are strengthening the Society for the future. Central to this progress are our colleagues, who remain fundamental to our long-term success. During 2025, we continued to build a strong, supportive culture, enhancing engagement and supporting colleague wellbeing and development. Improved communication has helped bring teams closer together, and this sustained focus was reflected in our Best Companies results, with the Society once again recognised as a *Very Good to Work For* organisation.

The Society continued to strengthen its commitment to community engagement throughout 2025, providing £16,930 in grants to local organisations. We also invested over £8,400 in community advertising, local support and sponsorships, and closed the year by sponsoring Harpenden's Carols on the Common on Christmas Eve. Our charitable activity continued to make a meaningful impact, with £5,750 raised for Keech Hospice Care and a £500 donation to Open Door's Butterfly Meadows project. Colleague volunteering remains a cornerstone of our community programme, with 62 colleagues contributing more than 834 hours to local causes during the year. These efforts not only benefit the communities we serve but also help to foster pride, connection and purpose across the Society.

Alongside this community focus, we have remained committed to providing a consistently high standard of service for our members across all channels - in branch, by telephone and online. I am pleased that this continues to be reflected in member feedback, with a Smart Money People rating of 4.5 out of 5. We were also delighted to be recognised as Best Local Building Society at the What Mortgage Awards for the eleventh consecutive year, a testament to the strength of our member relationships and the dedication of our colleagues.

In closing, I would like to thank our members for their continued trust and loyalty, and our colleagues for their commitment, professionalism and care throughout the year. As we look ahead, we do so with confidence; confident in our strategy, confident in our people, and confident in our ability to continue serving members well. We remain firmly focused on building a strong, modern and sustainable Society, rooted in our communities and guided by our mutual values.

Tracie Meadows

Chief Executive Officer

11 March 2026

Your Board of Directors (as at 31 December 2025)



Nigel Boothroyd

Chair

Nigel joined the Society as a non-executive director in March 2019 and was appointed Chair in April 2024. He is Chair of the Nominations Committee and a member of the Remuneration Committee. Nigel has significant executive-level experience within financial services, having spent c.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.



Trevor Barratt

Non-Executive Director

Trevor joined the Society as a non-executive director in January 2025 and is Chair of the Transformation Committee and a member of the Risk & Compliance and Remuneration Committees. Trevor has over 25 years' experience as a senior executive in governance and risk management, with the majority of this time spent in mainstream retail and commercial banking. For several years he was the Head of Strategic Risk for Lloyds Bank Plc, working within the Group Risk function, and subsequently he became the Chief Risk Officer of Charities Aid Foundation Bank, before moving to Duncan Lawrie Private Banking Group as an Executive Director, prior to moving to risk consultancy. He was a non-executive director of a private bank, with an international clientele and more recently at Monmouthshire Building Society where he chaired the Risk Committee. Trevor is also a non-executive director at British Fenestration Rating Council Ltd and sits on the Valuation Assurance Committee of the Royal Institute of Chartered Surveyors.



Lesley Beecher

Non-Executive Director

Lesley joined the Society as a non-executive director in July 2021 and is Chair of the Remuneration Committee and a member of the Audit, Transformation and Nominations Committees. Lesley has worked in financial services for over 25 years. She is a technology specialist and was a retail banking CIO in her previous role. In parallel, for the last 7 years Lesley was a non-executive director for a company offering services to the credit union sector. In addition to her role at the Society, Lesley is also a non-executive director at Gatehouse Bank Plc.



David Green

Non-Executive Director

David joined the Society as a non-executive director in October 2020 and was appointed Senior Independent Director in April 2024 and Vice Chair in June 2024. He also chairs the Society's Audit Committee and is a member of the Risk & Compliance Committee. He is a chartered accountant with around 40 years' experience in retail financial services and joined from a leading private bank following his retirement as CEO. He also served as an independent non-executive director for 7 years at a challenger bank. In addition to his role at the Society, David is also a trustee of Leonard Cheshire Disability.



Tracie Meadows

Chief Executive Officer

Tracie joined the Society as Chief Executive Officer in May 2024 and is a member of the Board and Chair of the Executive Committee.

Tracie has over 29 years' experience in retail banking across three major financial institutions, Nationwide Building Society, HSBC and most recently Santander, where she was the Chief Customer Officer, Homes at Santander UK. At HSBC she started as Head of Mortgages before becoming the Director of Retail Banking for HSBC UK. Tracie started her career at Portman Building Society before moving to Nationwide Building Society following the merger of the two societies; in her 19 years in the mutual sector, she ran the prime and specialist mortgage portfolios and savings book.



Mark Williams

Finance Director

Mark joined the Society as Finance Director in November 2023 and is a member of the Board and the Executive Committee. He also chairs the Assets & Liabilities Committee.

Mark is a qualified chartered accountant, with nearly 30 years' experience within the Financial Services sector. After qualifying, he spent many years within Investment Banking working at Standard Bank, Lehman Brothers and Deutsche Bank. More recently Mark has worked at various retail and commercial banks including Lloyds Bank, the Co-operative Bank and Jordan International Bank where Mark was CFO and Acting CEO as well as a Board member. He has extensive experience across Finance, Treasury and Risk roles.



Mark Willis

Non-Executive Director

Mark joined the Society as a non-executive director in April 2019 and is 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 holds the PMI Award in Pension Trusteeship.

Directors' Report

The Directors have pleasure in presenting their 73rd Annual Report and Accounts for the year ended 31 December 2025.

Strategic Business Review

The Chair and Chief Executive have both commented on the Society's performance for 2025 and the steps taken to grow the mortgage book. During 2025, there has been a very healthy net growth in the mortgage book of 14.6% and this despite the impact of 4 reductions in Bank Base Rate (BBR) in the year and a reduction in the Society's Standard Variable Rate on the mortgage book, has resulted in a £1.1m increase in interest receivable for the year. The income growth was partly offset by an increase in interest payable of £0.1m as the savings book grew at a smaller amount than the mortgage book. This has resulted in an overall increase of £1.0m in net interest income year on year.

Administrative expenses, which are made up of staff costs and management expenses have increased by £0.9m year on year. Management expenses increased by £0.3m while staff costs increased by £0.6m.

The increase in management expenses is mainly due to one off costs in relation to rebranding and repairs to the Leighton Buzzard branch.

The increase in staff costs of 12% is driven by inflation and new hires for projects.

The Society's credit risk profile continues to remain strong and has proved to be resilient to the continuing impact of the 'Cost of Living' crisis throughout the UK. Overall Loan to values (LTV's) for the mortgage book remain very low and this results in minimal exposure to losses resulting from any future material reduction in house prices and/or increases in loan defaults. Even with the growth in the mortgage loan book during the year the Society has decreased its provisions by £20k. This is mainly due to the increased house prices in the year.

Despite the above, following further investment in our systems to support growth, we recorded a decline in net operating profit before tax (before any adjustment for revaluations) in 2025 of £0.6m (2024: £0.9m).

Total comprehensive income for the year was £0.7m (2024: £0.7m). The Society has three owned properties its Head Office, Harpenden Branch (Station Road) and Leighton Buzzard Branch which are revalued each year for our financial accounts, the 2025 revaluation resulted in a gain of £312k and £336k (2024: £12k and £50k) for investment and operational properties, respectively.

The Directors set out their assessment of the principal risks and uncertainties facing the Society on pages 17-20. Those associated with the macro-economic pressures facing the UK and 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 has 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 2025 the Society continued to focus on its core objective, namely, to provide a competitive mortgage range funded predominantly by retail savings. Although the Society has received an increase in funds from corporate accounts in the year the Society also continued to increase its retail savings through online savings accounts.

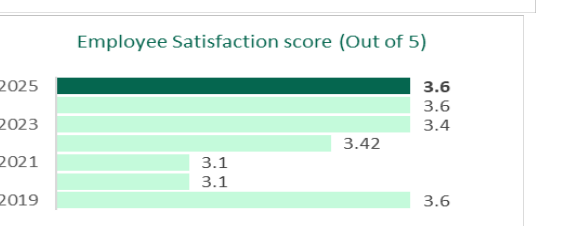
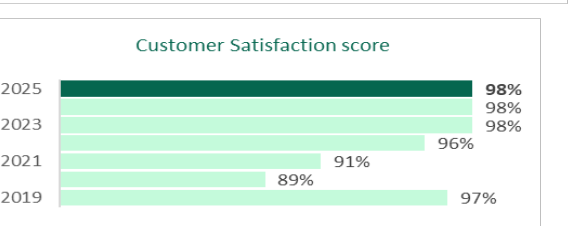
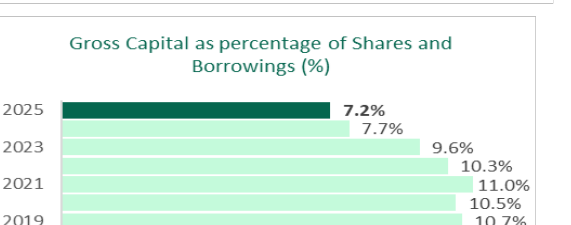
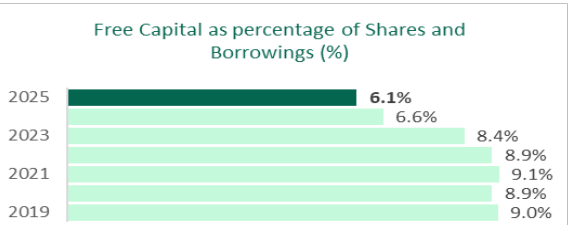
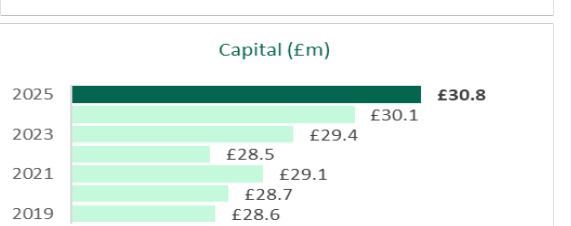
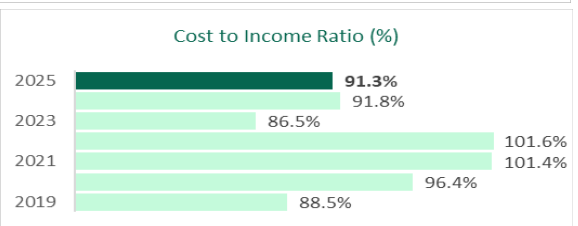
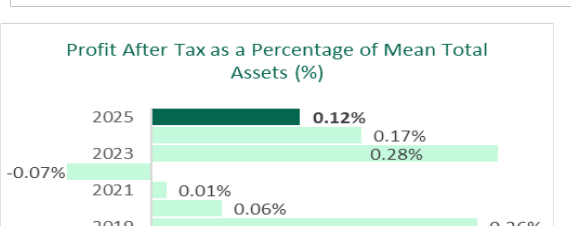
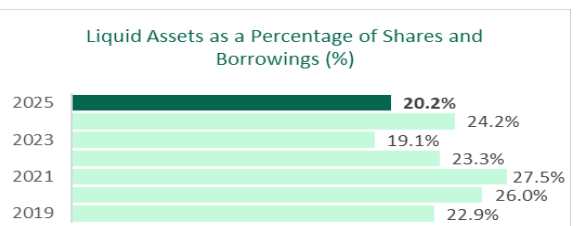
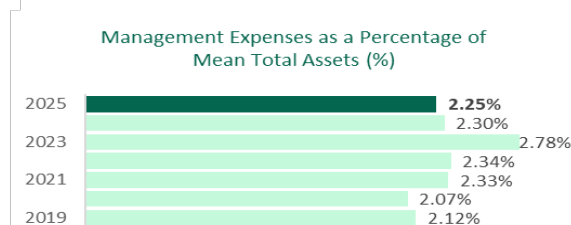
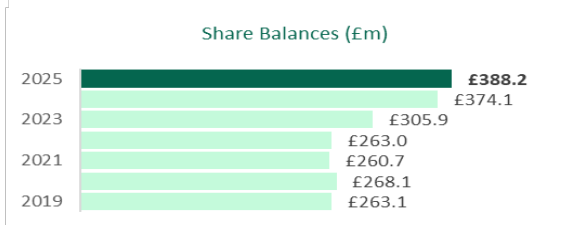
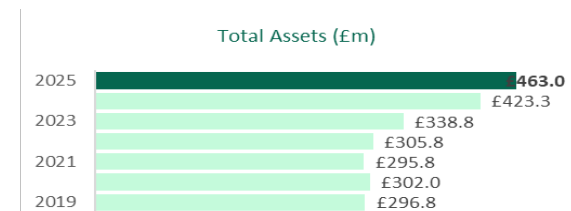
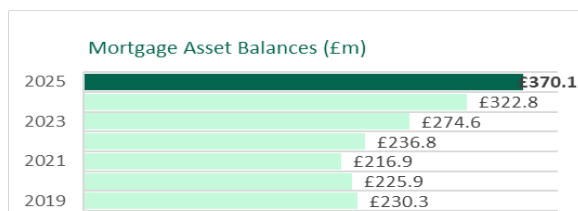
As noted above, the mortgage book grew by 14.6% in 2025 to £369.6m, with the overall balance sheet increasing by £39.7m to £463.0m. The Society continued to grow its funding by £38m year on year, an increase of 9.7%. As a consequence, surplus liquidity decreased by £8.3m in the year.

An Operational Asset Liability Committee convenes as a minimum fortnightly 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. From a savings perspective we consider the rates to be competitive in the marketplace.

Key Performance Indicators

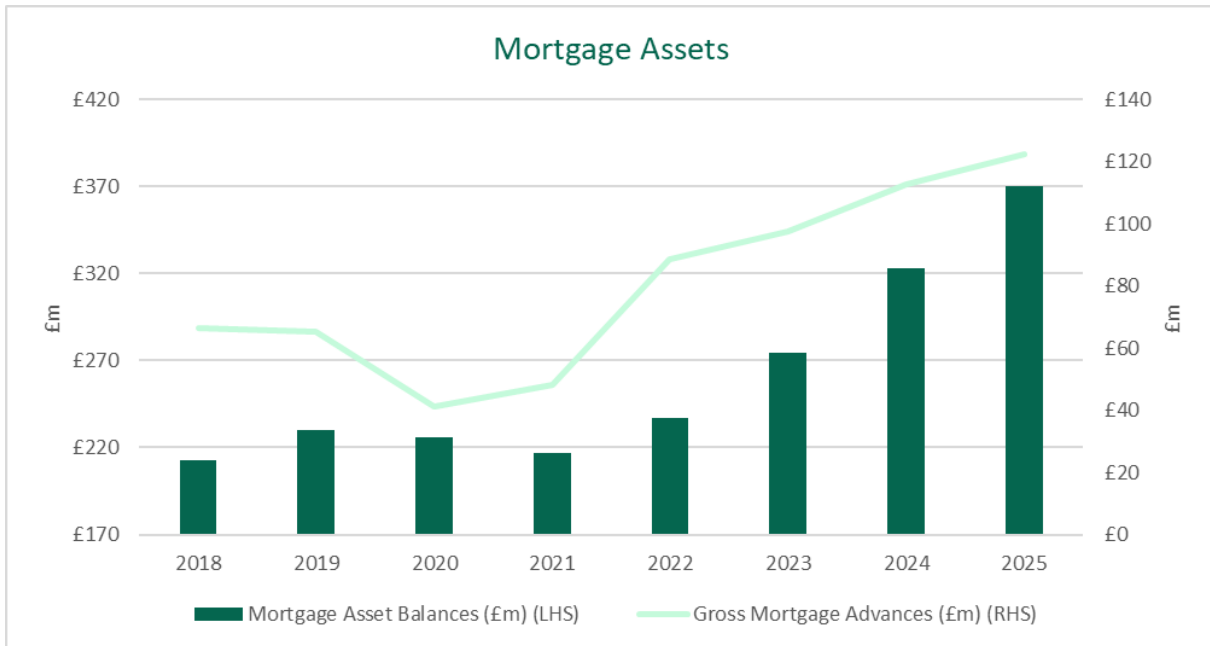
The Board and Executive monitor all aspects of the Society’s financial performance on an ongoing basis. The key performance indicators (KPIs) used as measures are set out below and disclosed in more detail:



Mortgage Asset Balances

The provision of mortgage finance for the purchase of owner-occupied residential property is the key objective of the Society. The Society continues to offer pragmatic solutions to meet the borrowing needs of its consumers and has built a reputation for expertise and service in this specialist part of the market. We continue to offer an individual approach to underwriting and take the time to understand borrower's circumstances and assess the affordability of each mortgage in a prudent and sensible manner.

During the year, there was an increase in new advances of £122.3m against £112.5m in 2024. Redemption levels were higher than in 2024, nevertheless the Society managed strong net growth in the mortgage book of £47.1m, or 14.6%, to £369.6m (2024: £322.5m).



As at 31 December 2025, there were no mortgage accounts that were 12 months or more in arrears (2024: one) with an outstanding loan balance of Nil (2024: £375k) and an arrears balance of Nil (2024: £58k). The Society had mortgage arrears balances greater than 3 months old at 31 December 2025 of £2.3m (2024: £2.5m).

As at 31 December 2025 the Society had no property in possession (2024: 1).

The Society may consider offering forbearance to mortgage borrowers who experience temporary payment difficulties because of serious illness, a change in employment circumstances or a significant life event. Arrangements considered include payment holidays, change in payment basis from repayment to interest only or amendment of mortgage term. All arrangements are temporary and are regularly reviewed. At 31 December 2025, the Society offered such forbearance to 7 borrowers (2024: 12), representing a total mortgage balance of £2.12m (2024: £3.93m). 6 of these cases were in arrears (2024: 8). These loans are considered within the Society's individual and collective mortgage provisioning modelling as described below.

Impairment Provisions

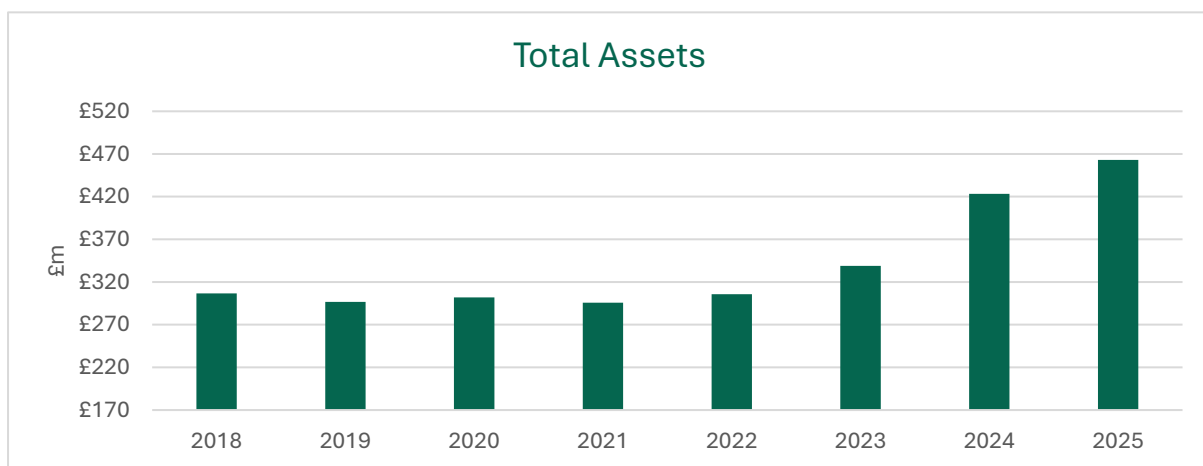
Individual provisions are made for loans and advances on a case-by-case basis to cover anticipated losses in respect of all accounts that have been identified as impaired. Anticipated losses on such accounts are calculated as the difference between the estimated current achievable market value of the security and the outstanding loan balance, after making appropriate allowance for costs.

A collective mortgage provision is made against mortgage advances which have not been specifically identified as impaired, but where general experience and market conditions may indicate that losses may ultimately be incurred.

In aggregate, the impairment provisions have decreased by £21k to £281k, largely reflecting the slight increase in house prices during 2025. At a more granular level, there was no individual specific impairment provision at year end with the net decrease due to a movement in the collective provision. This decrease is based on a review of the underlying assumptions and reflects the low LTV's of the mortgage book. This provides significant debt cover across the book and the relatively low levels of arrears, defaults and possessions. The Society has not suffered any credit losses on its residential mortgage book for more than 10 years.

Total Assets

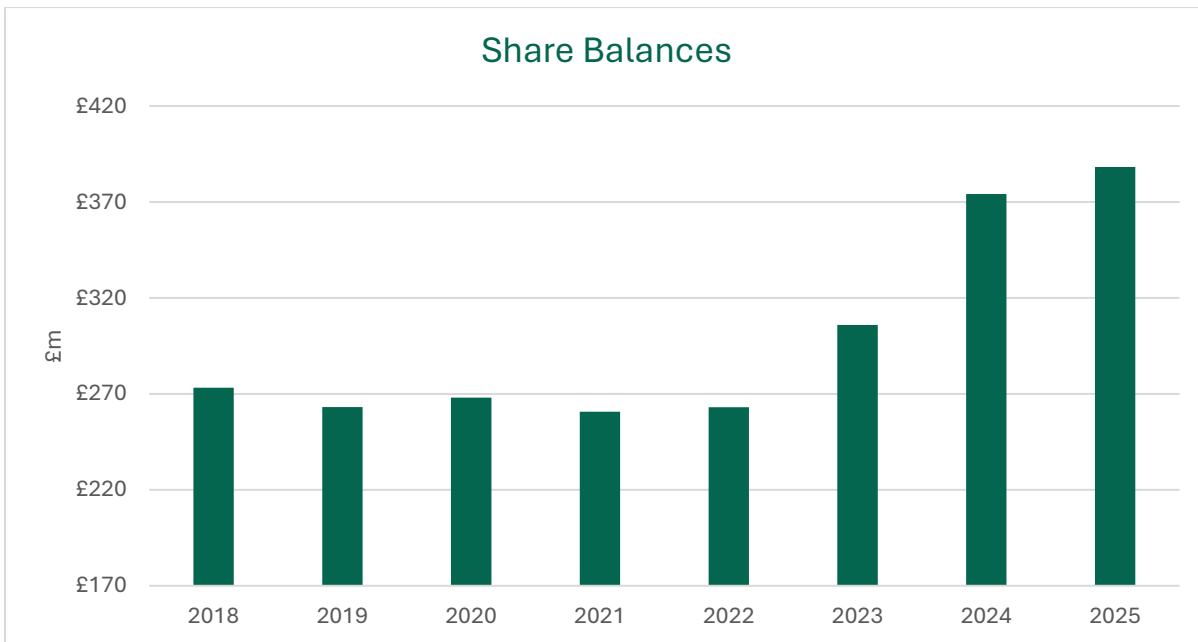
The Board considers that long term balance sheet growth, underpinned by increasing capital reserves improves the Society's financial strength and long-term stability. In line with these long-term goals the Society has grown the balance sheet by c£39.7m to £463.0m (2024: £423.2m). This is a new high for the Society.



Share Balances

The Society strove to provide competitive interest rates during the year even when base rates decrease further in 2025. The Society maintained a stable and sustainable funding base that met its lending requirements through the provision of straight forward products that were and are consistently priced for all members. The Society continued to attract online savings products in the year which continued to be a very effective way of raising retail deposits.

Share balances increased by £14.1m or by 3.8% to stand at c£388.2m at 31 December 2025 (2024: £374.1m), this money was used to fund the mortgage book growth in 2025.



Liquid Assets as a Percentage of Shares and Borrowings

Liquidity ratios are monitored to ensure that they remain within Board approved limits and that adequate cash is held to meet liabilities as they fall due. In 2025, liquid assets decreased by c£8.3m to £86.7m (2024: £95.0m) with the liquid asset ratio decreasing to 20.2% (2024: 24.2%).

The decrease in liquidity and the liquidity ratio is driven by the higher growth in the mortgage book compared to the growth in share balances. During 2022 the Society set up a liquidity draw down facility with the Bank of England, which allows it to draw down against a pool of prepositioned mortgages held as collateral with the Bank of England. In December 2025 the Society increased its available pool of prepositioned mortgages held as collateral at the Bank of England to circa £118m. During 2025 the society accessed the facility and has drawdown £11m to support its strong mortgage book growth.

Profit After Tax as a Percentage of Mean Total Assets

Accumulated profit after tax is the key source of additional capital for the Society and sufficient profit must be made to ensure its ongoing financial strength. The Society's overall margin and operating profitability are strong and ensures that future growth in lending can be supported. The profit after tax as a % of mean total assets at 0.12% (2024: 0.17%)

Management Expenses as a Percentage of Mean Total Assets

This ratio measures how productively the resources of the Society are used. The ratio has decreased slightly year on year to stand at 2.25% (2024: 2.30%).

Cost: Income Ratio

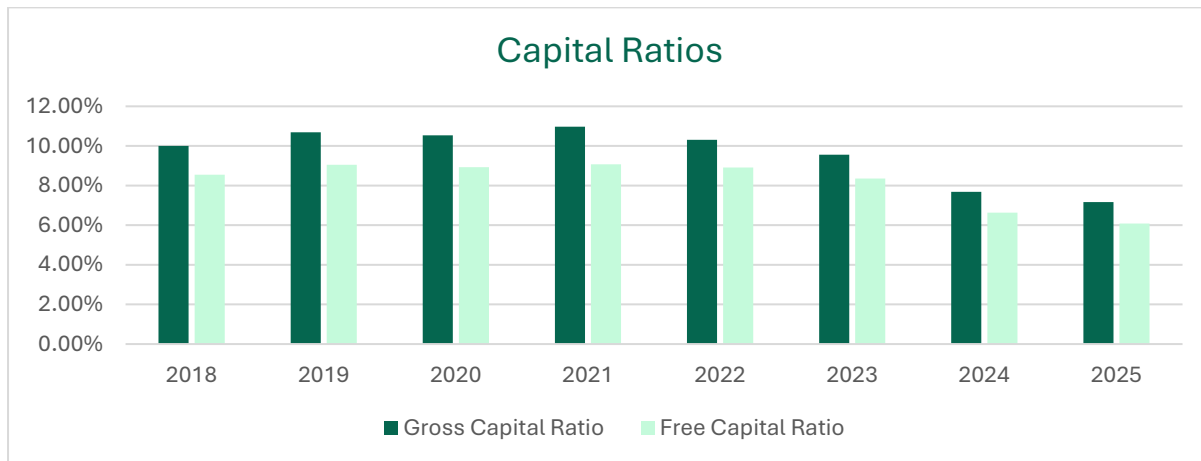
The cost income ratio compares the operating costs within the business with the income that it generates and therefore it is a measure of how efficiently the Society utilises its resources. This metric has decreased slightly to 91.3% from 91.8% in 2024, largely driven by increased net income with administrative expenses increasing year on year driven staff costs, our new Harpenden Branch and rebranding exercise.

Capital

The Society generates capital to protect against risk and provide long-term security for members and the Gross and Free Capital ratios are monitored accordingly. These ratios are defined in the Annual Business Statement on page 75.

Gross capital ratio for 2025 of 7.2% has reduced since 2024 when the ratio was 7.7% predominantly due to the strong mortgage growth in the year.

As shown in the chart below, the Society's capital remains strong.



Customer Satisfaction

We actively seek direct feedback from both our borrowers and savers and undertake monitoring of our performance as well as a review of specific comments to continue to improve our service. The customer satisfaction score is a weighted average of our performance based on the percentage of all feedback from both borrowers and savers that rate our overall service as “good”.

Employee Satisfaction

We conduct an annual Society wide survey for all colleagues to feedback their views on a wide range of areas. Following the decision by Financial Services Culture Board (FSCB) to close, we partnered with Best Companies for the third time in 2025 to facilitate our annual colleague survey. We are pleased to report that we achieved a 1-star accreditation rating (Very Good to Work For) and maintained our overall score from last year. We are very pleased and consider the results as evidence of continued positive progress towards our vision to be a great place to work.

Financial Risk Management Objectives and Policies

The Society has a formal structure for managing risk including establishing risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Board. Details of the Society's approach to financial risk management and the key risks faced are given in note 26.

Principal Risks and Uncertainties

The Society has a formal risk management structure underpinned by an Enterprise Risk Management Framework (ERMF) and supported by a Risk Appetite Statement. The risk management structure also includes its Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP), policy statements, exposure limits, mandates and reporting lines together with an active and regular risk review process to mitigate risks.

The principal risks and uncertainties arising from the Society's activities, and the Board approved policies and procedures put in place to manage them, are described below.

Strategic Risk

The Society has been investing in infrastructure and people in recent years and during 2025, mortgage book growth and new savings products have enabled the Society to make a profit before taxation of £0.8m. Although market conditions for mortgage loan growth are considered to still be challenging in the current economic environment, the Society has set clear plans to achieve growth & profitability and to ensure that its capital strength is maintained.

Economic Risk

The 'cost of living' crisis coupled with continued high inflation continued to impact the UK economy. GDP growth has stalled and at present is close to flat.

During 2025 inflation had started to reduce although it is still above the 2% Bank of England target rate. At the time of writing with the current situation in the Middle East any future path of Bank of England rates are uncertain in both direction and timing with higher inflation expectations, swap-rate volatility, and increased energy-market uncertainty.

However, despite this the Society considers that it is well placed to manage any potential downturn. The results of its stress testing regime support the Board's view that the Society has sufficient capital to withstand a range of severe stress scenarios.

Credit Risk

The Society is exposed to credit risk in respect of either mortgage customers, wholesale counterparties being unable to meet their obligations as they fall due. All loan applications are assessed with reference to the Society's lending policy and lending mandates are strictly controlled. The Lending Policy is reviewed by Credit Committee and approved by the Risk & Compliance Committee. The Society does not take a 'tick-box' approach to lending, rather, the Society ensures that the unique position and inherent risks of each application received are understood and assessed.

In addition, the Financial Risk Management Policy includes limits on credit exposures to wholesale and groups of counterparties driven by credit ratings and an internal due diligence process. Whilst credit ratings can provide an indication of the creditworthiness of a counterparty, the Society supplements this information with market knowledge to generate a more complete view of its counterparties.

Liquidity Risk

Liquidity risk is the risk of being unable to meet demands and commitments to provide funds to customers and other third parties. The Society's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Society can cover all fluctuations in funding, retain full public confidence in the solvency of the Society and to enable the Society to meet its financial obligations. This is achieved through maintaining a prudent level and sensible mix of liquid assets and through control of the growth of the business to provide flexibility in the management of liquidity. Stress tests are carried out regularly to confirm that the Society can withstand normal and severe cash outflows. The Liquidity & Funding Policy is regularly reviewed and approved by the Risk & Compliance Committee.

Interest Rate Risk

This is the risk of an adverse impact on the value of the Society's net assets or net interest income arising from movements in interest rates. This includes repricing risk which arises from mismatches between the

dates on which interest receivable on assets and interest payable on liabilities are reset to market rates and basis risk where the basis on which interest is payable and receivable on assets and liabilities is different.

The Society manages this risk by maintaining a Board approved Financial Risk Management Policy (FRMP), which is reviewed by the Assets and Liabilities Committee (ALCO) and approved by the Risk & Compliance Committee. This policy defines the Society's risk appetite for the interest rate risk by setting clear limits and triggers with reporting of the metrics to ALCO and Board. The policy also sets out how the risks are managed which allows the use of interest rate swaps (financial derivative instruments) to hedge the Society's interest rate risk from its growing fixed rate lending book. A detailed analysis of the Society's interest rate sensitivity at both 31 December 2025 and 2024 can be found in note 26.

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes or systems, human error or external events. The Society has controls in place which are designed to mitigate these risks. The Risk & Compliance Committee is responsible for assessing the effectiveness of the risk management processes and the system of inspection and control.

The Operational Resilience Framework identifies all critical business functions and has determined associated impact tolerances and recovery times.

Cyber Risk

This is the risk that a cyber-attack results in financial loss, loss of data, business disruption or damage to the reputation of the Society due to the failure of its information technology systems.

Cyber risk is a key component of operational resilience, and the Society has a Operational Risk Compliance Committee which is responsible for managing the threat of these risks and ensuring the resilience of the Society. The Society has employed specialist resources to monitor, test, maintain and continuously improve the effectiveness of the Society's cyber defences and operational resilience.

Conduct Risk

This is the risk arising from the Society's conduct in its direct relationship with retail customers such that the customer may be treated unfairly or that the Society may deliver an inappropriate outcome. Customer service and outcomes have always been at the heart of decision making and product design at the Society. The Society continues to develop its approach to ensure that products and services provide good customer outcomes, represent fair value, avoid foreseeable harm and operate as customers and members would expect to support their financial objectives.

Environmental and Climate Change Risk

The risks from Climate Change manifest themselves via Physical Risk and Transition Risk.

Physical Risk: can arise from climate and weather-related events, such as floods, heatwave, storms and sea level rise. It can manifest itself in two forms:

Credit Risk - if modelling indicates that properties within the mortgage book are subject to, for example, flood risk. This could impair asset value and ultimately the security of the asset from the Society's perspective.

Operational Risk - could be increased as severe weather changes affect the Society's ability to operate requiring in extreme circumstances in the business continuity plan being invoked.

Transition Risk: can arise from the process of adjustment towards a low-carbon economy. Changes in policy, technology could lead to a reassessment of the value of a large range of assets and affect credit exposures as costs and opportunities become apparent. Climate related risks will lead to some increases in credit and operational risks. This may also lead to a changing regulatory expectation in relation to the way the Society is expected to run its own business, including who it uses as suppliers.

The Society has performed an initial assessment of its risks and exposures to the various aspects of environmental and climate risks and has undertaken modelling analysis based on independent data provided that focuses on these risks. This modelling has indicated that the Society's exposure is low to physical risk.

However, the Society also recognises the opportunities that the move towards a 'zero carbon footprint' brings and the products and services that can be provided to support this agenda.

The Chief Executive has responsibility for monitoring climate change risk, with oversight provided by the Risk & Compliance Committee.

Regulatory Risk

This is the risk that the volume and complexity of regulatory issues may impact the Society's ability to compete or the Society breaches a regulatory requirement. The Society has policies and procedures in place to ensure compliance with the regulations and the Board monitors regulatory changes to ensure the Society continues to meet all of its regulatory requirements.

Directors

The following persons were Directors of the Society during 2025:

N. Boothroyd (Chair)
T. Barratt (appointed 02 January 2025)
L. Beecher
D. Green
T. Kokkinos (resigned 29 July 2025)
T. Meadows
M. Williams
M. Willis

Other Matters

Creditor Payment Policy

The Society's policy concerning the payment of its trade creditors is to pay in accordance with agreed terms where invoices are submitted for products or services which have conformed to requirements specified by the Society. Amounts due to the relevant creditors of the Society are paid on average within 14 days of receipt of invoice (2024: 14 days).

Charitable and Political Donations

Charitable donations during the year amounted to £6,258 (2024: £25k). The Society continues to hold an endowment fund with the Hertfordshire Community Foundation (HCF) with annual grants awarded to local charities. The balance in this fund at 31 December 2025 was £415k (2024: £420k). Total grants paid in 2025 were £17k.

The incentive of charitable contribution of £2 for each member vote at the Annual General Meeting in April 2025 produced £2,350 (2024: £2,262) which was donated to Keech Hospice.

The Directors confirm that no activities have been carried on during the year, which are outside the powers of the Society. No political donations have been made during 2025 (2024: nil) which require disclosure under the Building Societies Act 1986.

Land and Buildings

The Directors consider that the overall recoverable amount of the land and buildings held by the Society is in excess of the book value recognised within the Society's balance sheet.

Events since Year End

There have been no post Balance Sheet events that would have a material effect on the financial position of the Society.

Going Concern

The Directors have prepared forecasts of the Society's capital, financial and liquidity position for the period ending 12 months from the date of approval of these financial statements. The Directors have also prepared forecasts to consider the effect on the Society's business and financial position (reflecting the impact of the current state of the UK economy). This includes the impact on capital, liquidity and credit risk of operating under stressed, but plausible, operating conditions. The Middle East military conflict has resulted in extremely volatile markets and there is no certainty as to when this conflict will be resolved, however at this stage, the Directors do not believe that this could have a material adverse effect on the Society. The Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the annual accounts.

Auditor

Forvis Mazars LLP has expressed its willingness to continue in office and, in accordance with Section 77 of the Building Societies Act 1986, a resolution for its reappointment will be proposed at the Annual General Meeting.

Country-by-country reporting

The country-by-country CRDIV reporting requirements can be found in note 26 on page 74. The purpose of this reporting is to provide clarity on the source of the Society's income and the location of its operations.

Acknowledgements

The Directors wish to record their appreciation to all our colleagues, as well as all our members, customers and professional partners for their continued support, particularly through what has been another challenging and difficult year for everyone.

On behalf of the Board of Directors

Tracie Meadows

Director and Chief Executive

11 March 2026

Corporate Governance Report

The UK Corporate Governance Code 2024 (the “Code”) contains a set of principles (the “Principles”) that emphasise the value of good corporate governance to long-term sustainable success. The Code is addressed to companies with a premium listing. However, the PRA expects building societies to “have regard to” the Code in considering their own corporate governance arrangements. The Directors are committed to best practice in corporate governance and have therefore considered the Principles in their own arrangements.

Code Principle: Governance reporting should focus on board decisions and their outcomes in the context of the company’s strategy and objectives. Where the board reports on departures from the Code’s provisions, it should provide a clear explanation.

This report explains to customers our approach to corporate governance and how we have had regard to the Principles in so far as they are relevant to us, including any action taken and the resulting outcomes.

Board Leadership and Company Purpose

The Board

Code Principle: A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society. The board should ensure that the necessary resources, policies and practices are in place for the company to meet its objectives and measure performance against them.

Board comment:

The Board is responsible for its governance and setting a clear strategy and direction. Its role is one of stewardship, running the Society not only for the benefit of current members but also for future generations of members, thereby promoting the long-term success of the Society. The Board has terms of reference setting out its responsibilities, which include:

- providing overall leadership of the Society, including setting and monitoring its culture and values
- determining the Society’s strategy, ensuring that the business model remains appropriate with a sustainability dashboard in place to review trends and take a longer-term view of the business
- ensuring that necessary resources are in place to meet the Society’s objectives, and that performance is subsequently monitored and measured
- determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives
- monitoring the key risks in the business model through appropriate management information
- ensuring adherence to laws, rules, and regulations through a framework of internal controls, policies and procedures
- overseeing governance and delegating responsibility to Board Committees, as it sees fit
- maintaining proper accounting records which are established, documented and audited.

The Board meets at least four times a year to review performance against its strategic and operational objectives and also holds a separate strategy away day. Additionally, the Non-Executive Directors have the opportunity to meet without Executive Directors present. All Board members have the benefit of appropriate liability insurance at the Society’s expense and have access to independent legal and other appropriate professional advice, if required.

The Board has put in place a strategic plan that sets out the strategy, direction, intentions and ambitions

of the Society for the next five years. The plan is reviewed formally by the Board on an annual basis at the strategy away day to ensure that it remains relevant to the prevailing external market conditions and the Society's own performance, risks and opportunities as they materialise.

The strategic plan sets out the Society's vision to achieve sustainable growth while ensuring long-term resilience and value creation. Key priorities include strengthening member retention, modernising the Society's brand and branch network, deepening its presence in specialist lending, and embracing digital transformation to improve operational efficiency and member experience. The strategy also places strong emphasis on community engagement, environmental sustainability, and investment in people.

Key strategic outcomes in 2025 (and early 2026) included the following:

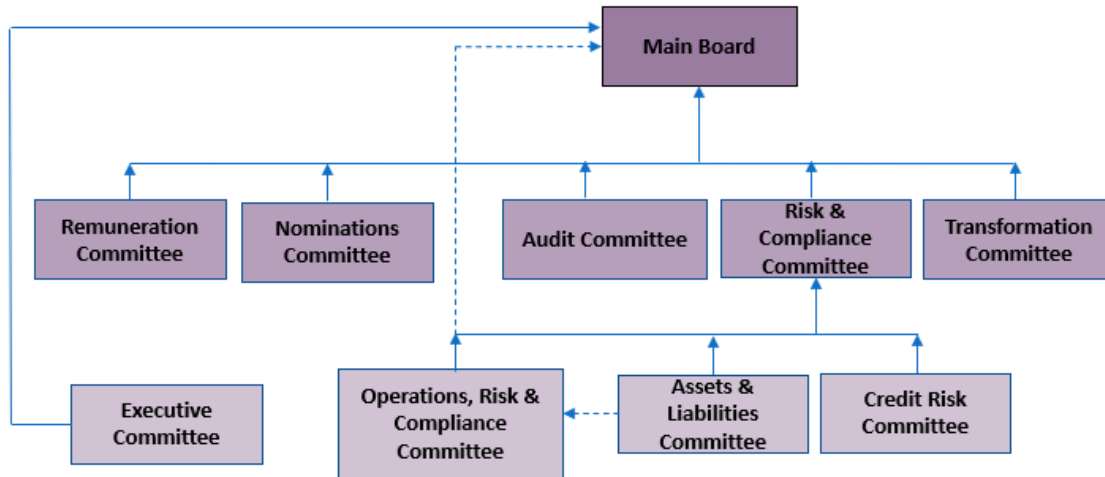
- A refreshed brand to support the Society's ambition to grow sustainably, deepen relationships with members, communities and partners, and remain true to its mutual values.
- The opening of a new flagship branch in the heart of Harpenden demonstrating the Society's long-term commitment to Harpenden and the surrounding area.
- The launch of new savings accounts (including Online Single Access Accounts and Fixed Rate Bonds) and new mortgages (including 55% and 85% LTV Residential Fixed Rate Mortgages and a Limited Company Buy-to-Let product).
- As part of its core transformation programme, the Society continues to modernise both its front- and back-office systems, improving the resilience of its operations and laying the foundations for a better, more consistent experience for members.

Details of the Society's initiatives relating to its communities, environmental sustainability and investment in people can be found in the ESG section of the Members' Review and Summary Financial Statement.

Board Committees

The Board and its committees are provided with comprehensive information to enable them to monitor the execution of the Society's strategy, oversee business performance and ensure the maintenance of a sound system of internal controls and risk management. The Board is ultimately responsible for determining strategies for risk management and control of the Society although the Risk & Compliance Committee assesses the adequacy of the risk management process on behalf of the Board while the Audit Committee reviews and monitors the integrity of the Society's internal controls system. Further details of the responsibilities of the Risk & Compliance Committee and Audit Committee are set out below.

The Board has five committees (Risk & Compliance, Audit, Remuneration, Nominations and Transformation) to help it discharge its duties. Significant matters are escalated to the Board with the Chair of each committee providing an assurance report at each Board meeting.



The Operations, Risk & Compliance, Credit Risk, and Assets & Liabilities Committees are executive committees and report to the Risk & Compliance Committee with specific reports provided to the Board as necessary. The Executive Committee, which derives its authority from the Chief Executive Officer, is responsible for the day-to-day running of the Society and leads and directs the implementation of business strategy, performance delivery and safe and compliant execution of the Society's business. The Chief Executive Officer provides a quarterly business report to the Board to update it on the Society's performance, strategic direction and key risks/issues.

The Board determines the responsibilities and composition of its committees, which are authorised to make decisions within agreed parameters and/or make recommendations to the Board as appropriate. The terms of reference for each committee, which are available on the Society's website, clearly set out their purpose and responsibilities.

Risk & Compliance Committee

This committee is responsible for reviewing and monitoring the Society's risk management framework, risk appetite and internal control systems and carrying out a review of their effectiveness. It ensures that appropriate risk and compliance policies are in place and reviews the adequacy of the Society's risk reporting, including the Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process.

The committee comprises three Non-Executive Directors and meets at least quarterly. The Chief Executive Officer, Finance Director and Chief Risk Officer are invited to attend all, or part, of the meetings, but they are not members of the committee.

Remuneration Committee

This committee is responsible for making recommendations to the Board on the Remuneration Policy of the Society. The committee determines the policy for Executive Director remuneration and for setting the remuneration for the Chair, all Executive Directors and the Executive Team in line with the Remuneration Code and the Code.

Directors' remuneration is benchmarked annually against peers both within and outside the building society sector and the local area, taking Society performance into account. No member is involved in

setting their own remuneration.

The Committee comprises three Non-Executive Directors and meets as required but at least three times a year. The Chief Executive Officer and the Director of People and Culture are invited to attend, but they are not members of the committee.

The Directors' Remuneration Report is included on page 37.

Nominations Committee

This committee is responsible for leading the process for Board and Board Committee appointments, re-appointments, removals, succession planning and performance reviews. This ensures that the Board and its committees have the right balance of skills, knowledge, experience, independence and diversity to enable them to discharge their duties and responsibilities effectively.

The committee comprises three Non-Executive Directors and meets as required but at least twice a year. The Chief Executive Officer and the Director of People and Culture are invited to attend, but they are not members of the committee.

Audit Committee

This committee is responsible for reviewing and monitoring the integrity of the Society's financial statements, internal and external audit functions, and internal controls system.

The committee comprises three Non-Executive Directors and meets as required but at least four times a year. The Chief Executive Officer, the Finance Director and the Chief Risk Officer are invited to attend, but they are not members of the committee. The Society's Internal and External Auditors are also invited to attend.

Transformation Committee

One of the outcomes from the 2025 board performance review was the establishment of a Transformation Committee to oversee the Society's transformation programme. This committee is responsible for overseeing, supporting, and challenging the actions taken by the Executive Team in relation to the execution of the Society's strategic transformation initiatives focused on technology and operational related change.

The committee comprises two Non-Executive Directors and meets as required but at least four times a year. The Chief Executive Officer, Finance Director, Chief Risk Officer, Commercial Director, Director of IT & Transformation and Director of Operations are invited to attend, but they are not members of the committee.

Attendance at Board and Board Committee Meetings

All Directors make the necessary time to prepare for and attend the scheduled Board and Board Committee meetings. The table below shows the number of meetings each Director attended and the total number of meetings the Director was eligible to attend.

Board and Committee Attendance						
Name	Board	Risk & Compliance	Remuneration	Nominations	Audit	Transformation
N. Boothroyd	5 of 5*	-	3 of 3	4 of 4*	-	-
T. Barratt	5 of 5	7 of 7	1 of 1	-	-	2 of 2*
L. Beecher	5 of 5	-	3 of 3*	4 of 4	4 of 4	2 of 2
D. Green	5 of 5	7 of 7	-	-	4 of 4*	-
T. Kokkinos (resigned)	3 of 3	-	1 of 1	2 of 2	-	-
T. Meadows	5 of 5	-	-	-	-	-
M. Williams	4 of 5	-	-	-	-	-
M. Willis	5 of 5	7 of 7*	-	-	4 of 4	-

* Indicates Chair of Board/Committee as at the reporting date

Culture

Code Principle: The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

Board comment:

The Society has a set of Vision, Mission and Purpose Statements. All three statements are central to the Society's strategy. The Purpose Statement describes the Society's service proposition, its local communities and members, and its competitive advantage. The vision for the Society is to be one of the leading small building societies while its mission is to make the complex easy for its members. It aims to be experts in complex cases, offering a bespoke, quick and reactive service while putting brokers and customers at the heart of the process. Underpinning the Purpose, Vision and Mission statements are a core set of values that guide behaviours for all colleagues.

The Board is responsible for the overall leadership, culture and conduct of the Society. The Board is effective because of its focus on strategy and risk management in an environment where constructive challenge and speaking up is encouraged. It aims to foster a culture of continuous improvement, openness, accountability and support. Its culture is rooted in a strong sense of community, which offers a friendly working environment where member-focus, collaboration and inclusivity are at the core of its operations.

The Board measures engagement of its colleagues through a combination of a culture survey (facilitated by Best Companies), quarterly culture metrics reported in a Conduct Risk and Consumer Duty Dashboard, meetings with colleagues, and feedback from board performance reviews. The results of the surveys, culture metrics and board performance reviews are analysed to advance the development of a workplace environment for colleagues to thrive and succeed aligned with the strategy. The Board recognises that the higher the employee engagement the greater the impact on success and member outcomes.

The Society's values are embedded throughout the colleague experience by ensuring they are directly assessed within the appraisal process and reflected in behaviours ratings. To support consistency and fairness, the Society's calibration process enables open discussion and candid debate on ratings, helping to ensure that behaviours aligned to the values are recognised and rewarded across the Society. The Society celebrates individuals who demonstrate the values through monthly recognition and at an annual awards ceremony. New colleagues are introduced to the values on their first day as part of onboarding, and the values are reinforced visually through posters across each location and information on the intranet.

The Society's approach to compensation reinforces its 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 FCA's Remuneration Code. Discretionary pay awards are determined by both performance and behaviour, and the Society's remuneration principles are designed to guide decision making when considering the total reward for all employees across the Society. These principles include the need to attract and retain colleagues of the required calibre by offering a fair and competitive total reward benchmarked within the market. The Society focuses on total reward; keeping rewards simple and fair; and rewarding colleagues based on Society performance. The Board applies particular scrutiny to the fixed and variable pay of Executive Directors and the wider Executive team and through responsibility delegated to the Remuneration Committee, ensures that reward is aligned with performance and conduct for the remainder of the Society's colleagues. Where the Board identifies any practices or behaviour within the Society that are not aligned with the Society's purpose, values and strategy, it seeks assurance from management that corrective action has been taken.

Relations with members and stakeholders

Code Principle: In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

Board comment:

As a mutual organisation, the Society's membership consists of individuals who are also the Society's customers. The Society is committed to open communication with customers and actively encourages feedback at its branches, by telephone and online. The new flagship branch has been designed to support better conversations, improved accessibility and a stronger member experience.

To gather member insights, the Society conducts customer satisfaction surveys, including through Smart Money People (SMP), the UK's dedicated financial services review site. This process is designed to collect feedback on the customer experience and ensure ongoing improvement in service for both current and future members. The total SMP score at the end of the year was 89.4%, giving an overall star rating of 4.5 out of 5 for 2025. The Society always strives to improve its performance, by ensuring that it continues to deliver exceptional service and remain a trusted provider for its members. The Society's recognition as Best Local Building Society at the What Mortgage Awards is testament to the strength of its member relationships and the dedication of its colleagues.

The Society's member communication strategy focuses on delivering relevant and meaningful engagement, with a particular emphasis on its quarterly e-magazine, Mutual. The magazine provides updates on Society news, practical savings tips, and insights into its community charitable work.

Each year the Society sends details of the AGM to all members who are eligible to vote. Members are sent voting forms and are encouraged to vote online, by post, by proxy or in person at the AGM. All proxy votes are counted under independent scrutiny. A poll is called in relation to each resolution at the AGM and all valid proxy votes cast (excluding abstentions) are included in the published results of voting.

All members of the Board are present at the AGM each year (unless their absence is unavoidable) and the Chairs of the Audit, Risk & Compliance, Remuneration, Nominations and Transformation Committees are therefore available to answer questions.

The Board recognises the role that colleagues play in making the Society a success. The Board is open to employee engagement and keen to continue their dialogue with colleagues in 2026. All Non-Executive Directors endeavour to meet colleagues, both formally and informally, throughout the year to ensure that they are able to take account of their interests and feedback on a range of matters such as the Society's culture and opportunities for improvement. This is conducted through colleague lunches, meetings and attending training sessions with teams from the Society. The size of the Society allows the Board members to meet both new and existing employees, often in an informal unplanned setting where they are able to have more of an open and honest conversation. For this reason, the Board has decided not to appoint an Employee Designated Non-Executive Director following Tina Kokkinos' resignation.

The Society also conducts a colleague engagement survey, with the most recent held in September 2025 and completed by 91% of colleagues. The Society maintained its accreditation as a 'Very Good to Work For' organisation, with particular strengths in management and wellbeing compared to its peers. The results have been shared with both colleagues and the Board, and action plans are being developed to address areas for improvement for implementation in 2026.

Each year colleagues select a charity to support and raise funds through various initiatives. The Society also works with the Hertfordshire Community Foundation to provide assistance to local charities and in 2025 it allocated funds to several charities. In addition, colleagues support their local communities through a range of volunteering activities and are allocated two volunteering days a year to support these efforts. (Further details of the Society's commitment to community engagement is set out in the ESG section of the Members' Review and Summary Financial Statement.)

The Society has an open and transparent relationship with its regulators and has a regular dialogue with them. It actively engages with the Building Societies Association and UK Finance in support of the broader building society sector and its customers. It also maintains proactive relationships with its suppliers.

Workplace Policies and Practices

Code Principle: The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Board comment:

Workplace policies, procedures and practices are regularly reviewed to ensure that they remain consistent with the Society's values. They set out detailed expectations and behaviours around how to make the right decisions for the Society's customers and colleagues.

Colleague safety and wellbeing is important to the Society and a number of resources are available to colleagues to support their needs. These include access to a confidential employee assistance programme, health advice and education, and mental health first aid provision. The Society also provides resources and links for colleagues to explore and understand their own mental health better.

A whistleblowing policy with associated procedures and contacts are in place to allow colleagues the opportunity to raise any concerns they may have. The Senior Independent Director is the nominated whistleblowing champion for the Society. The whistleblowing champion has responsibility for overseeing the integrity, independence and effectiveness of the Society's whistleblowing policies and procedures including those intended to protect whistleblowers from being victimised. In addition, all colleagues undertake annual training on the Society's whistleblowing arrangements and how to raise concerns

confidentially, both internally and externally via a whistleblowing service provider and to the regulator.

Divisions of Responsibilities

Chair

Code Principle: The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

Board Comment:

The Chair and Vice Chair are elected by the Board annually. The Chair sets the direction of the Board and promotes a culture of openness and debate by facilitating effective contribution from all Directors. The Chair ensures that constructive relations are maintained between Executive and Non-Executive Directors and that Directors receive accurate, timely and clear advice and information.

Board Composition

Code Principle: The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

Board Comment:

The Board is comprised of two Executives and five Non-Executive Directors, providing a balance of skills and experience appropriate for the requirements of the business. All Non-Executive Directors are considered to be independent in character and judgement and free of any relationship or circumstance which are likely to affect, or could appear to affect, their judgement.

The Board culture is collaborative in nature, and the Non-Executive Directors bring sound judgement and good challenge to Board discussions. The Chair ensures that no one individual or small group of individuals dominates the Board's decision making.

The offices of the Chair and the Chief Executive Officer are distinct and held by different people. The role of each is set out in their letter of appointment or service agreement and job description. The Chair is responsible for leading the Board, setting its agenda and ensuring its effectiveness. The Chief Executive Officer is responsible for managing the Society's business within the parameters set by the Board.

The Vice Chair has been appointed as the Senior Independent Director and as such acts as a confidential sounding board for the Chair and serves as an intermediary for the other Non-Executive Directors and executive management. The Senior Independent Director also leads the annual review of the Chair's performance.

Non-Executive Directors

Code Principle: Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Board comment:

The Nominations Committee evaluates the ability of Directors to commit the time required for their role, prior to appointment. The formal appraisal process carried out by the Chair each year also assesses whether Directors have demonstrated this ability during the year. The attendance record of Directors at Board and Committee meetings during 2025 is set out on page 26.

Directors must notify the Board prior to accepting any external appointments. This enables the Board to evaluate the time commitment involved and assess any potential conflict of interest.

The Non-Executive role at the Society requires an understanding of the risks in the business; commercial leadership within a framework of prudent and effective risk management controls; providing an independent perspective, monitoring performance and resources; and developing, scrutinising, and constructively challenging strategic proposals and holding management to account for the Society's performance against its plans, whilst supporting senior management.

Information and Support

Code Principle: The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Board comment:

The Chair ensures that the Board receives accurate, clear and timely information sufficient to enable it to discharge its responsibilities. The Board can access Board and committee packs, minutes, policies and other relevant information through the online Board portal or training portal. Management information is regularly reviewed and enhanced to support the Board and its Committees in discharging their responsibilities. In addition to the Board, each Committee conducts an annual performance review, which includes an assessment of the quality and adequacy of the information provided.

All new Directors undergo a formal and tailored induction prior to joining the Board. The training and development needs of each Director are reviewed annually as part of the performance review process.

The Secretary provides support on corporate governance matters, and the Board has access to independent advice if required.

Composition, Succession and Evaluation

Appointments to the Board

Code Principle: Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan for the board and senior management should be maintained. Both appointments and succession plans should be based on merit and objective criteria. They should promote diversity, inclusion and equal opportunity.

Board comment:

The Nominations Committee ensures that the Board and its committees have the right balance of skills, knowledge, experience, independence and diversity to enable them to discharge their duties and responsibilities effectively. The Board firmly believes in the importance of a diverse Board, in its broadest sense and promotes an inclusive culture across the Society. The Board believes the diversity of skills, knowledge, experience, backgrounds, opinions and other distinctions, including gender, age, race, disability, socio-economic background and neurodiversity strengthen the capability of the Board and, therefore, the effectiveness of its independence, judgement and decision making. Its equity, diversity and inclusion policy recognises an effective and diverse board has the foundations to be able to support stakeholders' views, challenge management and achieve the Society's overall strategic aims by having a wider range of perspectives represented at Board level.

The Board has set itself a target of ensuring that one third of its directors are women or non-binary and currently comprises 28.5% while the Executive Team comprises 37.5% women and their direct reports 43%. While the resignation of Tina Kokkinos at the end of July 2025 impacted the Board's gender diversity target, gender representation will remain a key focus when appointing new directors in the future.

Following an evaluation of the role and capabilities required for a particular appointment, new appointees to the Board are made on merit and against objective criteria. Candidates for Non-Executive Director roles are identified in a variety of ways, including inviting applications from members, through professional search, press and online advertisements. An executive search and selection firm, Warren Partners was engaged to assist the Society in recruiting its most recent Non-Executive Director, Trevor Barratt.

The Society is a small firm with succession planning considered from both an internal and external appointment perspective. The Nominations Committee is responsible for succession planning at both the Board and senior management level and assesses its options to deal with both short-term temporary requirements and longer-term permanent appointments. This includes an assessment of the key skills and requirements of each role to ensure the Board and senior management continues to meet the needs of the business. Any external recruitment is predicated on encouraging a diversity of potential applicants.

Eligible members of the Society have the right under the Society's Rules to apply for election to the Board. All Directors must meet the regulatory fitness and propriety standards. The Nominations Committee leads the recruitment process and recommends a candidate to the Board to determine whether to appoint the candidate.

Each Director responsible for a senior manager function must be approved by the PRA, with consent from the FCA, in order to be appointed to their role.

Board and Committee Membership

Code Principle: The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

Board comment:

The Board currently comprises seven Directors (two Executive and five Non-Executive), who together provide a balance of skills and experience appropriate for the requirements of the business. Details of each Director is contained on pages 9 to 11 and highlights the range of skills on the Board. Committee membership is limited to the Non-Executive Directors with appropriate expertise allocated to each committee. Membership is reviewed on an annual basis to ensure that there is a balance of skills on each committee to discharge their responsibilities in accordance with their terms of reference.

The Rules of the Society require all Directors to be submitted for election at the Annual General Meeting (AGM) following their first appointment to the Board and thereafter for re-election at least every three years after first being elected. Notwithstanding this and in line with the Code, the Board has agreed that all directors should submit themselves for re-election on an annual basis. Accordingly, all of the Society's Directors will be retiring at this year's AGM and submitting themselves for election/re-election. This includes Trevor Barratt who will stand for election having been appointed to the Board in January 2025. Ordinarily, Non-Executive Directors serve up to a maximum of nine years from the date of their first appointment.

Evaluation

Code Principle: Annual evaluation of the board should consider its performance, composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Board comment:

The performance and effectiveness of the Board and its committees are evaluated annually and overseen by the Nominations Committee. The assessment usually takes the form of either an interview-based assessment or an online questionnaire with the results being discussed at the Board or relevant committee and an action plan formulated to address any findings. In 2025, the Board and its Committees underwent an externally facilitated performance review conducted by Clare Chalmers Ltd. This comprised a document review of relevant materials, meeting observations, and an online questionnaire the outputs of which informed one-to-one interviews. The report found the Board (and its committees) to be well-balanced with good dynamics, active participation and constructive and robust challenge. The report highlighted areas for improvement such as strengthening succession planning, involving non-executive directors earlier in strategic planning, and enhancing technology oversight. An action plan has been formulated to address these, which will be tracked throughout 2026.

In addition, there is a formal process in place to assess the performance and effectiveness of the Board members. Each Director has an annual performance appraisal carried out by the Chair (or in the case of the Finance Director, the Chief Executive Officer) who takes into account the views of the other directors and key stakeholders. The Chair's performance is separately evaluated by the full Board and facilitated by the Senior Independent Director.

The re-election of Non-Executive Directors is reviewed by the Nominations Committee based on their performance and ongoing contribution to the Society's strategy. All re-elections are approved by the Board before being put to the membership.

Audit, Risk and Internal Control

Audit Committee and Auditors

Code Principle: The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

Board comment:

The Audit Committee comprises three Non-Executive Directors and is chaired by David Green. Other Non-Executive Directors and members of senior management, as well as representatives from the Internal and External Auditors may attend meetings by invitation. The Board is satisfied that certain members of the committee have recent and relevant financial experience, specifically David Green and Mark Willis, both of whom are Chartered Accountants.

The Audit Committee meets four times a year and reviews the financial statements, the effectiveness of internal controls and the performance of both the Internal and External Auditors. At least annually, it meets separately with the External and Internal Auditors without the presence of the Executive Directors. Minutes of the Committee meetings are available to all Board members, and the Chair of the Committee provides an assurance report to the Board at each subsequent meeting.

As part of its duties, the Audit Committee is responsible for monitoring and reviewing the independence, objectivity and effectiveness of the internal audit function and satisfying itself that it is adequately resourced by staff with the appropriate skill set. In 2025, the Audit Committee carried out a performance

review of its internal audit function by conducting a survey that focused on planning, process and people. The review found that the internal audit team's performance met expectations overall. However, the Executive Team highlighted some areas for improvement, particularly regarding processes and the team's understanding of the Society. To address these points, the Internal Auditors developed and implemented an action plan aimed at improving their processes and deepening the team's knowledge of the Society. The Audit Committee is satisfied that the internal audit function is suitably resourced to continue to service the Society well.

The Audit Committee assures itself that the External Auditor remains independent and that the external audit process remains effective. Save for the provision of reports relating to the Summary Financial Statement and the statement under S68(1) of the Building Societies Act 1986, the External Auditor does not provide any non-audit services. As these two reports remain closely aligned to the statutory audit work, the Audit Committee considers the threat to the External Auditor's continuing independence and objectivity to be insignificant.

The Audit Committee also considers the tenure of the existing audit and manages the process for a change in External Auditor for recommendation to the Board. The last tender was undertaken in 2019, which resulted in a change being proposed and carried at the 2020 Annual General Meeting for Forvis Mazars LLP to be appointed as the Society's External Auditor.

The Audit Committee considers a wide range of issues in relation to the financial statements. During the year, the Audit Committee considered significant areas where management judgement and estimates were required during the preparation of these financial statements. These areas are considered below.

Stress Tests

The additional impact of the macro-economic pressures facing the UK on mortgage affordability is amongst the various stress scenarios that have been considered by the Committee in the context of its review of Going Concern. The Committee reviewed the extent to which these extreme economic stresses could impact business activity, operational resilience and credit risk (loan loss provisioning). It has also considered the impact of these stresses on liquidity and capital by assessing the Society's financial strength. The Committee is comfortable that the impact of its internal scenario and stress testing indicates that there were no stressed impact scenarios that could undermine the business model or the going concern assertion.

Loan loss provisioning

The Society estimates the level of mortgage loss provision required based on external data sourced from Fitch and historic default and loss experience. There remains uncertainty in the current economic climate and the Society therefore continues to monitor and reassess credit risk and its impact on loan loss provisions. The underlying assumptions have been challenged and considered in the light of macro conditions as well as translating this to the specific impacts the Society has experienced. This has included an assessment against external loss data, sensitivity analysis to changing house price and default assumptions and comparison to alternative stress scenarios conducted by the Society as part of its capital assessment (ICAAP).

The Audit Committee has examined and challenged the assumptions included within the Society's provisioning model during the year and is satisfied with the approach and level of provisions made. It is recognised that there has been a slight decrease in loan loss provisions in 2025, however, this is primarily because of updated market data, a slight increase in the house price index during the year, continuing low LTVs (both existing book and new lending) and a continuation of no loss experience. This protection to adverse movements in economic factors results in a resilient loan book from a credit risk perspective.

Property valuations

The Society has determined that it does not have the required in-house expertise to value its commercial property assets. Consequently, the Committee agreed to engage the services of a specialist valuer to carry out this activity on behalf of the Society. The values were considered by the Committee with reference to the 2025 valuations, together with their locale, selling prices of alternative properties, sensitivity to change, the current economic conditions and with due regard to the change in bases of valuation.

Accelerated depreciation

The closure of the Tring branch in November 2025 and the known closure in January 2026 of the old Harpenden branch on Station Road, drove a review of the fixed asset register. This review identified assets recorded against the Tring branch (£115k) and Harpenden branch (£115k) that were subsequently fully depreciated as they had no future use or resale value. A further £5.5k of assets were identified at other branches during the review as no longer in use and were also fully depreciated in the year.

Financial and Business Reporting

Code Principle: The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

Board comment:

The responsibilities of the Directors in relation to the preparation of the Society's accounts and a statement that the Society's business is a going concern are included within the Directors' Report on pages 12 to 21.

Risk Management and Internal Control

Code Principle: The board should establish and maintain an effective risk management and internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long term strategic objectives.¹

Board comment:

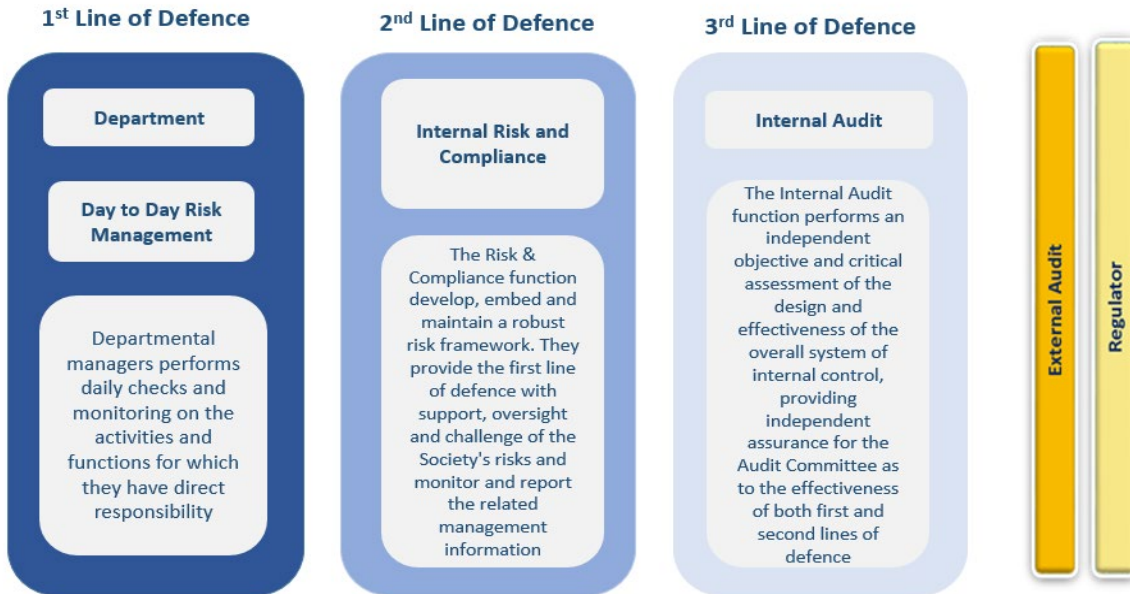
The Board is responsible for determining strategies for risk management and control of the Society. The Executive Team is responsible for designing, operating and monitoring risk management systems and controls. The emerging and principal risks faced by the Society and the procedures for identifying and managing them are set out in the Directors' Report. The Board, its committees and the executive committees are responsible for the risks and controls within their remit.

The Risk & Compliance Committee assesses the adequacy of this process on behalf of the Board. The Internal Auditor provides independent assurance to the Board on the effectiveness of the system of internal control through the Audit Committee. The Board has reviewed its Enterprise Risk Management Framework and concluded that the Society has a strong risk management and compliance culture and that the current framework is effective and appropriate for the size and complexity of the business.

¹ Provision 29 of the Code relating to the monitoring of the risk management and internal control framework and the annual review of its effectiveness applies to financial years beginning on or after 1 January 2026.

Three Lines of Defence Model

The Society operates a three lines of defence model to manage risk and controls across the business.



1) First Line of Defence

The first line is operated by the Society's Executive Team which, through the implementation of the Risk Management Framework, identifies, assesses, mitigates and monitors those risks to which the Society is exposed. The Society's Executive Team has day-to-day responsibility for the management and control of risk.

2) Second Line of Defence

The second line of defence is achieved through the Society's risk and compliance activities. These activities are undertaken by the Risk and Compliance Team. The second line provides the policies, frameworks and support to enable risk and compliance to be managed in the first line, conducts monitoring to judge how effectively they are undertaking it and helps ensure consistency of the measurement of risk.

3) Third Line of Defence

The third line of defence is provided by Internal Audit. The Society's Internal Audit function is outsourced under specific terms of business and provides independent objective assurance that these control processes and systems are appropriate and applied effectively.

Sitting outside the risk management processes of the first two lines of defence, Internal Audit's main roles are to ensure that the first two lines are operating effectively and to advise on how they could be improved. Internal Audit is directed by, and reports to, the Audit Committee. It provides an evaluation, through a risk-based approach, on the effectiveness of governance, risk management, and internal controls across the Society. It can also give assurance to the Society's regulators and external auditors that appropriate controls and processes are in place and are operating effectively.

Remuneration

The Directors' Remuneration Report on pages 39 to 42 explains how the Society complies with the Principles relating to remuneration.

On behalf of the Board of Directors,

Nigel Boothroyd

Chair

11 March 2026

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 2024. 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 in note 8 on pages 62.

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 is responsible for reviewing the Remuneration Policy and Remuneration Framework and ensuring that they align with the Society's overall strategy and long-term objectives with appropriate consideration of member outcomes, culture, risk appetite and diversity and inclusion. In determining the Remuneration Policy and corresponding remuneration practices, the Remuneration Committee is mindful of the need for clarity, simplicity, risk management, predictability, proportionality, and alignment to culture. It recommends the Remuneration Policy to the Board having regard to all applicable legal and regulatory requirements.

In determining Executive Director and Executive Team remuneration, it first reviews all workforce remuneration and the alignment of incentives and rewards with the Society's culture, risk appetite and strategy. The Remuneration Committee has delegated responsibility to determine the policy for Executive Director remuneration and setting remuneration for the Executive Directors and the Executive Team.

The Remuneration Policy outlines the overall approach and principles the Society adopts towards managing remuneration for all employees and Non-Executive Directors. The Society has a simple approach to compensation which reinforces its 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.

The Remuneration Policy contains a set of principles designed to guide decision making when considering the total reward for all colleagues across the Society, namely to:

1. Attract and retain colleagues of the required calibre by offering a fair and competitive total reward benchmarked within the market.
2. Focus on total reward; recognise that reward is more than just pay, enabling employees to make the choices that work for them at different stages in their life.
3. Keep reward simple and fair with consistent approaches to total reward.
4. Reward colleagues based on Society performance and how they behave and deliver; both as part of the team and as an individual.

Every colleague's compensation package comprises four key components: fixed remuneration (base pay), variable remuneration (annual bonus), retirement benefits (pension) and benefits.

In 2025, colleagues received an average pay increase of 2.5%. Several members of the Executive Team, including the Chief Executive, did not receive a pay increase, following benchmarking.

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:

To avoid conflicts of interest, the Remuneration Policy sets out that neither the Chair nor any of the Non-Executive Directors have any influence over the setting of their own fees. The remuneration of the NEDs is a matter for the Board Chair and Executive Directors. The remuneration of the Board Chair is a matter for the Chair of the Remuneration Committee and the Senior Independent Director.

All aspects of the remuneration of Executive Directors and other members of the Executive Committee is put before members of the Remuneration Committee for approval, with ratification by the Board. The Remuneration Committee is made up of three independent Non-Executive Directors, the Chair of which will have always served on the committee for a minimum of twelve months before being appointed as Chair. It reviews remuneration and related policies and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.

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:

Fixed pay takes into account role, experience and external benchmarking information, while discretionary variable pay, paid to Executive Directors, reflects Society performance alongside individual performance and conduct.

Executive Director Emoluments

The total remuneration of Executive Directors reflects their responsibilities and roles within the Society and covers the four components identified below. The Remuneration Committee reviews each Executive Director's remuneration package annually and approves that of any new Executive Director prior to appointment.

A) Fixed Remuneration - Base Pay. This takes into account role and experience, comparison to the local external market and benchmark data. It reflects the need to attract and retain the required calibre of Executive Director by offering a fair and competitive reward.

b) Variable Remuneration – Annual Bonus. The discretionary performance-related bonus scheme has a direct link to the success of the Society, motivating delivery of core business metrics in line with the Society values. It is linked to both individual performance and the achievement of Society corporate targets, namely member experience, profitability, growth, digital transformation, risk management and employee engagement. The bonus metrics are reviewed by the Remuneration 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. The Society does not operate a long-term incentive scheme. The 2025 discretionary performance-related bonus scheme paid 11% to Tracie Meadows and 0% to Mark Williams.

The Society has in place a clawback clause in its variable pay arrangements for Executive Directors, which remains in place for a period of up to ten years after the discretionary bonus has been paid. It would be exercised in the event that an Executive Director had participated in or been responsible for conduct which resulted in significant losses to the Society; had failed to meet appropriate standards of fitness and propriety; had been responsible for misbehaviour or material error; had caused the Society to suffer a material failure of risk management; or if the Society were required to restate its accounts to a material extent. Any decision to apply clawback shall be taken by the Board having considered all relevant evidence

including, where clawback is in connection with financial considerations, evidence from the Society's auditors. In that instance, the Society would require the Executive Director(s) to repay on demand an amount up to 100% of the relevant discretionary bonus award that the Board in its discretion determines. These provisions have not been applied in this reporting period.

c) Retirement Benefits – Pension. The pension is in line with the Society's business strategy, objectives, values and long-term interests. 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.

d) Employee Benefits. The Executive Directors are entitled to a car allowance, private medical insurance ('self' and partner/family), group income protection and life assurance.

e) Contractual Terms – The Executive Directors are employed under a service contract terminable by the Society or by the individual on six months' notice.

Non-Executive Director Emoluments

The Remuneration Committee reviews Non-Executive Director fees annually based on comparable data from similar financial service organisations and specialist recruitment consultants. Remuneration comprises a basic fee with a supplementary payment for the Chairman, and Committee Chairs to reflect the time commitment and responsibilities of each role. Non-Executive Directors do not qualify for a pension or a bonus. Historical service agreements have a provision for life assurance at the rate of three times annual fees. This has been discontinued for Non-Executive Directors joining the Board after 1 January 2025. Non-Executive Directors are also reimbursed for reasonable and proper expenses incurred in the performance of their role.

In 2025, there was an increase in Non-Executive Directors' fees of 2%, below the level of the Society wide pay increase. Salaries are benchmarked and set at a rate that enables the Society to attract a high calibre of Non-Executive Directors and remain aligned with the Society's aspirational peer group.

The Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the Remuneration Policy of the Society. It determines the policy for Executive Director remuneration and sets the remuneration of Executive Directors and the Executive Team in line with the Remuneration Code and the UK Corporate Governance Code. It is also responsible for ensuring the alignment of incentives and rewards with the Society's overall strategy and long-term objectives with appropriate consideration of customer outcomes, culture, risk appetite and diversity and inclusion.

It reviews the Remuneration framework, including how all variable pay, bonus and incentive schemes are designed, approved, implemented, and overseen. It additionally ensures that it obtains reliable up to date information about remuneration in other firms of comparable scale and complexity.

It is considered that the remuneration policy has operated as intended and reflects the Society's and individual performance.

Lesley Beecher

Chair of Remuneration Committee

11 March 2026

Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Directors' Report and the Annual Accounts

The Directors are responsible for preparing the Annual Report, Annual Business Statement, Directors' Report and the annual accounts in accordance with applicable law and regulations.

The Building Societies Act 1986 ("the Act") requires the Directors to prepare annual accounts for each financial year. Under that law they have elected to prepare the society annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 - The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The annual accounts are required by law to give a true and fair view of the state of affairs of the society as at the end of the financial year and of the income and expenditure of the society for the financial year.

In preparing these annual accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts;
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

In addition to the annual accounts the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the society.

Directors' responsibilities for accounting records and internal controls

The Directors are responsible for ensuring that the society:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the society, in accordance with the Act;
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the society and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the society's website. Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdiction

Independent Auditor's Report to the Members of Harpenden Building Society

Opinion

We have audited the annual accounts of Harpenden Building Society (the 'Society') for the year ended 31 December 2025 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Interests, the Statement of Cash Flow and notes to the accounts, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the annual accounts:

- give a true and fair view of the state of the Society's affairs as at 31 December 2025 and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the annual accounts" section of our report. We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the annual accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the annual accounts is appropriate.

Our audit procedures to evaluate the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Society's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance;
- Challenging the appropriateness of the directors' key assumptions used in the forecasts such as net business growth, net interest margins, profitability, reviewing supporting and contradictory evidence in relation to these key assumptions, and assessing the directors' consideration of

severe but plausible scenarios. This included inspecting the Society’s most recent Internal Capital Adequacy Assessment Process (‘ICAAP’) and Internal Liquidity Adequacy Assessment Process (‘ILAAP’) and its reverse stress testing;

- Assessing the historical accuracy by performing back-testing and testing the arithmetical accuracy of the forecasts prepared by the directors;
- Performing sensitivity analysis by incorporating various stress scenarios to assess the impact on the capital and liquidity position of the Society;
- Inspecting regulatory correspondence with the PRA and FCA for the full year and up to the date of signing the annual report and accounts;
- Meeting with the PRA on a bi-lateral basis;
- Considering the consistency of the directors’ forecasts with other areas of the annual accounts and our audit; and
- Evaluating the appropriateness of the directors’ disclosures in the annual accounts on going concern.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matter

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

We summarise below the key audit matter in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

This matter, together with our findings, was communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
Credit Risk - Allowance for impairment losses on loans and advances to customers	Our audit procedures included, but were not limited to:

Refer to Note 1.4 and 1.11 for the accounting policy and note 14 and 15 of the annual accounts disclosures.

The Society holds £370m (2024: £323m) of loans and advances to customers against which an impairment provision of £281k (2024: £302k) is held at the year end.

Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of management estimation in arriving at the year-end provisions. FRS 102 requires a collective provision for losses incurred but not yet identified by the Society.

The Society has limited actual loss experience on which to base its impairment assessment on the loan portfolio, resulting in management judgement being required in deriving assumptions to be applied in the assessment. This model is used to assess both the residential mortgage and commercial loan portfolios.

The collective impairment is derived from a model that uses a combination of the Society's historical experience and, due to the Society's limited loss experience, external data, adjusted for current conditions. There is a risk that the external assumptions used by management, in particular the probability of default ('PD') and loss given default ('LGD'), are not consistent with the credit risk profile of the Society.

The collective impairment assessment is most sensitive to movement in the forced sale discounts against collateral which are the key inputs in calculation of LGD.

- Evaluating the design and implementation and testing the operating effectiveness of the key controls in relation to the credit process (loans origination and approval, loan redemptions and forbearance approval);
- Critically assessing how management has performed the accounting estimate, including the reasonableness of external and internal data used, and considering whether this is consistent with our understanding of the Society's portfolio;
- Testing the accuracy of the collateral valuations to external data sources to ensure collateral valuations are appropriately adjusted to reflect the House Price Index (HPI) movements;
- Developing an auditor's range estimate of the collective provision by engaging our internal credit modelling experts to assess the reasonableness of PDs using internal and external data, and engaging our property valuation experts to assess the reasonableness of the Forced Sale Discounts applied to collateral values;
- Performing a stand-back assessment of the resulting collective impairment estimates to assess their appropriateness taking into consideration the overall credit risk profile of the portfolio including collateralisation; and
- Assessing the adequacy of the disclosures relating to provisions for impairment losses on loans and advances to customers.

Our observations

Based on the procedures performed, we found that the allowance for impairment losses on loans and advances to customers is not materially misstated as at 31 December

	2025 and is calculated in accordance with the requirements of FRS 102.
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Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual annual account line items and disclosures and in evaluating the effect of misstatements, both individually and on the annual accounts as a whole. Based on our professional judgement, we determined materiality for the annual accounts as a whole as follows:

Overall materiality	£308,000 (2024: £301,000)
How we determined it	1% of net assets (2024: 1% of net assets)
Rationale for benchmark applied	We consider that net assets are the most appropriate benchmark to use for the Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximisation. Further, net assets as a benchmark are supported by the fact that regulatory capital is a key benchmark for management and regulators, where net reserves are an approximation of regulatory capital resources.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the annual accounts exceeds materiality for the annual accounts as a whole. Performance materiality of £215,600 (2024: £210,700) was applied in the audit based on 70% (2024: 70%) of overall materiality. We considered several factors in determining performance materiality including, the level and nature of uncorrected and corrected misstatements in the prior year and the robustness of the control environment and concluded that an amount towards the upper end of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £9,200 (2024: £9,000) as well as misstatements below that amount

	that, in our view, warranted reporting for qualitative reasons.
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As part of designing our audit, we assessed the risk of material misstatement in the annual accounts, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the annual accounts as a whole. We used the outputs of a risk assessment, our understanding of the Society, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all annual accounts line items.

Other information

The other information comprises the information included in the Directors' Report, Accounts and Annual Business Statement, other than the annual accounts and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on the Annual Business Statement and the Directors' Report

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

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the Building Societies Act 1986;
- the information in the Directors' Report for the financial year is consistent with the accounting records and the annual accounts; and
- the information given in the Annual Business Statement (other than the information on which we are not required to report) gives a true representation of the matters in respect of which it is given.

In light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Building Societies Act 1986 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 34, the directors are responsible for the preparation of the annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the annual accounts

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Society and its industry, we identified that the principal risks of non-compliance with laws and regulations related to regulatory and supervisory requirements of the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA'), and we considered the extent to which non-compliance with these laws and regulations might have a material effect on the annual accounts.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance with laws and regulations, our procedures included but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Society, the industry in which it operates, and considering the risk of acts by the Society which were contrary to the applicable laws and regulations including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Society is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;

- Inspecting correspondence with relevant licensing or regulatory authorities, including the PRA and FCA up to the signing date of the annual report and accounts;
- Attending bilateral meeting with the PRA;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience and through discussions with the directors and review of minutes of the Board of Directors, Risk Committee and Audit Committee during the year and up to the signing date of annual report and accounts.

We also considered those other laws and regulations that have a direct impact on the preparation of annual accounts, such as the Building Societies Act 1986 and UK tax legislation.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the annual accounts, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited:

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matter" within this report.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the directors on 23 April 2020 to audit the annual accounts for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2020 to 31 December 2025.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society and we remain independent of the Society in conducting our audit.

Our audit opinion is consistent with our additional report to the Audit committee.

Use of the audit report

This report is made solely to the Society's members as a body in accordance with section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body for our audit work, for this report, or for the opinions we have formed.

Martin Orme (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

11 March 2026

Statement of Comprehensive Income

for the year ended 31 December 2025

	Note	2025 £000	2024 £000
Interest receivable and similar income	2	24,251	23,117
Interest payable and similar charges	3	(13,855)	(13,724)
Net interest income		10,396	9,393
Fees and commissions receivable		356	273
Fees and commissions payable		(337)	(279)
Other operating income	4	169	171
Net (losses) from derivative financial instruments at fair value	5	(165)	-
Total net income		10,419	9,558
Administrative expenses	6	(9,363)	(8,465)
Depreciation and amortisation	16, 17	(617)	(311)
Fair value gains on investment property	18	312	12
Operating profit before impairments and other provisions		751	794
Release on loan loss impairment	15	21	106
Profit before taxation		772	900
Tax (expense)	9	(280)	(264)
Profit for the financial year		492	636
Other comprehensive income			
Revaluation of tangible fixed assets	17	336	50
Movement in related deferred tax	24	(85)	(13)
Total comprehensive income for the financial year		743	673

Profit for the financial year arises from continuing operations. Both the profit for the financial year and total comprehensive income for the period are attributable to the members of the Society.

The notes to the Accounts can be found on pages 53 to 74.

Statement of Financial Position

for the year ended 31 December 2025

	Note	2025 £000	2024 £000
Assets			
Liquid assets			
Cash in hand and balances at the Bank of England	10	34,629	41,837
Treasury bills and similar securities	11	39,615	39,441
Loans and advances to credit institutions	12	12,473	13,694
Derivative financial instruments	13	-	-
Loans and advances to customers			
Loans fully secured on residential property	14	367,862	320,287
Other loans	14	2,208	2,470
Intangible assets	16	250	224
Tangible fixed assets	17	2,930	2,699
Investment property	18	2,016	1,704
Other debtors	19	981	908
Total assets		462,964	423,264
Liabilities			
Shares	20	388,240	374,119
Amounts owed to credit institutions	21	11,171	6
Amounts owed to other customers	22	30,662	17,766
Derivative financial instruments	13	289	-
Other liabilities	23	1,285	961
Deferred tax liability	24	473	311
Total liabilities		432,120	393,163
General reserve	25	29,525	29,033
Revaluation reserve	25	1,319	1,068
Total reserves attributable to members of the Society		30,844	30,101
Total reserves and liabilities		462,964	423,264

The accounting policies and notes to these Accounts can be found on pages 53 to 74.

These accounts were approved by the Board of Directors on 11 March 2026 and signed on its behalf:

Nigel Boothroyd

Chair

Statement of Changes in Members' Interests

for the year ended 31 December 2025

	General reserve 2025 £000	Revaluation reserve 2025 £000	Total 2025 £000
Balance at 1 January 2025	29,033	1,068	30,101
Total comprehensive income for the year			
Profit for the financial year	492	-	492
Revaluation of tangible fixed assets (net of tax)	-	251	251
Total comprehensive income for the year	492	251	743
Balance at 31 December 2025	29,525	1,319	30,844

	General reserve 2024 £000	Revaluation reserve 2024 £000	Total 2024 £000
Balance at 1 January 2024	28,397	1,031	29,428
Total comprehensive income for the year			
Loss for the financial year	636	-	636
Revaluation of tangible fixed assets (net of tax)	-	37	37
Total comprehensive loss for the year	636	37	673
Balance at 31 December 2024	29,033	1,068	30,101

Statement of Cash Flow

for the year ended 31 December 2025

	Notes	2025 £000	2024 £000
Cash flows from operating activities			
Profit before tax		772	900
<i>Adjustments for</i>			
Impairment on loans and advances	15	(21)	(106)
Effective Interest Rate		307	150
Depreciation and amortisation	16, 17	617	311
Change in fair value of derivative financial instruments and hedge items		165	-
Revaluation (gains) through profit and loss	18	(312)	(12)
Total		1,528	1,243
Changes in operating assets and liabilities			
Decrease / (Increase) in prepayments, accrued income and other assets		44	(617)
Increase in accruals, deferred income, other liabilities and provisions		1,527	1,285
(Increase) in loans and advances to customers		(47,466)	(48,170)
Increase in member shares		13,068	66,606
Increase in amounts owed to other credit institutions and other customers		12,804	15,778
Increase in loans and advances to credit institutions		(260)	-
Taxation (paid)		(97)	(173)
Net cash generated / (used in) by operating activities		(20,380)	34,709
Cash flows from investing activities			
Purchase of financial securities		(96,372)	(79,324)
Proceeds from financial securities		96,674	38,987
Purchase of tangible fixed assets		(389)	(430)
Purchase of intangible fixed assets		(149)	(175)
Proceeds from sale of participating interest		-	163
Net cash used in investing activities		(236)	(40,780)
Cash flows from financing activities			
Proceeds from ILTR		21,000	-
(Repayments) of ILTR		(10,000)	-
Net cash generated by financing activities		11,000	-
Net decrease in cash and cash equivalents		(8,088)	(4,827)
Cash and cash equivalents at 1 January		44,171	48,998
Cash and cash equivalents at 31 December		36,083	44,171
Reconciliation of cash balances:			
	2024 £000	Movement £000	2025 £000
Loans and advances to credit institutions repayable on demand	2,334	(880)	1,454
Cash in hand and balances at the Bank of England	41,837	(7,208)	34,629
Total Cash	44,171	(8,088)	36,083

The notes to these Accounts can be found on pages 53 to 74

Notes to the Accounts

(forming part of the annual accounts)

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

For the year ended 31 December 2025 Harpenden Building Society (the “Society”) has prepared these annual accounts under the historical cost convention as modified by the revaluation of freehold and investment property. The accounts are prepared on a going concern basis. This reflects the Directors’ consideration and assessment of the Society’s state of affairs, as summarised below. The annual accounts are prepared in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). The presentation currency of these annual accounts is sterling. All amounts in the annual accounts have been rounded to the nearest £1,000.

Going concern

The Directors have prepared forecasts of the Society’s capital, financial and liquidity position for the period ending 12 months from the date of approval of these financial statements. The Directors have also prepared forecasts to consider the effect on the Society’s business and financial position (reflecting the impact of the current state of the UK economy). This includes the impact on capital, liquidity and credit risk of operating under stressed, but plausible, operating conditions. The Directors are satisfied that the Society has adequate resources to continue in business for the twelve months from the date of approval of these Financial Statements. For this reason, they continue to adopt the going concern basis in preparing the annual accounts.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these annual accounts.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the annual accounts and estimates with a significant risk of material adjustment in the next year are discussed in note 1.11.

1.1 Interest

Interest income and expense are recognised in profit and loss using the effective interest method. The ‘effective interest rate’ is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs, fee income and commission expense that are paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the issue of a financial asset.

Interest income and expense presented in the income statement and other comprehensive income include interest on financial assets measured at amortised cost calculated on an effective interest basis. Fees and commissions associated with a mortgage that are directly incremental are recognised using the effective interest rate. All other fees are recognised as incurred.

Notes to the Accounts (continued)

1.2 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

1.3 Taxation

Tax on the profit and loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.4 Financial instruments

Derivative financial instruments and hedge accounting

The Society uses derivatives for risk management purposes in accordance with Section 9a of the Building Societies Act 1986. The Society does not use derivatives for trading purposes. Currently, the Society only uses derivatives to hedge interest rate risk through interest rate swap agreements. Derivatives are measured at fair value in the statement of financial position. Fair values are obtained by applying quoted market rates to a discounted cash flow model. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair value changes on derivatives held for risk management purposes are recognised immediately in net gains/(losses) from derivative financial instruments at fair value through profit or loss in the statement of comprehensive income.

The Society undertakes portfolio fair value hedge accounting in accordance with FRS 102 Section 12. The Society designates derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Society formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Society makes an assessment, both at the inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge portfolio are highly effective (within an effectiveness range of 80-125%).

Notes to the Accounts (continued)

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss, together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of comprehensive income as the hedged item).

If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into the Statement of Comprehensive Income using the effective interest method over the remaining life of the hedged item.

Financial assets

The Society classifies non-derivative financial assets as Loans and Receivables or Held to Maturity Assets. Loans and advances, deposits and debt securities are initially recognised on the date on which they originated. All other financial instruments are recognised on the trade date, being the date on which the Society becomes a party to the contractual provision of the instrument.

Loans and receivables

The Society's loans and advances to customers are classified as loan commitments. Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

The Society measures its loans and advances at amortised cost less impairment provisions. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The initial value may, if applicable, include certain fees such as arrangement and booking fees, which are recognised over the average life of mortgage assets, as noted above.

Throughout the year and at each year end, the mortgage life assumptions for each scheme are reviewed for appropriateness. Any changes to the expected life assumptions of the mortgage assets are recognised through interest receivable and similar income and reflected in the carrying value of the mortgage assets.

Loans and advances to credit institutions are stated at cost to the Society adjusted for interest accrued at the date of purchase.

Debt instruments

The Society holds debt instruments such as treasury bills as part of its liquid asset portfolio. Debt instruments are financial assets with fixed or determinable payments and fixed maturity. The Society classifies its debt instruments as held to maturity assets as it has the positive intent and ability to hold to maturity.

Debt instruments are carried at amortised cost, adjusted for accrued interest at the date of purchase, where applicable. Any premium or discount on purchase is amortised on an effective interest rate basis over the period to maturity. Where there is a permanent diminution in value of a financial asset, a provision is made to write down the cost of the instrument to its recoverable amount.

The Society derecognises a financial asset when its contractual rights to a cash flow are discharged or cancelled or expire or substantially all the risk and rewards of ownership have been transferred.

Notes to the Accounts (continued)

Financial liabilities

The Society classifies its financial liabilities, other than derivatives, as measured at amortised cost.

The 'amortised cost' of a financial liability is the amount at which the financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Identification and measurement of impairment

At each reporting date, the Society assesses whether there is objective evidence that financial assets measured at amortised cost are impaired. Impairment losses are recognised in profit and loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through statement of comprehensive income.

A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer.
- default or delinquency by a borrower.
- the restructuring of a loan or advance by the Society on terms that the Society would not otherwise consider.
- indications that a borrower or issuer will enter bankruptcy.
- the disappearance of an active market for a security, or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Society considers evidence of impairment for assets carried at amortised cost at both an individual asset and a collective level. All individually significant assets are assessed for individual impairment. Those found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

In assessing collective impairment, the Society uses statistical modelling of external information to assess the probability of default, and the amount of loss likely to be incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater than the model suggests. Default and loss rates are reviewed against actual experience and internal sensitivity assessments to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Notes to the Accounts (continued)

Where certain emerging impairment characteristics are considered significant but not assessed as part of the impairment calculation, the Board may elect to apply an overlay to the impairment provision.

The amount of impairment loss is recognised immediately through the income statement and a corresponding reduction in the value of the financial asset is recognised through the use of provisions.

Forbearance strategies and renegotiated loans

A range of forbearance options are available to support customers who are in financial difficulty. The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. The main options offered by the Society include:

- Temporary switch from a repayment loan to an interest only loan, and
- Reduced monthly payments.

Customers requesting a forbearance option will need to provide information to support the request which is likely to include a budget planner, statement of assets and liabilities, bank/credit card statements, payslips, etc. in order that the request can be properly assessed. If the forbearance request is granted the account is monitored in accordance with our policy and procedures. At the appropriate time the forbearance option that has been implemented is cancelled and the customer's normal contractual payment is restored.

Loans that are subject to restructuring may only be classified as restructured and up to date once a specified number and/or amount of qualifying payments have been received. These qualifying payments are set at a level appropriate to the nature of the loan and the customer's ability to make the repayment going forward. Loans that have been restructured and would otherwise have been past due or impaired are classified as renegotiated.

1.5 Cash and cash equivalents

For the purposes of the Cash Flow Statement, cash comprises cash in hand and unrestricted loans and advances to credit institutions and the Bank of England repayable on demand. Cash equivalents comprise highly liquid unrestricted investments that are readily convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

The Statement of Cash Flows has been prepared using the indirect method.

1.6 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold property assets are stated at fair value less subsequent accumulated depreciation.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Depreciation is charged to the profit and loss account on either a straight-line or reducing balance basis over the assets estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold premises - over fifty years on a straight-line basis
- Lease hold premises - ten years on a straight-line basis
- Computer equipment - over three years on a straight-line basis; and
- Office equipment - 15% a year on a reducing balance basis

Notes to the Accounts (continued)

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Society expects to consume an asset's future economic benefits.

Where the useful life of an asset is revised due to closure or where an asset no longer has future economic benefit, its carrying amount is accelerated to nil and derecognised when disposed of or abandoned.

Revaluation gains/losses

Freehold property assets are stated at fair value less any subsequent accumulated depreciation and impairment losses. Gains or losses on revaluation are recognised in other comprehensive income and accumulated in the revaluation reserve.

The Society assesses at each reporting date whether tangible fixed assets are impaired.

1.7 Investment property

Investment property relates to the element of the Society's freehold under a commercial lease arrangement with a third party. These are subject to an annual revaluation with any gain or loss recognised in profit or loss.

Rental income from investment properties is accounted for on an accruals basis.

1.8 Intangible assets

Intangible assets that are acquired by the Society are stated at cost less accumulated amortisation and impairment losses.

Amortisation is charged to the profit and loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- Software - 3 years

The Society reviews the amortisation period and method of amortisation when events and circumstances indicate that the useful life may have changed since the last reporting date.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

The Society offers its employees a defined contribution pension plan. A defined contribution plan is a post-employment benefit plan under which the Society pays fixed contributions into a separate Society and will have no legal or constructive obligation to pay further amounts. These payments into the plan are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the Society is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date.

Notes to the Accounts (continued)

1.10 Provisions

A provision is recognised in the balance sheet when the Society has a present legal or constructive obligation as a result of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.11 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2025 are set out below in relation to the impairment of financial instruments.

Owned Freehold Land & Building Valuations

The Society's owned properties are revalued annually, as required, given the bifurcation of the properties between 'owner occupied' and 'investment' property. All properties were valued by a professional valuer with suitable experience based in the local area. Valuations were based on a combination of income yield (which is considered appropriate for commercial properties) and comparable properties sold in the surrounding/nearby area. The valuation is however, subject to a degree of estimation. The sensitivity of the valuation to a 10% rise or fall in commercial values would result in a £419k gain/loss, respectively.

Impairment losses on loans and advances

The Society holds provisions for impairment losses against loans on an individual and collective basis. The level of impairment requires a significant degree of judgement and estimation. Provisions are calculated using the historical loss experience of the Society as well as external indicators, however a number of assumptions are required such as realisable values and customer behaviours.

The most critical estimation is of the level of house prices where a reduction of 10% impacts the provision by £323k. Other sensitivities include a forced sale discount increase of 10% which equates to £346k, and the emergence period (i.e. the average time from the point at which a 'loss event' occurs to the point at which it is confirmed), where an increase of six months equates to £35k.

The carrying value of loans and advances to customers at 31 December 2025 is £370m.

Effective interest rate

The calculation of an effective interest rate requires the Society to make assumptions about the expected average lives of mortgages. The expected average life has been determined based on a review of the behavioural life of the various portfolios with the Society's loan book. Interest income is amortised over the expected average life, so if the average life of the mortgage book increased by 6 months then the carrying value of mortgages would change by £22k with a corresponding change to income.

Notes to the accounts (continued)

2. INTEREST RECEIVABLE AND SIMILAR INCOME

	2025	2024
	£000	£000
On loans fully secured on residential property	20,276	18,851
On loans fully secured on land	205	286
Interest and other income on debt securities	473	288
Interest and other income on other liquid assets	3,236	3,692
Net income on derivatives	61	-
	24,251	23,117

3. INTEREST PAYABLE AND SIMILAR CHARGES

	2025	2024
	£000	£000
On shares held by individuals	13,366	13,702
On deposits and other borrowings	477	22
Net expense on derivatives	12	-
	13,855	13,724

4. OTHER OPERATING INCOME

	2025	2024
	£000	£000
Rents receivable	164	162
Other operating income	5	9
	169	171

5. NET (LOSSES) FROM DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE

	2025	2024
	£000	£000
Movement in derivatives in designated fair value hedge relationships	(152)	-
Movement in hedged items in fair value hedge accounting relationships	132	-
Net matched Position	(20)	-
(Loss) on derivatives not in designated fair value relationships	(145)	-
	(165)	-

Notes to the accounts (continued)

6. ADMINISTRATIVE EXPENSES

	2025	2024
	£000	£000
Wages and salaries	4,510	4,166
Social security costs	532	449
Contributions to defined contribution pension scheme	708	513
	5,750	5,128
Other administrative expenses	3,613	3,337
	9,363	8,465

The remuneration of the External Auditor, which is included in administrative expenses above is set out below (exclusive of VAT)

	2025	2024
	£000	£000
Other administrative expenses		
Auditor's remuneration		
Audit of these financial statements	165	145
Fees for audit related services	2	2
	167	147

7. EMPLOYEE NUMBERS

The average number of persons employed during the year was as follows:

	2025	2024
FULL TIME		
Head Office	49	49
Branch Offices	7	6
	56	55
PART TIME		
Head Office	20	18
Branch Offices	7	9
	27	27

Notes to the accounts (continued)

8. DIRECTORS' REMUNERATION

Total Directors' emoluments paid in the year amounted to £810,737 (2024: £821,315).

2025	Salaries £000	Bonus £000	Benefits £000	Pension Contributions £000	Total £000
T. Meadows (Chief Executive)	250	31	12	26	319
M. Williams (Finance Director)	204	38	15	20	277
	454	69	27	46	596

2024	Salaries £000	Bonus £000	Benefits £000	Pension Contributions £000	Total £000
R. Doe (Chief Executive - resigned 31May 2024)	137		1	-	138
T. Meadows (Chief Executive - appointed 01 May 2024)	167	31	7	9	214
M. Williams (Finance Director)	204	38	12	20	274
	508	70	20	29	627

Non-Executive Director Emoluments (comprising fees only):

	2025 £000	2024 £000
N. Boothroyd	51	46
T. Barratt (appointed 02.01.2025)	30	-
L. Beecher	31	31
D. Green	37	36
T. Kokkinos (Leaver 29.07.2025)	25	29
S. Richardson (Retired 30.04.2024)	-	16
M. Willis	37	36
	211	194

As at 31 December 2025, there were no outstanding mortgage loans granted in the ordinary course of business to Directors and connected persons (2024: Nil) representing loans to nil (2024: 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.

An individual is required to hold at least £500 with the society to be eligible to be a director (under society rule 13(1)(d)). The total amount of deposits held by directors of the society as at 31 December 2025 was £9,484 (2024: £8,424). Amounts deposited by directors earn interest at the same rates offered to the public.

Notes to the accounts (continued)

9. TAXATION

	2025 £000	2024 £000
<i>CURRENT TAX</i>		
Current tax on income for the period	194	146
Adjustments in respect of prior periods	10	-
Total current tax	204	146
<i>DEFERRED TAX (see note 24)</i>		
Origination and reversal of timing differences	78	118
Adjustments in respect of prior periods	(2)	-
Total deferred tax	76	118
Total tax	280	264

	2025 £000	2024 £000
<i>Reconciliation of effective tax rate</i>		
Profit/(Loss) for the year	492	636
Total tax expense/(credit)	280	264
Profit/(Loss) excluding taxation	772	900
Tax using the UK corporation tax rate of 25.00%	193	225
Fixed asset differences	77	44
Income not taxable for tax purposes	-	(8)
Temporary differences not recognised in the computation	-	3
Adjustments to tax charge in respect of previous periods	10	-
Total tax expense included in profit or loss	280	264

The deferred tax liability at 31 December 2025 has been calculated based on a 25% (2024: 25%) rate.

10. CASH AND CASH EQUIVALENTS

	2025 £000	2024 £000
Cash in hand and balances at the Bank of England	34,629	41,837
As at 31 December	34,629	41,837

11. TREASURY BILLS

	2025 £000	2024 £000
Treasury bills have remaining maturities as follows:		
Accrued interest	337	362
In not more than three months	14,703	14,650
In more than three months but not more than one year	24,575	24,429
	39,615	39,441

Notes to the accounts (continued)

12. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

	2025	2024
	£000	£000
Accrued interest	259	360
Repayable on demand	1,454	2,334
Other loans and advances by residual maturity repayable:		
In not more than three months	-	-
In more than three months but not more than one year	10,760	11,000
Total loans and advances to credit institutions	12,473	13,694

13. DERIVATIVE FINANCIAL INSTRUMENTS

	2025			2024		
	Notional amount £000	Positive market value £000	Negative market value £000	Notional amount £000	Positive market value £000	Negative market value £000
Derivatives designated as fair value hedges - interest rate swaps	61,000	-	273	-	-	-
Derivatives not designated as fair value hedges - interest rate swaps	12,000		16	-	-	-
	73,000	-	289	-	-	-

The movements in the market value of interest rate swaps are driven by changes in the market's forward view of interest rates.

Unmatched derivatives relate to swaps which have not matched against either mortgages or savings for hedge accounting purposes at the balance sheet date and reflect short-term timing differences between the transacting of the interest rate swap and the completion of the associated mortgages / savings.

Notes to the accounts (continued)

14. LOANS AND ADVANCES TO CUSTOMERS

	2025 £000	2024 £000
Loans fully secured on residential property	367,384	320,036
<i>Unamortised fees</i>	616	527
<i>Impairment allowance</i>	(271)	(276)
<i>Fair value adjustment for hedged risk</i>	133	-
Loans fully secured on residential property	367,862	320,287
Loans fully secured on land	2,218	2,496
<i>Fee amortisation - FSOL</i>	-	-
<i>Impairment allowance</i>	(10)	(26)
Loans fully secured on land	2,208	2,470
	370,070	322,757

The remaining maturity of loans and advances to customers from the reporting date is as follows:

On call and at short notice	1,668	2,296
In not more than 3 months	900	7,175
In more than 3 months but not more than 1 year	7,019	11,237
In more than 1 year but not more than 5 years	69,271	56,775
In more than 5 years	290,877	245,049
	369,735	322,532
Less: allowance for impairment (note 15)	(281)	(302)
Unamortised fees	616	527
	370,070	322,757

The maturity analysis above is based on contractual maturity and not expected redemption levels.

15. ALLOWANCE FOR IMPAIRMENT

Provisions against loans and advances to customers have been made as follows:

	Loans fully secured on residential property		Other loans fully secured on land		Total	
	2025 £000	2024 £000	2025 £000	2024 £000	2025 £000	2024 £000
At 1 JANUARY						
Individual impairment	-	-	-	-	-	-
Collective impairment	276	392	26	16	302	408
	276	392	26	16	302	408
CHARGE / (CREDIT) FOR THE YEAR						
Individual impairment	-	-	-	-	-	-
Collective impairment	(5)	(116)	(16)	10	(21)	(106)
	(5)	(116)	(16)	10	(21)	(106)
AT 31 DECEMBER						
Individual impairment	-	-	-	-	-	-
Collective impairment	271	276	10	26	281	302
	271	276	10	26	281	302

Notes to the accounts (continued)

16. INTANGIBLE ASSETS

	2025 £000	2024 £000
Cost		
Balance at 1 January	687	512
Additions	149	175
Balance at 31 December	<u>836</u>	<u>687</u>
Amortisation and impairment		
Balance at 1 January	463	356
Amortisation charge for the year	123	107
Balance at 31 December	<u>586</u>	<u>463</u>
Net book value		
At 1 January	224	156
At 31 December	<u>250</u>	<u>224</u>

17. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000	Short leasehold buildings £000	Office & computer equipment £000	Total £000
COST				
At 1 January 2025	1,952	120	1,657	3,729
Additions	-	16	373	389
Revaluation	336	-	-	336
At 31 December 2025	<u>2,288</u>	<u>136</u>	<u>2,030</u>	<u>4,454</u>
DEPRECIATION				
Balance at 1 January 2025	46	99	885	1,030
Depreciation charge for the year	99	2	393	494
At 31 December 2025	<u>145</u>	<u>101</u>	<u>1,278</u>	<u>1,524</u>
NET BOOK VALUE				
At 1 January 2025	1,906	21	772	2,699
At 31 December 2025	<u>2,143</u>	<u>35</u>	<u>752</u>	<u>2,930</u>

Annual valuations as at 31 December 2024 and 2025 were performed by an independent valuers, Flack Property Consultants Ltd and Dusin Surveyors respectively, both hold a recognised and relevant professional qualification and has recent experience in the location and class of investment property being valued. The impact of the revaluation has been included for tangible fixed assets and investment property.

The original cost of Freehold land and buildings recorded in the accounts was £3.1m. Depreciation would have been £1.2m giving a net book value of £1.9m. The total value is split into Investment property and freehold land and buildings.

Subsequent to the year end, the Board approved a plan to dispose of the former Harpenden Branch on Station Road. In accordance with FRS 102, the asset remains classified within tangible fixed assets as the standard does not permit a 'held for sale' category. Management has assessed the recoverable amount and concluded that no impairment is required. This decision represents a non adjusting post balance sheet event and is disclosed accordingly

Notes to the accounts (continued)

18. INVESTMENT PROPERTY

	Mardall House £000	Aberdeen House £000	Total £000
VALUATION			
At 1 January 2025	920	784	1,704
Revaluation gain/(loss)	(3)	315	312
At 31 December 2025	917	1,099	2,016

Investment property consists of the proportion of the Society's freehold property that has been let out as office or residential units.

The fair value of the property has been determined on the basis of either floor area and/or rental income from each unit.

19. PREPAYMENTS AND ACCRUED INCOME

	2025 £000	2024 £000
Prepayments	981	908
	981	908

There are no prepayments that are due after more than one year (2024: £nil).

20. SHARES

	2025 £000	2024 £000
Held by individuals	388,239	374,119
Fair value of hedged risk	1	-
	388,240	374,119

Shares are repayable from the balance sheet date in the ordinary course of business as follows:

	2025	2024
Accrued interest	3,566	2,513
Repayable on demand	328,319	319,879
Other shares by residual maturity repayment:		
In not more than three months	1,647	895
In more than three months but not more than one year	34,300	10,702
In more than one year but not more than five years	17,046	35,059
In more than five years	3,362	5,071
	388,240	374,119

21. AMOUNTS OWED TO CREDIT INSTITUTIONS

	2025 £000	2024 £000
Amounts owed to credit institutions are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	165	-
Repayable on demand	6	6
Other shares by residual maturity repayment:		
In not more than three months	8,000	-
In more than three months but not more than one year	3,000	-
	11,171	6

Notes to the accounts (continued)

22. AMOUNTS OWED TO OTHER CUSTOMERS

	2025 £000	2024 £000
Amounts owed to other customers are repayable from the balance sheet date in the ordinary course of business as follows:		
Accrued interest	114	22
On demand	28,460	17,744
In more than three months but not more than one year	2,088	-
	30,662	17,766

23. ACCRUALS AND OTHER LIABILITIES

	2025 £000	2024 £000
Falling due within one year:		
Corporation tax	215	107
Other creditors	393	328
Accruals and deferred income	677	526
	1,285	961

Other creditors include a £70k provision for specific liabilities, comprising operational risk items, dilapidation costs and amounts due to HMRC.

24. DEFERRED TAX ASSETS AND LIABILITIES

	2025 £000	2024 £000
Fixed asset timing differences	473	203
Short term timing differences	-	(23)
Total deferred tax liability	473	180
Provision at start of period	311	180
Deferred tax charged in statement of comprehensive income for the period	77	118
Deferred tax charged within other comprehensive income	85	13
Provision at end of period	473	311

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised, based on tax rates and laws that have been enacted or substantively enacted by the date of the statement of financial position. Deferred tax balances in respect of fixed asset timing difference, tax losses and short-term timing difference have been calculated at 25%.

Notes to the accounts (continued)

25. RESERVES

	General reserve £000	Revaluation reserve £000	Total £000
At 1 January 2025	29,033	1,068	30,101
Total comprehensive income for the financial year	492	251	743
At 31 December 2025	29,525	1,319	30,844

The general reserve reflects the combination of the accumulation of profits after tax generated each year.

The revaluation reserve represents the increase in the value of freehold land and buildings against the original holding cost of the assets.

Notes to the accounts (continued)

26. FINANCIAL INSTRUMENTS

	2025 Level 2 £000	2024 Level 2 £000
Financial assets		
Derivative financial instruments		
Interest rate swaps	-	-
	-	-
Financial liabilities		
Derivative financial instruments		
Interest rate swaps	289	-
	289	-

The total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 December 2025 and 2024 are shown in the following table:

	2025 £000	2024 £000
Loans and advances to customers	118,005	73,100
	118,005	73,100

The mortgage loans and debt securities are pledged as collateral against any loans received from the Bank of England under the Bank of England Sterling Monetary Framework

CREDIT RISK

'Credit risk' is the risk that a financial loss will arise from a borrower or counterparty failing to meet their obligations. This risk arises from the Society's lending and treasury management activities.

The Society has a formal structure for managing risk, including formal risk policies, risk limits, reporting structures, mandates and other control procedures. This structure is reviewed regularly by the Board of Directors.

The Society's maximum credit risk exposure is detailed in the table below:

	2025 £000	2024 £000
Cash and balances at the Bank of England	34,629	41,837
Loans and advances to credit institutions	12,473	13,694
Treasury bills and similar securities	39,615	39,441
Derivative financial instruments	-	-
Loans and advances to customers	369,735	322,532
Total statement of financial position exposure	456,452	417,504
Off-balance sheet exposure - mortgage commitments	49,632	44,851
	506,084	462,355

Notes to the accounts (continued)

26. FINANCIAL INSTRUMENTS

Details on collateral held as security that mitigate the Society's exposure to credit risk are provided on page 72. The Society does not use credit derivatives, or similar instruments, to manage its credit risk. The Society offers a range of mortgage products tailored to the needs and demands of our customers. The concentration of loans and advances to customers is detailed in the table below:

	2025 £000	2024 £000
Prime owner-occupied	280,257	232,226
Buy to let	76,304	74,901
Land	2,218	2,495
Other loans and advances to customers	10,956	12,910
Total loans and advances to customers	369,735	322,532

Credit risk (continued)

Credit quality analysis of loans and advances to customers

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Society against those assets.

	2025	2025	2025	2024	2024	2024
	Loans fully secured on Residential property £000	Loans fully secured on Land £000	Total £000	Loans fully secured on Residential property £000	Loans fully secured on Land £000	Total £000
Neither past due nor impaired	361,863	2,218	364,081	315,735	2,259	317,994
Past due but not impaired						
30 - 60 days	1,706	-	1,706	1,375	127	1,502
60 - 90 days	2,138	-	2,138	912	110	1,022
90 - 180 days	1,757	-	1,757	628	-	628
180 days+	669	-	669	1,913	-	1,913
	6,270	-	6,270	4,828	237	5,065
Allowance for impairment						
Individual	-	-	-	-	-	-
Collective	271	10	281	276	26	302
Total allowance for impairment	271	10	281	276	26	302
Total loans & advances to customers including impairment	367,862	2,208	370,070	320,287	2,470	322,757

Credit quality analysis of loans and advances to customers (continued)

Collateral held and other credit enhancements

The Society holds collateral to reduce credit exposures. The table below sets out the principal types of collateral held.

Percentage of exposure that is subject to collateral requirements

Loans and advances to customers

2025	2024	Principal type of collateral held.
%	%	
100	100	Secured against residential and commercial properties.

Individual assessments are made on all mortgage loans where objective evidence indicates that losses are likely (for example when loans are past due) or the property is in possession. Further consideration is given in note 1.4 to the accounts.

The Society's policy is to pursue timely realisation of the collateral in an orderly manner. The Society does not use the non-cash collateral for its own operations.

Notes to the accounts (continued)

26. FINANCIAL INSTRUMENTS

Loan-to-value ratios of mortgage book loans and advances to customers

The table below details credit exposures from mortgage loans and advances to customers by loan-to-value (LTV) ratios. LTV is calculated as the ratio of the gross amount of the loan to the value of the asset (collateral). The valuation of the collateral excludes any adjustments for obtaining and selling the asset and also excludes any impairment allowance and EIR adjustments. The collateral value is based on the original value of the asset when the loan was issued and is subsequently indexed using the Nationwide House Price Index.

	2025 £000	2024 £000
LTV ratio		
Less than 50%	155,391	141,405
51 - 70%	159,730	137,962
71 - 90%	53,917	42,465
91 - 100%	-	106
More than 100%	697	594
	369,735	322,532

Forbearance

A range of forbearance options are available to support customers who are in financial difficulty. For further information on forbearance please refer to note 1.4. The table below analyses the number of mortgage borrowers with renegotiated terms at the year-end date:

	2025 Number of cases	2024 Number of cases
Forbearance		
Short-term reduced monthly repayment plan	7	12

Concentration by credit grading

	2025 £000	2024 £000
AAA	-	-
AA+ to AA-	81,295	83,593
A+ to A-	5,101	11,288
Other	59	91
	86,455	94,972

Concentration by sector

	2025 £000	2024 £000
Financial institutions	12,235	13,717
Sovereign	74,220	81,255
	86,455	94,972

Concentration by region

	2025 £000	2024 £000
UK	81,354	94,972
Europe (excluding UK)	5,101	-
	86,455	94,972

Notes to the accounts (continued)

26. FINANCIAL INSTRUMENTS

LIQUIDITY RISK

Liquidity risk is the risk that the Society, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost.

The Society's policy is to ensure there is sufficient liquidity to meet all obligations, and to minimise its funding costs whilst maintaining fairness to its customers.

The tables below sets out maturity analysis for financial liabilities that shows the remaining contractual maturities at undiscounted amounts. The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates, for the average period until maturity on the amounts outstanding at the statement of financial position date.

As at 31 December 2025	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
Financial liabilities						
Shares	330,171	1,647	34,350	17,548	5,044	388,760
Amounts owed to credit institutions	6	8,164	3,060	-	-	11,230
Amounts owed to other customers	28,575	-	2,091	-	-	30,666
Total financial liabilities	358,752	9,811	39,501	17,548	5,044	430,656

31 December 2024	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
Financial liabilities						
Shares	319,879	895	10,718	36,310	8,417	376,219
Amounts owed to credit institutions	6	-	-	-	-	6
Amounts owed to other customers	17,744	-	-	-	-	17,744
Total financial liabilities	337,629	895	10,718	36,310	8,417	393,969

MARKET RISK

'Market risk' is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk; currency risk, interest rate risk and other price risk.

The Society is not directly subject to currency risk as all products are sterling denominated. The Society's products are also only interest orientated products so are not exposed to other pricing risks. Interest rate risk is the risk of mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates.

The Society manages this exposure continually by matching the repricing dates of assets and liabilities in line with its Financial Risk Management Policy.

The Assets & Liabilities Committee is responsible for overseeing and setting the counterparty credit, liquidity and interest rate risk.

The Society's treasury function manages interest rate risk on a daily basis and ensures the Society hold appropriate liquid assets and spread of maturities over time buckets to effectively manage risk. The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to interest rate scenarios. The following is an analysis of the sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

Sensitivity of projected net interest income

	2025 200bp parallel increase £000	2025 200bp parallel decrease £000	2024 200bp parallel increase £000	2024 200bp parallel decrease £000
At 31 December	(568)	597	(238)	254
Average for the period	(281)	290	(216)	226
Maximum for the period	(568)	597	(322)	334
Minimum for the period	(98)	84	(116)	120

The minimum during 2025 was at 30 June and the maximum at 31 December.

The Society only deals with products in sterling so is not directly affected by currency risk.

The Society's products are also only interest orientated products so are not exposed to other pricing risks.

Capital management

The purpose of the Society's capital is to protect members from any losses that may arise from lending activities of the Society. The Board sets the internal level of capital with the aim of ensuring Society capital always exceeds the minimum regulatory requirements. As part of the Society's formal risk management framework, capital management is covered by the Internal Capital Adequacy Assessment Process (ICAAP). This is used to assess the Society's capital adequacy and to determine the levels of capital required to support current and future risks.

The below table sets out the Society's capital.

	2025 £000	2024 £000
COMMON EQUITY TIER 1 CAPITAL		
General reserve	29,525	29,033
Revaluation reserve	1,319	1,068
Intangible assets	(250)	(224)
TOTAL COMMON EQUITY TIER 1 CAPITAL	30,594	29,877
TIER 2 CAPITAL		
Collective provision	281	302
TOTAL REGULATORY CAPITAL	30,875	30,179

Notes to the accounts (continued)

27. OPERATING LEASES

As at 31 December, the Society had commitments in respect of operating leases for land and buildings held as a lessee as follows:

	2025 £000	2024 £000
Not later than one year	94	52
Later than one year and not later than five years	283	133
Later than five years	238	-
	<u>615</u>	<u>185</u>

As at 31 December, the Society had proceeds from land and buildings held as a lessor as follows:

	2025 £000	2024 £000
Not later than one year	165	139
Later than one year and not later than five years	454	331
Later than five years	351	309
	<u>970</u>	<u>779</u>

28. RELATED PARTY TRANSACTIONS

Transactions with key management personnel

The Society considers its key management personnel to be its directors.

The transactions with key management personnel, which includes salaries, are disclosed in note 8.

Mortgage loans made to key management personnel are granted in the ordinary course of business and are subject to repayment under normal lending terms. The maximum outstanding balance during the year was £Nil (2024: £Nil).

Key management personnel hold £9,484 in share accounts with the Society (2024: £8,424). Amounts deposited by key management personnel earn interest at the same rates offered to the public.

29. POST BALANCE SHEET EVENTS

There are no subsequent events to the balance sheet date.

30. COUNTRY BY COUNTRY REPORTING

Article 89 of CRD IV requires the Society to disclose the following information for the year ended 31 December 2025.

Name: Harpenden Building Society

Type of entity: Building Society

Nature of activity: Secured lending and deposit taking

Location: United Kingdom

Total Net Income: £10.4m

Profit before tax: £772k

Tax paid: £97k

Number of employees: 80 FTE

Annual Business Statement

For the year ended 31 December 2025

1 STATUTORY PERCENTAGES

	As at 31 December 2025	Statutory Limit
	%	%
Proportion of business assets other than in the form of loans fully secured on residential property – ‘Lending limit’	1.0%	25%
Proportion of shares and borrowings other than in the form of shares held by individuals – ‘Funding limit’	9.7%	50%

EXPLANATION

The statutory limits are prescribed in building society legislation and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

The percentages are calculated in accordance with, and the statutory limits are those prescribed by, Sections 6 and 7 of the Building Societies Act 1986 (as amended by the Building Societies Act 1997).

Business assets are the total assets of the Society as shown in the statement of financial position plus provisions for impaired debts, less fixed assets and liquid assets.

Loans fully secured on residential property are the amount of principal owing by borrowers and interest accrued not yet payable. This is the amount shown in the statement of financial position plus provisions for impaired debts.

2 OTHER PERCENTAGES

	As at 31 December 2025	2024
	%	%
As a percentage of shares and borrowings:		
Gross capital	7.17%	7.66%
Free capital	6.09%	6.62%
Liquid assets	20.16%	24.23%
As a percentage of mean total assets:		
Profit after taxation	0.11%	0.17%
Management expenses	2.25%	2.30%

EXPLANATION

The above percentages have been calculated from the Society’s Statement of Financial Position and Statement of Comprehensive Income.

‘Gross capital’ represents the aggregate of general reserves and revaluation reserve.

‘Free capital’ represents gross capital and collective provisions for impaired debts less tangible and intangible fixed assets as shown in the Statement of Financial Position.

‘Shares and borrowings’ represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.

Mean total assets’ represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.

Liquid assets’ represent the total of cash and balances at The Bank of England, loans and advances to credit institutions, treasury bills and debt securities.

‘Management expenses’ represent the aggregate of administrative expenses and depreciation in the Statement of Comprehensive Income.

Annual Business Statement (continued)

3. Information relating to the Directors at 31 December 2025

Name	Date of Appointment and Committee Membership	Business Occupation	Other Directorships
T. Barratt	2 January 2025 Risk & Compliance, Remuneration, and Transformation Committees	Non-Executive Director	British Fenestration Rating Council Ltd Royal Institute of Chartered Surveyors
L. Beecher	9 July 2021 Audit, Remuneration and Nominations Committees	Non-Executive Director	Gatehouse Bank Plc
N. Boothroyd	14 March 2019 Remuneration and Nominations Committees	Non-Executive Director	British Arab Commercial Bank Plc Carders Croft Management Company Ltd
D. Green	26 October 2020 Audit and Risk & Compliance Committees	Non-Executive Director	Leonard Cheshire Disability
T Meadows	01 May 2024	Executive Director	-
M Williams	30 November 2023	Executive Director	103/105 Alderney Street Limited Azincourt Consultancy Limited
M. Willis	25 April 2019 Risk & Compliance and Audit Committees	Non-Executive Director	-

Documents may be served on the above-named Directors: Ref. "Harpenden Building Society", c/o, Forvis Mazars LLP at 30 Old Bailey, London EC4M 7AU.

Mr. T Barratt entered a service contract dated 5 November 2024 upon his appointment.

Mr. N Boothroyd entered a service contract dated 2 January 2019 upon his appointment.

Mr. M. Willis entered a service contract dated 2 January 2019 upon his appointment.

Mr. D. Green entered a service contract dated 28 February 2020 upon his appointment.

Mrs. L. Beecher entered a service contract on or about 28 April 2021 upon her appointment.

The contracts are terminable by the Society or by the individual on three months' notice, pursuant to the Society's rules.

Mrs. T Meadows is employed under an employment contract dated 1 February 2024, terminable by the Society or by the individual on six months' notice.

Mr. M Williams is employed under an employment contract dated 1 November 2023, terminable by the Society or by the individual on six months' notice.