Newbury
Building Society

# Annual Report & Accounts

Year ended 31 October 2025

# Key *highlights*

**£281m**
Gross mortgage lending
**2024: £266m**

The Society has been re-accredited with The Institute of Customer Service's **'ServiceMark'** with **distinction**.

**£95m**
Savings balances growth
**2024: £131m**

**£5.8m**
Profit after tax*
**2024: £8.0m**

**91.6**
The Institute of Customer Service Customer Satisfaction Score

Assets*
**£1.75bn**
**2024: £1.65bn**

**£74k**
Charitable donations
**2024: £107k**

We won the **Best Building Society Savings Provider Award** and **Best Building Society** at the 2025 British Bank Awards, run by Smart Money People and the **Trusted Quality Provider Award** at the UK Customer Satisfaction Awards.

**19.5%**
Total capital ratio*
**2024: 20.0%**

*Key performance indicators (KPIs). For information on how these are calculated please see pages 13 and 14.

# Inside this *report*

## Strategic *report*



## Governance



## Financial *statements*



## Other *information*

# Chairman's *statement*

This year has been marked by significant achievements and continued progress towards our strategic ambitions, including sustained investment in our branch and digital services. The Board remains committed to delivering long-term value for our customers, ensuring the Society's sustainability and maintaining robust financial foundations.

**Piers Williamson**
Chairman of the Board

On behalf of the Board, I am delighted to report the Society continues to build on its solid customer and financial foundations and has achieved yet another strong performance for the year ended 31 October 2025. The year demonstrates another period in our long history as an independent, customer-owned Society, and I am proud to report that your Society continues to demonstrate resilience, responsibility, and ambition, and a deep care to do what is right by its customers and people.

As an independent customer-owned business, your Society has much to be proud of. Our core purpose of helping our customers build sustainable financially resilient futures through the Society being the trusted provider of mortgages and savings in our communities, has led to another year of improved asset growth, a solid profit performance, and a strong capital position, something which continues to characterise so many of our performances in recent years.

Throughout the year, we continued to offer competitive savings products and responsible mortgage options, alongside charitable donations and employee volunteering programmes, to better serve those of greater need in our communities. These efforts reflect our commitment to mutuality and social responsibility, values that have guided us for many years.

## Market conditions and the Society's *performance*

Despite the UK economic uncertainty throughout most of the financial year, coupled with other domestic and global challenges, and cost-of-living pressures remaining relevant to many households, your Society delivered a strong financial performance. Total assets grew to £1.75bn (2024: £1.65bn), representing 6.0% growth (2024: 6.7%).

The property market demonstrated remarkable resilience, with house prices rising despite the economic challenges. As a result, mortgage lending remained healthy, with mortgage balances growing by more than 8% (2024: 9.4%) and reaching £1.47bn (2024: £1.36bn).

Savings balances continued to grow steadily, although market conditions were much tougher to operate in. Our performance reflects the trust our members place in us, and the Society raised retail funding through its branch network and online services, with balances increasing by £95m including capitalised interest (2024: £131m).

As a result of the overall performance, I am pleased to report the Society fully repaid the Society's Bank of England's Term Funding Scheme (TFSME) borrowings, through retail funds, wholesale funds and other central bank facilities in line with our contractual responsibilities.

With a solid mortgage and savings performance, the Society delivered strong profit after tax of £5.8m (2024: £8.0m), enabling us to continue to invest in products and services to meet the needs of our customers. Our capital position remains strong, with reserves of more than £122m (2024: £116m), underpinning our ability to invest for the future and maintain financial resilience.

The Board is proud of the Society's resilience and adaptability, which have enabled us to deliver these results, with positive outcomes for our customers, whilst maintaining high standards of service.

## Supporting our Customers and *Communities*

The Board's collective commitment to excellence and responsible governance has been fundamental in navigating both opportunities and challenges. All initiatives and investments are designed to enhance customer experience, strengthen risk management, and ensure the long-term success of your Society, while protecting the interests of our customers.

This year has been marked by significant achievements and continued progress towards our strategic ambitions, including sustained investment in our branch and digital services. For example, we relocated and fully refurbished our branch in Didcot and we launched digital capability to allow a debit card payment to fund a savings account online. We have focused on strengthening our core operations, continuing to invest in our people, while deepening our engagement with partners and the communities we serve. Our 'Customer First Approach' is embedded in our culture of high values and principles and continues to go from strength to strength. It further supports our view that customers want to borrow and save with an organisation which understands their needs and delivers fair value. Our progression with our strategic investment programme continues to underpin our success.

## Championing Social Responsibility and *Community Impact*

At the heart of our Society's ambition is a commitment to social responsibility and making a meaningful difference in the communities we serve. Over the past year, we have strengthened our support for those living and working in and around our Head Office and branch locations. Our dedication to community goes beyond our products and services - we actively invest our time, expertise, and resources to create positive change.

We have deepened our partnerships with local charities, engaging in a wide range of volunteering, sponsorship, and fundraising initiatives. Recognising that even small acts of support can have a significant impact, we aim to make a real difference in people's lives. The collective efforts of our members and colleagues are truly inspiring and reflect the values we hold as an organisation.

This year, we provided £33k in financial aid, building on the £30k contributed in 2024. Through our Community Support Scheme, we assisted 28 organisations in delivering essential services and care (2024: 38), with donations totalling £13k (2024: £13k). Our annual Charity Savings Account enabled us to donate £26k to members' chosen charities (2024: £55k).

We are proud to share these achievements and remain committed to supporting our communities in the years ahead. For further details on our community initiatives and the impact we are making, please refer to pages 28 and 29 of this report.

## Board *changes*

The Board remains committed to delivering long-term value for our customers, ensuring the Society's sustainability and maintaining robust financial foundations. We believe that a diverse and inclusive Board is essential for effective governance, and I am pleased to report that we continue to operate as a strong, cohesive, and member-focused team.

During the year, I am delighted to announce that Ian Workman joined the Board as our newest Non-Executive Director. Ian brings a wealth of financial services experience and fresh perspective, further strengthening our Board's expertise and diversity. We look forward to his contributions as we continue to drive the Society's strategic ambitions.

I am also delighted to announce that Dean Scott has been appointed to our Board of Directors as Chief Operating Officer. Since joining the Society in 2022, Dean has played a pivotal role in advancing our product, marketing, and customer strategies. In his new role, Dean's remit expands to include leadership of our customer service and operational teams, ensuring we continue to deliver consistently high standards and meet the evolving needs of our customers. We look forward to the valuable expertise and fresh perspective Dean brings as we continue to drive the Society's ambitions forward.

## Looking *Ahead*

As a customer owned Society, we recognise that recent changes in the Autumn Budget, especially those affecting Cash ISA allowances, bring new challenges for our customers. We remain dedicated to offering fair and accessible savings solutions and supporting financial resilience across our communities. Additionally, the increase in the FSCS (Financial Services Compensation Scheme) deposit protection limit to £120,000 per person is a positive development, further enhancing trust in the UK financial system and giving our customers even greater confidence in the security of their savings.

While economic uncertainty persists, we remain confident in our ability to navigate future challenges. Our strong capital base, careful management, and Customer First approach place your Society in a position to continue delivering value and safety to our customers and people. We will maintain our focus on sustainable growth, innovation, and community engagement, ensuring the Newbury Building Society remains a trusted partner for generations to come.

Finally, I would like to thank the Board, the senior leadership team and all Society colleagues for their dedication and professionalism in making the Society the strong and successful organisation it is today. I would also like to thank you, our members, for your continued support and loyalty. Together, we will build on the year's achievements and look forward to a future of shared success.

**Piers Williamson**, Chairman
22 December 2025

# Chief Executive's *review*

Reflecting on the year, I am immensely proud of how the Society has adapted and flourished amidst a rapidly changing economic landscape. Despite ongoing cost-of-living pressures and uncertainty in the wider financial markets, we have remained constant in our commitment to our customers.

**Phillippa Cardno**
Chief Executive

## Reflections on the *Year*

In 2025, as the building society movement celebrates an incredible 250 years of empowering home ownership and helping savers prosper, your Society is not just honouring this legacy, we are moving forward, shaping our future with purpose and innovation. Your Society stands at the heart of this legacy, proving every day that our purpose is not just history, it is action. As our sector marks this milestone, we are more committed than ever to making a real difference, helping more people own their homes, grow their savings, and build brighter futures together.

Reflecting on the year, I am immensely proud of how the Society has adapted and flourished amidst a rapidly changing economic landscape. Despite ongoing cost-of-living pressures and uncertainty in the wider financial markets, we have remained constant in our commitment to our customers. We have continued to deliver exceptional customer service to both longstanding and new customers, supporting savers and borrowers alike through products, face-to-face services and enhanced digital solutions. Our branch network remains a cornerstone of our community presence, and our charitable initiatives and volunteering efforts continue to provide vital support to those most in need. These achievements are a testament to the dedication and resilience of our people, who have navigated both opportunities and challenges with great agility and thought, ensuring your Society remains financially strong, relevant, and responsive in an evolving economic environment.

## Excellent Financial *Performance*

Despite a challenging economic environment and intense market competition, 2024/25 was a year of exceptional progress for your Society. We strengthened our financial position for the future, growing total assets to £1.75bn, up from £1.65bn in 2023/24. Gross mortgage lending reached £281m (2024: £266m), savings balances increased by £95m (2024: £131m), and we delivered strong profitability (post-tax profit £5.8m). Our capital strength remains a defining feature of the Society's resilience: the total capital ratio closed the year at 19.5%, slightly lower than last year's 20.0%, primarily due to strong mortgage growth of 8.1% (2024: 9.4%).This capital position is well above regulatory requirements and provides a secure foundation for future investment and stability.

Management expenses rose by just under 9% compared to the previous year, reflecting not only inflationary pressures but also our continued strategic investments in branch modernisation, digital transformation, and people development.

Our financial strength enables us to continue investing in what matters most: our customers, our communities, and our people. By keeping the needs of savers, borrowers, and colleagues at the heart of our strategy, we ensure that this balance remains central to our identity and is the leading force behind our ongoing success.

## Outstanding Customer *Performance*

Our customer service strategy is centred on delivering outstanding experiences that create lasting, positive impacts for our customers, brokers, and communities. We are committed to building long-term value for our customers by driving purposeful, sustainable growth. Guided by our ambition to help customers secure brighter financial futures, we continue to be the trusted choice for mortgages and savings in our communities and beyond.

We are proud of our heritage as a customer-first, community-driven organisation, and we are embracing the future by harnessing digital innovation, evolving our products, and enhancing our service across every channel our customers choose. By continually adapting to changing needs and preferences, we ensure that every interaction, whether in-branch, online, or through our broker partners, reflects our dedication to service excellence and community impact. Therefore, it was extremely pleasing that our commitment to customer excellence was recognised on the national stage, where we won:

- Best Building Society and Best Building Society Savings Provider at the 2025 British Bank Awards.
- Trusted Quality Provider at the Institute of Customer Service - UK Customer Satisfaction Awards.


*Phillippa, Melanie, Dean, Emma, and Sam celebrate the Society's win at the 2025 UK Customer Satisfaction Awards in London.*

To add further to our success, we were re-accredited by the Institute of Customer Service by being awarded a 'ServiceMark Accreditation' with distinction. An honour we have held for the last three years and will hold again for at least the next three years. We remain the only bank or building society to hold this level of recognition, and it further demonstrates our commitment to customer service excellence.

These achievements are not just accolades, they are proof of our commitment to delivering real value, even as the economic landscape shifts. Our people's dedication and our customers' loyalty drive us to keep raising the bar, setting new standards for what a modern, customer-focused building society can achieve.

## Branch Network Commitment and *Digital Modernisation*

We remain committed to a customer service proposition that allows a customer to choose how and when they want to engage with us.

We remain steadfast in our commitment to a strong branch presence, and as a mutual, we are passionate about the difference our proposition makes to our customers and communities. Over the past year, our programme of branch modernisation has continued apace. Following refurbishments in recent years, in Abingdon, Newbury, Winchester, and Thatcham, we completed the relocation and transformation of our Didcot branch in Summer 2025. The project delivered a completely reimagined space for customers and colleagues, with positive feedback already received from the local community. Looking ahead, we are preparing to begin work on our Basingstoke branch, with plans in place for a 'pop-up' branch to ensure continuity of service during the refurbishment period.

Our ongoing investment in branches stands in contrast to the wider trend of high street closures. Recent data from Which? (September 2025) shows that major banks, including Lloyds, Halifax, and Bank of Scotland, have announced the closure of 136 branches between May 2025 and May 2026, with local closures affecting Newbury, Didcot, and Winchester. The Post Office is also planning to close 115 branches, leaving many communities without access to in-person financial services. In this challenging environment, building societies now account for 30% of all high street branches in the UK, up from 14% in 2012. Notably, 72% of building society customers believe their provider is an important part of the community, compared to just 54% of bank customers. This underlines the vital role our branches play, not only in delivering essential services but also in supporting the vibrancy and resilience of our local communities.

Our strategy is clear, while others withdraw, we are investing for the future, ensuring our customers and communities continue to benefit from accessible, modern, and welcoming branches.

We also continued to advance our commitment to creating efficiencies and greater productivity through digital transformation and targeted process optimisation activities. Our strategy to use digital solutions to make it easier for customers to engage with us continued, ensuring that every customer interaction, whether in branch, online, or via mobile, benefits from our ongoing investment in service excellence.

During the year we launched a new website. The new website makes it easier for customers to access information and manage their savings accounts whenever and wherever they want. We also introduced access to mortgage account details for borrowers and introduced the ability to open a Cash ISA online or through our mobile app.

Our desire remains to be a fast follower of digital initiatives that add value to our customer experience without losing the 'human touch'. We continue to leverage current systems to gain greater process efficiencies and further improve the excellent service we provide.

## Mortgage Market Overview and *Performance*

In 2025, the UK mortgage market has demonstrated resilience amid economic headwinds, with modest house price growth and stable lending volumes. The Society's strong net lending and high existing borrower mortgage retention rates were particularly pleasing reflecting our ability to adapt to changing market dynamics.

The Bank of England gradually reduced Bank Base Rate (BBR) during the year, improving mortgage affordability to some extent. The Society's mortgage book grew to £1.47bn (2024: £1.36bn), reflecting strong net lending of £110m (2024: £117m), exceeding planned targets and building on the previous year's solid growth. With respect to the high existing borrower mortgage retention rates, over 80% of customers opted to switch their mortgage rates within the Society rather than moving to a new lender (2024: over 80%).

The Society continues to offer a competitive range of fixed and discounted rate mortgages, catering to owner-occupiers, later life borrowers, buy-to-let landlords, and first-time buyers. Shared Ownership, through Housing Associations, remains a strategic focus, with new shared ownership mortgages representing 18.7% of total new lending, compared to 23.7% last year. This aligns with broader market trends, where first-time buyers are increasingly reliant on affordable housing schemes due to rising property prices and limited supply.

Despite ongoing affordability pressures, arrears remained low and within expectations. The Society ended the year with 63 cases two months or more in arrears (2024: 50 cases), representing a very small proportion of the mortgage book. External data confirms that UK mortgage arrears have stabilised, supported by real wage growth and interest rate reductions. The Society's prudent lending policy and forbearance options, including participation in the Government's Mortgage Charter, continue to support borrowers in need.

## Savings Market Overview and *Performance*

UK savers have continued to contend with persistent inflation, declining interest rates, and adjustments to tax allowances, factors that have collectively eroded the real value and growth potential of savings. The government's decision to freeze personal tax thresholds and reduce allowances has resulted in more savers becoming liable for tax, further impacting their ability to grow their savings effectively.

> We achieved
> *£95m*
> in savings balance growth

The need to raise funding through retail savings remained a key focus as the Society continued its strategy to enable mortgage growth and repay the Bank of England's TFSME (Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises) borrowing. In a year marked by intensified competition and the broader sector's scramble to replace TFSME funding, our savings performance, though below plan, reflected resilience and adaptability. We achieved £95m in savings balance growth, with 2,472 new savings relationships (2024: 2,948), primarily through our branch network. Product innovation primarily through ISA and fixed rate bonds, as well as strong retention of maturing fixed rate bonds supported these results, even as market conditions shifted.

The Society's focus on customer needs, product diversity, and service of choice remains central to navigating these challenges and supporting our customers' financial wellbeing.

## Our *People*

The Society's success is driven by the dedication, expertise, and shared values of our people. This year, we have continued to nurture a vibrant and inclusive culture, one where every colleague is empowered to excel and contribute to our collective achievements. We know that delivering exceptional customer experiences and upholding the highest standards in service, policy, and risk management starts with ensuring every team member feels valued, heard, and supported.

We are committed to supporting our people's growth and development, prioritising their wellbeing and supporting them to be at their 'very best'.

This commitment is more than a set of policies; it's a lived culture that shapes our mutual ethos and drives our ongoing success. By investing in our people and fostering a culture of inclusion and growth, we continue to deliver real value for colleagues, customers, and communities alike.

Pages 26 to 32 share examples of many of the highlights of 2024/25.

Like our Chair, I am delighted to welcome Dean Scott to our Board of Directors as Chief Operating Officer. Dean has played a central role in steering measurable improvements in customer service, operational efficiency, and strategic alignment across our savings and mortgage operations. With Dean now leading our customer service and operational teams, we are well positioned to maintain the highest standards and continue meeting the evolving needs of our customers.

This year, we also welcomed Michael Goddard to our executive leadership team as Chief Risk Officer. Michael brings over twenty years of risk management and audit experience, including a distinguished tenure leading internal audit services at Deloitte. Michael's deep expertise in regulatory compliance, risk culture, and strategic decision-making will be invaluable as we continue to grow and navigate an increasingly complex risk environment.

Together, these appointments further strengthen our executive leadership team and reinforce our commitment to customer and operational excellence, as well as robust risk management.

## Green *ambition*

We are dedicated to setting the standard as a sustainable, socially responsible, and environmentally conscious organisation. Our Green Ambition is anchored in three pillars: Greener NBS, Greener Homes, and Greener Lives. Each pillar drives targeted initiatives that deliver tangible benefits for our company, our customers, and the wider community.

Over the past year, we have continued to make steps in reducing our operational carbon footprint. Key actions include further minimising our reliance on gas and expanding the use of renewable energy across our sites. These efforts form part of our ongoing commitment to achieving net zero emissions and supporting the UK's climate objectives.

Education and engagement remain central to our approach. In 2024/25, we strengthened our partnership with Severn Wye Energy Agency, enabling a customer to retrofit their home with support from both Severn Wye and the Society. This initiative will help us better understand the impact of retrofitting on energy costs, with completion expected next year.

Our Green Ambition is a living commitment. We will continue to set ambitious targets, measure our progress transparently, and share our achievements and future plans with our members. For a detailed overview of our progress and next steps, please refer to pages 16 to 25 of this report.

## Our *future*

As we look ahead, your Society stands on strong foundations built through another year of resilience, growth, and focused action. In 2024/25, we have not only navigated a challenging economic landscape, marked by cost-of-living pressures and intense market competition, but have also continued to deliver for our members, communities, and people.

Our commitment to exceptional customer service remains unwavering. We will continue to invest in both our people and our digital capabilities, ensuring that every customer can engage with us in the way that suits them best, whether face-to-face in our branches, over the phone, or through enhanced online and mobile services. This 'bricks and clicks' approach is central to our strategy, allowing us to combine the personal touch with the convenience of digital innovation.

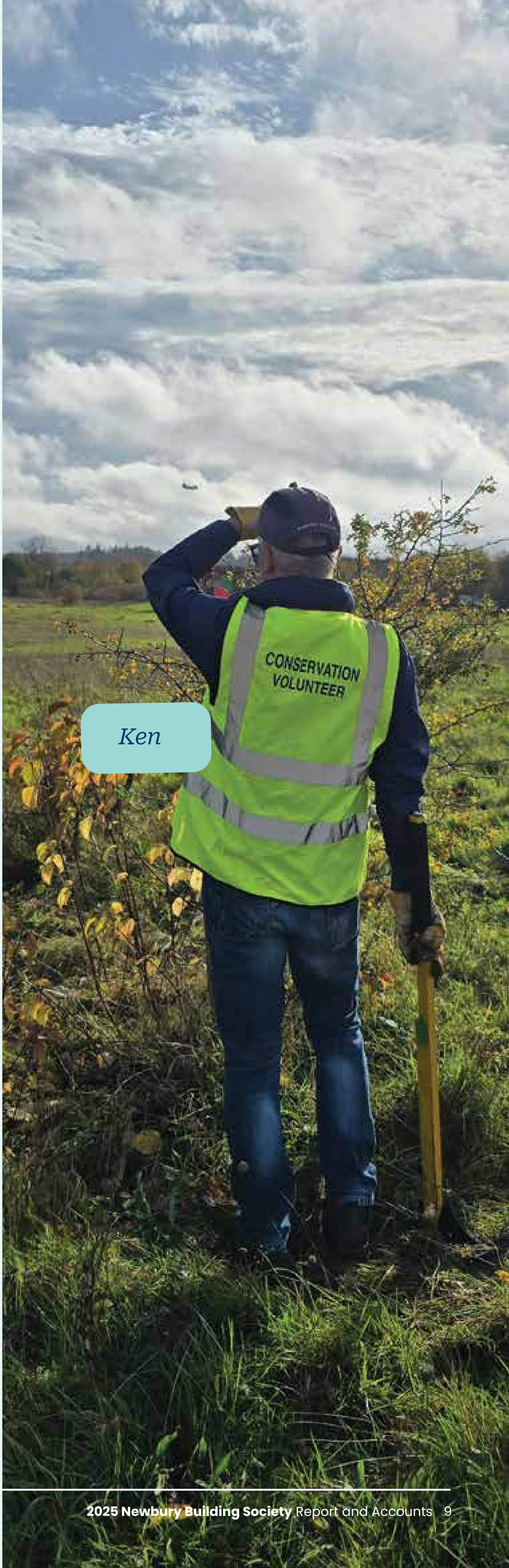
The Society's financial strength enables us to invest for the long term, supporting both current and future members. Our robust capital position, strong profitability, and prudent risk management mean we are well placed to withstand ongoing economic uncertainty and to seize opportunities as market conditions evolve. As interest rates begin to ease, we remain focused on supporting both savers and borrowers, helping more people achieve their financial goals.

Despite changes introduced by the Autumn 2025 Budget affecting Cash ISA allowances and the taxation of savings interest, your Society remains steadfast in its commitment to supporting customers. These measures pose new challenges for savers, potentially discouraging prudent saving and weakening financial resilience, especially as many households continue to face cost-of-living pressures. In response, we will focus on helping customers understand their options and making it easier for them to manage and grow their savings.

Looking forward, Newbury Building Society aspires for the brand to be instantly recognisable in our communities, synonymous with mutuality, customer-centric values, and a reputation for outstanding products and service. Our ongoing investments in sustainability, inclusion, and community engagement will ensure we continue to make a positive impact, setting us apart from traditional banks and reinforcing our role as a trusted, quality provider.

Finally, I want to thank all my colleagues for their dedication and contribution to our success. Together, we are ready to embrace the opportunities and challenges of the year ahead, always putting our customers and communities at the heart of everything we do.

Phillippa Cardno, Chief Executive
22 December 2025




# Our purpose and *strategy*

As a mutual celebrating its **170th anniversary** in 2026 the Society exists for the common benefit of its borrowing and savings members, who are collectively its owners.

Members' interests remain at the heart of everything we do and the Board continues to balance and serve those interests through operating in markets that deliver a sustainable financial performance within an agreed appetite for risk, whilst balancing the continued need to invest in the business for the benefit of future members.

Our purpose is **to help our members build sustainable futures as the trusted provider of mortgages and savings in our communities.**

## Our business *model*

The Society operates a simple business model which continues to serve us well and supports delivery of our purpose. As a building society, we have no public or private shareholders demanding we maximise profits for distribution. All profits are retained in the business to underpin the provision of fair, competitive and sustainable rates of interest to members – both current and prospective, and continued investment in infrastructure to provide outstanding service and support to members under all economic conditions whilst operating in a socially responsible way in our communities.

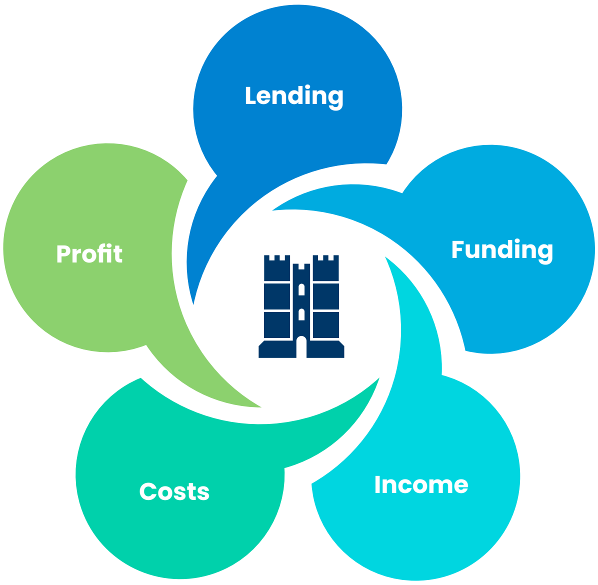
**Lending** in the form of: Residential mortgages to owner-occupier and buy-to-let customers; and Liquidity, maintained to ensure sufficient cash is available to meet obligations, and at a level to comfortably exceed minimum regulatory requirements.

To generate a **Profit** which is retained in the Society as capital to:

- Satisfy regulatory expectations;
- Support the future growth of the Society; and
- Be financially sustainable.

With **Costs** incurred on:

- Salaries and related costs in line with our remuneration policies to attract and retain colleagues with the skills and values needed for the Society to function; and
- IT and property related costs to run, improve and expand the Society's infrastructure, including to protect our members' data; and longer term investments, for example branch refurbishments.




**Funded** by:

- Savings balances deposited by members;
- Additional funding raised through Central Bank or financial markets; and
- Society's capital reserves, predominantly accumulated profits.

With **Income** earned from:

- Interest payments received from our mortgage customers, offset by interest payments made to savings customers;
- Interest received on our liquidity balances, offset by payments made for other funding; and
- Interest paid or received on derivatives used to manage interest rate risk.

| | |
|---|---|
| Lending | The Society's lending proposition is based on the provision of a competitive range of fixed and discounted mortgages in the UK offered through a network of approved mortgage brokers and directly from the Society.<br>The Society does not use credit scoring as all loans are individually underwritten by an experienced team of people, based in Head Office, who have the authority to exercise some flexibility within our lending criteria in appropriate cases. The UK mortgage market is competitive and so the Society not only operates in the low margin mainstream residential market, but also operates in segments of the residential market where appropriate returns for risk can be made, including shared ownership and buy-to-let. |
| Funding | Funding is provided almost entirely through members' deposits supplemented, where required, by funding from participation in the Bank of England's Sterling Monetary Framework and, occasionally, by wholesale borrowings. Our philosophy for our savers is to operate fairly, with simplicity in product design, competitive terms and conditions, and to ensure existing members are treated at least as equally as new members. |
| Income | The Society's income is generated principally through the difference in the interest rates charged to borrowers and paid to savings and depositing customers. Income is also earned on the Society's liquid assets placed with the Bank of England and other selected counterparties.<br>Whilst our products and services are considered to be relevant to our customers' needs, the Society keeps its product offerings and market positioning under constant review and makes changes accordingly. The Board continues to believe that savings members have been well served by our pricing policy and that they receive above average returns, coupled with fair terms and conditions on their products.<br>The Board also recognise that our members have a choice in how to access and manage their personal finances with the Society's "myaccounts" offering providing access to certain services through online and mobile channels, alongside the branch network. |
| Cost | The income generated by the Society is used to efficiently run the Society, paying our people, suppliers and taxes and making the investments necessary to support the long-term sustainability of the Society.<br>The Society remains fully committed to its branch network and is partway through a programme of modernisation which has seen the Society's branch premises in Abingdon (2021), Newbury (2022), Winchester (2023), Thatcham (2024) and Didcot (2025) all open with a brand new look. Further investment is planned for 2026 and beyond, with our Basingstoke branch the next to be modernised. The Society's strategy also involves continued, targeted investment in technology that will enhance the delivery and accessibility of the Society's products and services.<br>We also provide for any losses that may result from the Society's lending activities. |
| Profit | Profit is generated through management of the net interest margin, cost efficiency and low risk lending to sustain the Society's strong capital position to allow it to continue to lend and invest with confidence.<br>With retained profits the primary source of capital for the Society, the profitability of recent years has provided the foundations for the Society to confidently make these investments and continue lending activities for the benefit of both current and future members. |

A key element of our mutual philosophy is also providing value to the communities in which we operate and serve, and other stakeholders. Examples of how we do this are provided elsewhere in this strategic report.

We are driven by our six core *values*

| | | |
|---|---|---|
| **Sustainability**<br>Financially secure, operationally strong and environmentally conscious. | **Trust**<br>Open and honest, a building society relied on since 1856. | **Respect**<br>Value uniqueness and treat everyone as an individual. |
| **Independence**<br>Remain member-owned for your benefit. | **Vibrancy**<br>Encourage a happy, healthy culture for our people to be the best they can be. | **Excellence**<br>Offer a first-class professional service where you are at the heart of what we do. |

## Our *strategy*

The Society's long-term strategy is designed to further strengthen the Society's purpose and to continue to grow the Society as a successful, sustainable and relevant business. The strategy is built around four key cornerstones:

| Customer | People | Financial Resilience | Growth |
|---|---|---|---|
| A "Customer First Approach" that ensures customers remain at the heart of our business, receive a first-class service and good outcomes, and are supported to pursue their financial objectives | To create an environment where our people are skilled, enabled, engaged and supported to be the best they can be<br><br>To support and upskill our people to adapt to the changing needs and behaviours of our customers | Maintaining the financial strength of the Society through sustainable levels of growth and profitability and upholding a total capital ratio significantly in excess of regulatory requirements | Make increased use of digital solutions to make it easier for customers to engage with us and employees to efficiently perform their roles<br><br>Growing data capability and confidence in the business |

And supported by investment across five areas of **Service, Product, Digital, Data** and **Green** to ensure the strategy:

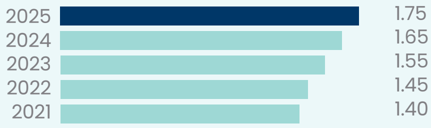
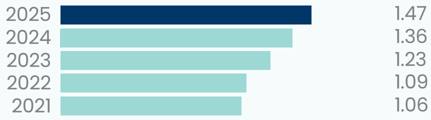
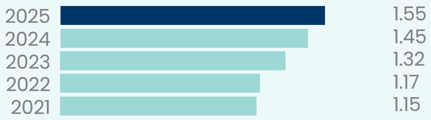
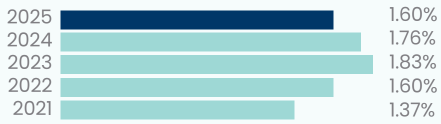
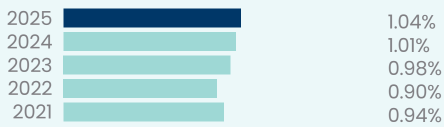
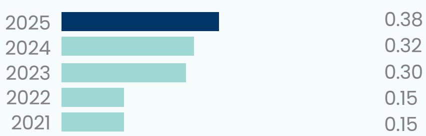
- delivers steady and sustainable organic growth;
- cautiously manages levels of risk;
- focuses on customer value over the long term;
- delivers positive customer and employee outcomes;
- tracks social, economic, environmental and technology trends as a fast follower; and
- demonstrates a community and environmental conscience

A clear focus on delivering 'good customer and employee outcomes', supported by clear activity and time plans with achievable milestones, remains key. The need to drive efficiencies and greater productivity through process optimisation, removing friction from processes supported by digital transformation, also remains central to our plans as customers' needs continue to change and adapt, and the manner in which customers want to receive a service continues to cross over both face-to-face and online methods.

We will continue to want to be a fast follower of digital initiatives that add value to our customer experience, making it easier for them to engage with us, without losing the 'human' touch that we excel at. We also need to continue to leverage current systems to gain greater process efficiencies to maintain the excellent customer service we provide and make it easier for employees to do their job. We have invested in people and skills in recent years by increasing headcount across most business functions, as well as investing in new digital services for our customers. However, we are acutely aware that continued investment in both people skills and technology needs to remain a top priority, as both are key enablers to support our strategy going forward.

## Key performance *indicators*

The Board oversees delivery of the agreed strategy and measures performance using a set of performance and control reports, including use of key performance indicators (KPIs). The KPIs in use throughout 2024/25 with comparatives from prior years are

| Measure | Explanation | | |
|---|---|---|---|
| **Balance sheet** | | | |
| Assets<br>£billion | Total size of the Society. |  | Balance sheet growth of 6.0% was driven by growth in mortgage balances (see below), offset by a reduction in liquid assets. |
| Loans to Customers<br>£billion | The total value of mortgage advances provided to customers. Mortgage advances are the primary source of the Society's income and core to its purpose of helping Members with their housing needs. |  | Gross lending, coupled with competitive product transfer offerings to existing customers at the end of the initial product term has driven another significant increase in mortgage balances. |
| Retail Shares and Deposits<br>£billion | The total value of savings balances held by the Society. This is the Society's primary means of funding its lending activities and is also used to support liquidity management more broadly. |  | The increase in balances of £95m was not sufficient to fully fund the 8.1% growth in mortgage balances and was below the funding target set for the Society for this year. |
| **Operating performance** | | | |
| Interest Margin as a % of Mean Total Assets | Difference between interest received by the Society from its mortgages and other loans less interest paid on members' deposits and other borrowings. This is the principal source of income for the Society and needs to be at a certain level to generate profit for the Society whilst providing fair and consistent interest rates to members. |  | Net interest margin has declined due to the falling interest rate environment and heightened competition impacting the pricing of mortgages and savings and level of income earned by the Society on its liquid assets. |
| Management Expenses as a % of Mean Total Assets | This ratio measures the total costs of running the Society as a proportion of the mean average total assets and is an established measure of efficiency. |  | Cost growth this year has outstripped overall growth in assets. The Board expects to maintain or improve this ratio in the medium term as the growth in total assets is expected to be greater than the overall growth in costs. |
| Mortgage Arrears - on accounts two months or more in arrears<br>£million | Responsible lending and individual underwriting are key to our lending and to the quality of our loan portfolio and our desire to minimise the risk of future default. |  | Although increasing, this is broadly in proportion to overall balance growth and still remains extremely low. |

| Measure | Explanation | | |
|---|---|---|---|
| Profit After Tax<br>£million | The amount earned and retained by the Society after taking into account all expenses and provision charges and taxation. Retained profits remain the primary source of capital for the Society. The Society must be profitable to demonstrate the sustainability of its business model and demonstrate financial strength to members, regulators and other stakeholders. | 2025 5.8<br>2024 8.0<br>2023 7.3<br>2022 11.8<br>2021 6.0 | Profit after tax has decreased compared to the previous year due primarily to an increase in costs and a lower loan impairment credit. Although lower it continues to represent a satisfactory level of profits, balancing support for members, investment in the Society and ensuring future financial resilience. |
| **Financial strength** | | | |
| Regulatory Capital<br>£million | Comprises the Society's reserves and collective provisions net of any required deductions for regulatory purposes. Retained profits are the highest quality of capital. | 2025 123.0<br>2024 117.3<br>2023 110.1<br>2022 102.2<br>2021 89.9 | Increase due to the inclusion of 2025 profit after tax, which has been retained in the Society. |
| Total Capital Ratio | Regulatory capital expressed as a percentage of the Society's risk weighted assets (RWAs). | 2025 19.5%<br>2024 20.0%<br>2023 20.8%<br>2022 22.0%<br>2021 20.9% | The ratio declined as the increase in retained profits of £5.8m was not sufficient to cover the increased capital required to support the 7.5% increase in RWAs principally arising from growth in mortgage assets. |
| Liquid Assets as a % of Shares and Borrowings | The proportion of savings and deposit liabilities (SDL) held in the form of qualifying liquid assets. | 2025 15.7%<br>2024 17.7%<br>2023 19.9%<br>2022 24.3%<br>2021 24.5% | Decreased in the year as growth in retail savings and deposits was more than offset by net mortgage lending, the repayment of final amounts owed under TFSME and return of a further £11m of cash collateral to derivative counterparties. |
| **Members** | | | |
| Members - numbers | Strategy is to provide a strong service proposition with competitive interest rates | 2025 79,538<br>2024 78,439<br>2023 76,310<br>2022 73,698<br>2021 73,854 | Increase reflects growth in savings and deposit accounts, particularly the Society's fixed rate bond products. |
| Complaints - as a % of members | We strive to provide a high-quality service to members in everything we do. This metric allows us to track our performance and identify areas where we haven't met expectations. | 2025 0.09%<br>2024 0.12%<br>2023 0.11%<br>2022 0.08%<br>2021 0.07% | We continue to receive low levels of complaints. |

# A sustainable *future*

Being a sustainable business that works in a socially responsible and environmentally friendly way is central to the Society's core purpose and values with sustainability – whether in the environmental, financial or stakeholder sense – central to the Society's strategy and long-term success. Our approach to sustainability is captured in a series of commitments set out in the Society's latest Board-approved corporate plan.

These environmental and social commitments, coupled with an overarching governance framework, combine to form the Society's approach to Environmental, Social and Governance (ESG) matters as summarised below.

## Environmental

The Board recognises that the Society's activities have both a direct and indirect impact on the world around us and has continued to make progress against this important area of Society strategy. Pages 16 to 25 set out the Society's approach to managing this long-term risk, ongoing activities to reduce its environmental impact and progress made. It also includes the Society's climate-related risk disclosures, which have been expanded this year to measure a wider number of emission categories.

## Social

We are committed to having a positive impact on the lives of: our customers - the Society's mortgage and savings members and mortgage brokers; the communities in which we work; and our people – the Society's employees. Pages 30 to 32 detail some of the ways in which we are delivering on this commitment, highlighting some of the charity and community work undertaken during the year and measurement of diversity within the Society. The Society also recognises the important role branches play in the sustainability of our community high streets and continues to demonstrate its commitment in this area through further investment, taking the total number of branches fully refurbished in the last five financial years to five with further investment planned.

### Suppliers

The Society would not be able to fulfil its purpose and serve these three stakeholders without the help, support and services provided by third party suppliers, which includes trade bodies. In addition to doing business with the Society on commercial terms, our suppliers expect us to be simple and straightforward to deal with and to deliver a friendly and efficient service. Wherever possible the Society will seek to select suppliers that:

- reliably deliver the required services;
- can be expected to operate to the high operational and behavioural standards expected by the Society; and
- share and embody the Society's core values, including on matters related to climate change

Engagement with suppliers can take many forms from having suppliers present at Board strategy days to the more typical form of telephone calls and written communications.

Over the course of the financial year ended 31 October 2025 the Society has purchased goods and services from 288 suppliers (2024: 310) with invoice values ranging from less than £10 to over £364,000 (2024: range from less than £10 to over £343,000).

Our suppliers expect to be paid promptly and it is the Society's policy to pay suppliers within agreed terms providing the supplier performs according to the terms of the contract or agreement. The number of creditor days at 31 October 2025 was 11 (2024: 11).

## Governance

A successful and sustainable organisation starts with good governance. It is the foundation on which the Society has built to develop into the Society it is today and will continue to build on for the future. We remain committed to operating responsibly, ethically and transparently in everything that we do and consider this critical to delivering sustainable value for our members and central to our core purpose.

Our approach to corporate governance is set out in the Governance section which starts on page 45, including information on the Board of Directors, the Executive Team and Board Committees.

### Regulators

Regulators expect the Society to act within the law and regulation at all times, in the interests of customers and with the highest levels of integrity and transparency. The Society considers that it adheres to the highest levels of governance with the Board and the senior management team maintaining open and transparent relations with industry regulators and appropriate trade bodies. The Society monitors publications from a range of regulatory and industry/trade bodies and considers the impact on the Society's operations and future plans.

Regulators also expect the Society to be financially strong and maintain adequate levels of capital and liquidity. The financial review set out on pages 39 to 44 demonstrate how this requirement continues to be met.

### Anti-bribery and modern slavery

The Society has zero tolerance for any acts of bribery or corruption and has an anti-bribery policy to ensure that the Society complies with the Bribery Act 2010. All Society employees are also required to undertake mandatory training in this area when joining the Society and annually thereafter.

# Climate *risk*

The risks posed by climate change are far reaching and may not crystallise for many years to come. The financial services industry has a role to play in mitigating the risks posed by climate change and the Prudential Regulation Authority (PRA) views climate change risk as one of their supervisory priorities.

The Society recognises that it has a small but important role to play whether minimising the carbon footprint of our operations or supporting our branch communities lead greener lives. In addition to detailing the Society's ongoing activities to reduce its environmental impact, the report set out below shows how climate change impacts the Society and sets out our approach to managing this long-term risk.

As set out on page 12, sustainability is one of the Society's areas of strategic focus, with our approach referred to internally as our "Green Ambition"

| | |
|---|---|
| Governance | Risk management |
| Green Ambition | |
| Strategy | Metrics & tragets |

The Society continues to make good progress, as described in this report whilst at the same time recognising that more is required. It remains the Society's intention to continue developing in these areas.

## *Governance*

### Oversight of climate change *risks*

The Board has overall accountability for the Society's strategy, which includes the management of climate-related risks. The Board may also discharge this duty through committees, as summarised in the table below:

| Committee | Role |
|---|---|
| Risk | Oversee the development of overarching policy and risk appetite. Oversee stress and scenario testing plans and policy. |
| Credit | Oversee lending policy. Consider data on the composition of the mortgage book, including analysing lending by Energy Performance Certificate (EPC) ratings. |
| Sales, Marketing and Product | Oversee the development of mortgage and savings products. |

The Executive Committee, which oversees delivery of the Society's Green Ambition, also oversees the development of operational risk and resilience policies including the operational risks to the Society from climate change. The Society has a Green Committee, chaired by the Chief Financial Officer and reporting to the Executive Committee. The Committee meets at least four times each year and considers the Society's activities and progress against its Green Ambition, as well as updates on related regulatory developments.

### Senior Management *Function*

Responsibility for managing climate-related risks is assigned to the Chief Financial Officer, as the appropriate Senior Management Function (SMF), under the PRA's Senior Managers & Certification Regime. This includes ensuring that climate-related financial risks are adequately reflected in risk management frameworks and that the Society can identify, measure, monitor and report on its exposure to these risks.

### Training and *awareness*

Through its Green Ambition strategy, the Society has raised awareness of climate change and called upon volunteers from across the Society to research and progress specific activities. The Board receive climate change-related data each month supplemented with more specific climate change training and awareness updates.

# Risk *management*

## Climate risk drivers and relevance and threat to the Society's business model

The Society is a financial mutual which operates across England and Wales as a residential mortgage lender. Although the Society operates a simple business model, through a combination of independent data analysis and consideration at Risk Committee, it has been determined that the following climate risk drivers are of most relevance.

Physical risks: These risks comprise specific weather-related events or longer term events such as rising sea levels. A key element of these risks is to properties held as security for lending and, to a lesser extent, the Society's own properties. Previous analysis of the Society's mortgage assets have concluded that these risks pose a low risk to the Society and arise from three principal climate-related perils:

| Flooding | Subsidence | Coastal Erosion |
|---|---|---|
| Future rises in temperature have the potential to adversely impact the value of mortgaged properties and/or the ability of borrowers to repay amounts owed.<br><br>Flooding could impact the Society's operations or those of suppliers through damage to our properties or infrastructure.<br><br>Wider disruption may lead to increases in unemployment and falling house prices adversely impacting the Society's profitability. | | |

External assessment of the Society's mortgage portfolio against the risks and threats posed by climate change showed that less than 1% of the Society's mortgaged properties were considered at risk of future from flooding, subsidence or coastal erosion. This increased to less than 1.5% under a high emissions scenario. Other climate-related perils such as heatwaves, wildfires, hurricanes, water stress or desertification were considered as posing negligible risk to the Society.

Transition risks: The process of adjustment towards a low-carbon economy leads to a changing regulatory expectation in terms of the way the Society is expected to run its own business, including who it uses as suppliers and the minimum EPC level that is acceptable on which it lends. The table below sets out the key transition risks faced by the Society:

| Government Policy | Consumer Sentiment | Carbon Pricing |
|---|---|---|
| Changes in government policy could adversely impact house prices where properties do not meet new minimum standards and/or due to cost of making required energy efficiency improvements. | Profitability could be reduced if the Society fails to adequately adapt to changing consumer preferences for "green" products. | Rising carbon prices could lower profitability through increasing the cost required to offset carbon emissions. |

## Scenarios

The external assessment of the Society's mortgage portfolio, carried out in 2022, used three climate related scenarios, considering an increase in temperatures from 0.9 to 5.4 degrees centigrade, all of which were consistent with the Climate Biennial Exploratory Scenarios for Early Action, Late Action and No Action. The scenario results are included in detail in the Society's Internal Capital Adequacy Assessment Process (ICAAP) document and reviewed annually by the Risk Committee and Board when considering the longer term capital implications for the Society.

| | Early Action | Late Action | No Action |
|---|---|---|---|
| Emissions Scenario | All countries implement Paris Accord | All signatories implement Paris Accord | Business as usual |
| Mean Global Warming | 1.7 to 3.2 degrees | 2.0 to 3.7 degrees | 3.2 to 5.4 degrees |

All scenarios considered the perils of flood, subsidence, coastal erosion, property height above sea level and an energy efficiency policy change over a long-range view out to the year 2060.

The assessment concluded: the Society has low potential exposure to the impacts of physical risks, even under the most severe (high emissions) climate scenario; and that transition risks posed a greater potential risk to the Society as the UK moves towards a low carbon economy requiring properties to undergo potentially expensive remediation.

The Society has subsequently incorporated the data from the assessment into regular reporting to Credit Committee.

Modelling of climate change risks remains complex and uncertain. With the assessment suggesting a non-material risk to the Society's long-term capital position, annual updates were not deemed as required.

However, for the 2025 ICAAP process, an additional climate change scenario assessment was undertaken, using emissions data the Society collected on its mortgage book. Using this data, mortgages with emission factors of D or below (>0.022 tCO2e/m2) were subjected to a HPI reduction, with a subsequent economic stress resulting in defaults and possessions (Note: Emission factor classification is not directly linked to EPC ratings). The Society considers this approach appropriate as implementation of legislation on higher emission properties as part of the transitional impact of climate change would be expected to adversely affect the value of these properties.

The Society has 458 mortgages that fall below this 0.022 tCo2e/m2 threshold (using an average UK property size of 96 square meters, per the Ministry of Housing, Communities and Local Government (November 2024)).

The outcome of this scenario also suggested a non-material risk to the Society's long term capital position.

## Risk Management *Framework*

The Society's Board-approved Risk Management Framework (RMF) document includes consideration of climate risks as a subset of strategic risk. It also considers risk factors that have a bearing on existing risks across the Society's principal risks. The management and consideration of climate-related risks and opportunities has been incorporated into existing governance and risk management processes, where relevant and appropriate, ensuring that risks are being managed in line with Board-approved risk appetite. The three lines of defence model also applies to the management of climate-related risks with the risk function overseeing the RMF and review of the ICAAP and scenario testing. An internal audit of compliance against SS3/19, "Enhancing banks' and insurers' approaches to managing the financial risks from climate change", was also undertaken at the time the requirements came into effect with all findings subsequently addressed.

## Risk *appetite*

The Society's aim is to manage the impact of climate risk so that the Society's existing risk appetite across all its principal risks, but in particular in respect of credit and conduct risk, continues to be met, as climate risk materialises and matures. The Society's risk appetite will continue to evolve through the gathering of additional data and the monitoring of external developments and practices, making changes to policies where appropriate and necessary, to ensure an acceptable risk appetite is maintained. In addition, the Society will continue to focus on reducing its own carbon footprint and in helping members and our communities to reduce theirs.

The table below summarises the climate-related risks considered as part of each of the Society's principal risk categories set out in the RMF.

| Principal risk exposure | Risk considerations |
|---|---|
| **Strategic risk (business risk)**<br>The long term viability of the Society's business model | Reduction in capital from changes to property values or changes to regulatory framework<br>Increase in member demands and expectations for greater climate change credentials<br>Changes to strategy required to support the Society becoming more environmentally sustainable |
| **Credit risk**<br>Underlying value of the property in lending decisions | Affordability and underwriting considerations of climate risk perils (flooding, coastal erosion etc)<br>Physical damage to properties, impacting value<br>Changes to government policy<br>EPC composition of mortgaged properties |
| **Funding and liquidity risk**<br>Inability to attract sufficient funding due to preference for climate related products | Liquidity management practices<br>Treasury policy: Climate change credentials of treasury counterparties |
| **Market / interest rate risk**<br>Changing mortgage or savings member behaviours or preferences | Stress and scenario testing<br>Review of mortgage behavioural lives |
| **Operational risk (including legal and regulatory risk)**<br>Damage to property or reputational damage through supplier relationships | Adequacy of Society insurances<br>Operational risk and resilience policies, including management of Third Party Arrangements<br>Business Continuity Planning (BCP) and disaster recovery testing |
| **Conduct and culture risk**<br>Risks associated with advising on mortgage and savings products | Lending policy and product terms and conditions<br>Compliance assurance |

### Opportunities

Climate risk and the UK's transition to net-zero also presents opportunities to support both our core purpose and commercial requirements.

| Products | Communications | Partnerships |
|---|---|---|
| Be ready with financial products and services to support members to make improvements to their homes to become more energy efficient or comfortable | Engage with colleagues, members and suppliers to increase understanding and to improve the Society's own emissions | Partner with organisations to continue developing knowledge and best practices |

## Strategy

The Society's climate change vision is to be a sustainable business which works in a socially responsible and environmentally friendly way. This strategy was formed in 2021 and continues to split activities across the Society, customer and community.

### Greener *Newbury Building Society*

Minimise our own carbon footprint

Continuing to improve the efficiency of our buildings and reducing the carbon emissions from our operations together with reductions in the consumption of paper, waste and plastics usage

### Greener *Homes*

Improve the environmental standard of our borrowers' homes

Supporting initiatives to make the homes on which we lend to become more energy efficient and better prepared for regulatory and environmental change, and mitigating the impact on properties which are most at risk through new products together with policies and support for homeowners

### Greener *Lives*

Support our branch communities

Providing access to educational resources, community funding and volunteering for environmental initiatives and product development to help members with environmentally friendly home improvements and to lead greener lives

Our climate strategy is also determined with consideration of a wider group of the Society's stakeholders, with **our people** encouraged to volunteer in environmentally friendly community events and improve their own carbon footprint, and our actions and our strategy delivered and articulated to be able to demonstrate proportionate compliance with the expectations of **our regulators.**

The Society's Chief Executive and Chief Financial Officer are both engaged with third party organisations around climate change reporting and developments, and the Chief Executive chairs the Building Societies Association's Green Taskforce.

## Progress made and *planned*

The summary below illustrates the progress the Society has made since launching its Green Ambition to make the Society more sustainable.

| To 2024 | 2024/25 |
|---|---|
| • Embedded climate change risk into strategic planning and governance processes<br>• Developed our base case data on energy usage<br>• Developed our mortgaged-property related risk data<br>• Average EPC of "C" on mortgage properties<br>• Use of 100% renewable energy across all branches and Head Office<br>• Improved EPC ratings of all our branch properties through initiatives such as either installing LED lighting and removing gas boilers<br>• Purchase and refurbishment of new Head Office site, achieving EPC rating of B<br>• Installation of four EV charging points at Head Office and further chargers at 3 of our branches<br>• Replaced Society diesel vehicle with a hybrid<br>• Reduced our water consumption since measuring began<br>• Established "Our Green Community" website hub<br>• Installed digital screens at all branches, reducing paper usage<br>• Reduced measured Scope 3 emissions by reducing branch courier mileage by c70k miles per annum<br>• Entered into a partnership with Severn Wye to support the greening of UK homes<br>• Appointed Corporate Sustainability Apprentice | • Our apprentice completed their Corporate Responsibility and Sustainability Practitioner L4 Qualification<br>• Verification of carbon emissions data presented in 2023/24<br>• Refurbishments of our Thatcham and Didcot branches which improved EPCs from C to B. As part of each branch refurbishment the Society is able to report on the amount of waste generated by the refurbishment that has been diverted away from landfill. In respect of the refurbishment of our Didcot branch, completed in May 2025, 98% of all waste was recycled, with the other 2% being used for Energy from Waste<br>• Upgraded our pool van to electric<br>• Further reduction in gas consumption through replacement of boilers<br>• Upgraded and expanded the EV chargers at Head Office<br>• Researched and developed Scope 3 emissions reporting - increasing the scope of emissions reported on to include purchased goods and services, and capital goods<br>• Refined the methodology used for carbon reporting:<br>  ◦ Incorporated actual meter readings for gas emissions instead of invoiced meters<br>  ◦ Used DVLA emissions factors for our courier service instead of the conversion factor for Type III Diesel Van<br>  ◦ Used individual employees DVLA emissions factors for business travel for the majority of data instead of the conversion factor for average unknown fuel type<br>  ◦ Incorporated the scenario of other people being in the household for home working emissions<br>  ◦ Increased accuracy of commuting and home working reporting through improved response rates |

| 2025/26 onwards |
|---|
| Further activities are planned for the coming financial year and beyond, including:<br>• Further branch refurbishments and upgrades<br>• Research into solar technologies and energy management systems<br>• Continue to develop appropriate targets, supported by further improvements in analytical and reporting capability |

## Helping our members improve the warmth and efficiency *of their homes*

As part of our ongoing Green Ambition strategy, we continued our partnership with green energy agency Severn Wye throughout 2025. Between 2024 and 2025, the Society funded 12 energy assessments to support members to improve the comfort and energy efficiency of their homes.

This collaboration is now evolving further. The Society and Severn Wye are currently supporting one of the 12 members who participated in the pilot to implement some of the recommended improvements from their energy survey. These energy efficient upgrades are being fully funded by the Society, and the member has kindly agreed to let us follow their journey.

We'll be sharing insights and learnings from this project with our wider membership, so keep an eye out for updates in early 2026.

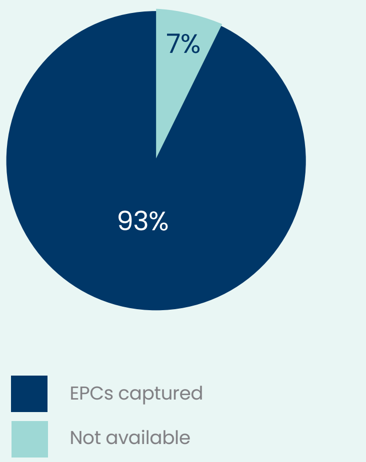
# Metrics and *targets*

We recognise that climate change metrics and targets will be required to support the Society with its Green Ambition strategy and objectives, including minimising and reducing our own emissions over the medium to long term. The Society uses a suite of metrics to help support the monitoring of climate risks through relevant governance channels. Targets and metrics will continue to be developed as more data becomes available, focusing on exposures to climate-risk perils and emissions and energy consumption.

## Energy performance certificates *(EPCs)*

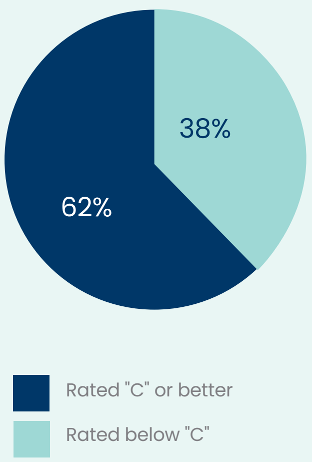
The Society uses EPC data as a way of assessing transition risk. The Society collects EPC information for new lending as part of the mortgage underwriting process and reports the aggregate EPC position to Credit Committee at each meeting. EPC data as at 31 October 2025 is presented below.

### EPCs *reported*




(2024: 95% captured, 5% not available)

### EPC *ratings*




(2024: 62% "C" or better, 38% below "C")

The Society will continue to seek ways to improve the quality and depth of EPC data collected and how it is used.

Darren Garner (left) and Michael Goddard (right) gave their time to support West Berks Foodbank, helping to organise deliveries and donations.

*A green-fingered group from Head Office and branches join Newbury Friends of the Earth for a day of weeding, planting, and mulching at John Rankin School in Newbury.*

*Driving change, powered by energy. Our new van is on the road to a cleaner, greener future.*


## Greenhouse gas (GHG) *reporting*

The Society's GHG reporting has been completed in accordance with requirements of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Reported emissions have been calculated using the UK Government Conversion Factors, as supplied by the Department for Business, Energy Industrial Strategy and the Department for Environment, Food and Rural Affairs. The Society has set its organisational GHG emissions boundary using the operational control approach, which captures GHG emissions from operations under our control.

Reported emissions encompass the seven GHGs defined under the Kyoto Protocol.

| Scope 1 - Direct emissions |
|---|
| Direct emissions that originate from assets that the Society owns or controls |

| Scope 2 - Indirect emissions |
|---|
| Indirect emissions from the generation of purchased electricity |

| Scope 3 - indirect emissions |
|---|
| All other indirect emissions that occur across Society operations |

## Emissions *assessment*

The Society's total emissions for the year ended 31 October 2025 is 9,777.6 tonnes of carbon dioxide equivalent (tCO2e) (2024: 8,200.3 tCO2e). The table on page 23 shows the breakdown between scopes 1, 2 and 3 and is presented using both a location and market based methodology, with market based taking into account the use of renewable energy sources.

Following the market-based methodology Scope 1 and 2 emissions would be reduced from 91.7 to 16.0 tCO2e (2024: reduced from 91.5 to 16.4 tCO2e).

The Society's total emissions for 2024 and 2025 have been independently verified by the Carbon Footprint Company.

## Newbury Building Society - *Annual Carbon Footprint Reporting*

| | 2025 | 2024 |
|---|---|---|
| Scope 1 (tCO2e) | | |
| Natural Gas | 10.8 | 11.2 |
| Company Vehicles | 1.1 | 1.3 |
| Scope 2 (tCO2e) | | |
| Electricity generation (location based) | 79.8 | 79.0 |
| Electricity generation (market based) | 4.1 | 3.9 |
| Scope 1 & 2 (tCO2e) | | |
| **Scope 1 & 2 Total - location based (tCO2e)** | 91.7 | 91.5 |
| **Scope 1 & 2 Total - market based (tCO2e)** | 16.0 | 16.4 |
| FTE | 204 | 192 |
| **Total tCO2e per FTE - location based** | 0.45 | 0.48 |
| **Total tCO2e per FTE - market based** | 0.08 | 0.09 |
| Scope 3 (tCO2e) | | |
| 1. Purchased goods and services | 1,072.9 | 0.3 |
| 2. Capital goods | 303.8 | not measured |
| 3. Fuel and energy use | 8.4 | 7.0 |
| 4. Upstream transport and distribution | 3.2 | 13.6 |
| 5. Waste generated in company operations | 0.3 | 0.5 |
| 6. Business travel | 7.2 | 21.5 |
| 7. Employee commuting & Home Working | 140.4 | 192.3 |
| 13. Downstream Leased Assets | 12.7 | 20.2 |
| 15. Operation of investment | 8,137.0 | 7,853.4 |
| **Scope 3 Total (tCO2e)** | 9,685.9 | 8,108.8 |
| Total | | |
| **Total emissions - location based (tCO2e)** | 9,777.6 | 8,200.3 |
| **Total emissions - market based (tCO2e)** | 9,701.9 | 8,125.2 |

Notes:

(1) Of the 15 categories of Scope 3 emissions, only those measured by the Society are included in the above table.

(2) The Society has considered the purchase of carbon offsets but has made no purchases to date due to the lack of accredited UK-based schemes. The Society will continue to explore these purchases whilst focusing efforts on reducing its own emissions.

The year-on-year reduction in Scope 1 emissions can be attributed to changes in methodology for our gas consumption, and from a reduction in emissions of our pool vehicles from the change to an electric van. The continued switch away from gas-powered heating to electricity powered heating and ventilation systems has resulted in increased electrical consumption within some branches, leading to a slight increase in Scope 2 emissions for this financial year. As of June 2025, all of the Society's branch facilities have electricity purchased from renewable sources; because of a higher electrical usage at the beginning of the financial year, our market-based electricity emissions have increased slightly. Previously measured Scope 3 emissions have reduced for the most part, with the greatest reductions


*Alton branch presented a £250 donation to Chawton House to create a garden border celebrating the 250th anniversary of Jane Austen's birth. Chawton House, once owned by her brother Edward, holds a special connection to Austen's legacy.*

being found from our employee commuting, home working, business travel, upstream transport and distribution, and leased assets; financed emissions have increased due a larger number of properties in our mortgage portfolio. The significant increase in reported Scope 3 emissions can be attributed to the inclusion of more emissions categories, with Capital Goods (Category 2) emissions being reported for the first time, and a major expansion on the reporting of Purchased Goods & Services (Category 1).

We believe we are now in a position to report on the whole image of our carbon footprint, and as such, have decided to make 2024/25 our base year for carbon reporting. From this, we will be able to start working on our carbon strategy and timeline structure for achieving net zero within our direct emissions (Scope 1 & 2). This will also enable us to have a full comparison year on year for each of the reported categories, which will allow us to see changes in our indirect emissions and the carbon intensities of these categories, allowing us to make business decisions to ensure that we go for more sustainable options in the future.

### Scope 3

Scope 3 emissions data is voluntary and does not incorporate emissions information across the Society's value chain. This year, we have increased our Scope 3 reporting to include emissions data on purchased goods and services and capital goods. It may be difficult to compare with Scope 3 emissions data reported by other organisations due to potential differences in both methodology and which categories are reported on. There are significant challenges in data collection and verification for Scope 3 disclosures, including reliance on third party suppliers. The Society's plans include research into opportunities to improve data collection and reporting of Scope 3 emissions. For all Scope 3 categories, we follow the methodology provided by the Greenhouse Gas Protocol, which provides guides for each of the 15 categories.

## Measurement of *emissions:*

For all emissions data, the UK Government GHG Conversion Factors for Company Reporting was used to find the correct conversion rate for each utility and measurement, with the data used this year being published in June 2025.

| Scope 1 and 2 emissions | |
|---|---|
| Energy consumption | Electricity: Kilowatt hours consumed from meter readings.<br>Gas: Kilowatt hours taken from meter readings and applying supplier specific conversion factors.<br>Travel: Business miles travelled multiplied by DVLA emissions factor. |
| **Scope 3 emissions** | |
| Purchased goods and services and Capital goods | These are the emissions from purchases made throughout the financial year. Using Defra cost emissions, each payment can be attributed to a conversion factor, with some being designated as Capital Goods, which are reported on within Scope 3 Category 2, whereas Purchased Goods and Services fall under Scope 3 Category 1 alongside our water usage. For this first year of reporting, we have used a spend-based methodology to determine our main contributing purchases; in future, we hope to increase the validity of our data by changing the methodology of these calculations to improve its accuracy. |
| Fuel and energy use | The Transmission and Distribution attributed to energy consumed at our premises is reported in our Scope 3 category 3 emissions. Using the electricity consumption from our Scope 2 reporting, this is then multiplied by the conversion rate for T&D to find the total. Within this category, we also report on the T&D from electricity used to charge both the hybrid car and electric van in our fleet. |
| Upstream transport and distribution | Our courier service's emissions are calculated by the number of days in the month that they drive the set route for deliveries multiplied by the emissions rating for the vehicle, which was found through the DVLA. In previous years, this calculation has been done with the emissions factor for the type of vehicle that our couriers used, a Class III Diesel; by changing the methodology to use a vehicle-specific factor we can now report on a more accurate figure. |
| Waste generated in operations | The Society has continued to collect information on our waste usage; using invoices from third party waste management companies, we can use the weight of collection multiplied by the emissions factor for the respective waste deposit system (open-loop recycling, combustion etc). For this financial year, unreported data includes glass and food waste from our Head Office. |
| Business travel | Data is collated for business travel through mileage reported on through our finance department for mileage claims from employees. This year we have been able to use DVLA emissions factors in order to report more accurately on our travel emissions. In instances where we have not been able to procure the DVLA emissions factor, we have continued to use the conversion factor for averaged sized unknown fuel. |
| Employee commuting and homeworking | Data has been recorded from an employee survey on how long their drive to and from work is, as well as what engine type they have, their DVLA emissions factor (where applicable) and how many days each week they drive to the office. This is then used to generate their mileage for the year, which is then multiplied by the emission factor for their vehicle, with electricity and T&D being considered for hybrid and electric vehicles. For all engine types, the Well to Tank (WTT) process is also considered for emissions reporting.<br>Homeworking emissions have also been calculated for employees who work at home. Within the survey, days working from home were submitted, as well as how many hours are worked each day. This year we accounted for additional people in each employee's household – in instances where there would be others in the house, the number of hours worked each week was multiplied by the conversion factors for solely the office equipment. Employees who didn't have others in the household had their hours worked in a week multiplied by the emission factor for both office equipment and heating. This method of data collection was provided to us by The Carbon Footprint. |
| Downstream leased assets | These emissions are reported on via meter readings received from companies that rent from our premise, with one based at our Andover branch and another at our Head Office. Limitations have been found collating these figures due to a lack of data from the leasing companies. At this point in time, our category 13 emissions can be attributed to the gas usage at the leased unit in our Andover branch and the electricity usage at our Head Office. |
| Operation of investment | Using data of our mortgage books (up to date as of 31/10/25) we were able to find the emissions that we are responsible for via the LTV on each property. We did this using the methodology provided by PCAF GHG Accounting and Reporting standard; with the calculation used being:<br>Financed emissions = (Outstanding amount / Property value at origination) x Energy consumption x Emission factor<br>In order to find out an average utility usage for each of the properties, we used the Government postcode level datasheet for both domestic gas and electricity (https://www.gov.uk/government/statistics/postcode-level-electricity-statistics-2023,https://www.gov.uk/government/statistics/postcode-level-gas-statistics-2023) and then matched each property to the addresses median consumption. Where there was no postcode level data, the Outcode level data was used for the property. The Outstanding amount and Property value at origination were both collected from the mortgage book, with the product of Outstanding divided by Origination being multiplied by the found median consumption for each utility and then multiplied further by the conversion factor for each utility. With these assumptions made, we have been able to get a general idea of the emissions contained in our mortgage portfolio. We will continue to improve data accuracy, where possible, through an enhanced methodology that incorporates property floorspace and EPC grading, as this allows us to obtain insight on how we can provide services to accelerate the sustainable changes within the UK housing market. |


## Energy *consumption*

| | 2025 | 2024 |
|---|---|---|
| Energy consumption - Natural Gas (kWh) | 58,934 | 61,057 |
| Energy consumption - Vehicles (kWh) | 14,426 | 15,931 |
| Energy consumption - Electricity (kWh) | 446,701 | 380,799 |
| **Total energy consumption (kWh)** | 520,061 | 457,787 |

## Water *consumption*

Water: The Society monitors its water consumption across its Head Office and branch properties. Consumption data is derived from meter readings for each property and reported under category 1 (purchased goods and services). We also report on our water waste emissions, which are included in our Scope 3 emissions (category 5: waste generated in company operations). Waste water is reported at an average of 95% of our total water consumption.

| | 2025 | 2024 |
|---|---|---|
| Water consumption (m3) | 1,056 | 1,698 |
| Water treatment (m3) | 1,003 | 1,613 |

Louisa

# Our *customers*

The financial year ended 31 October 2025 marked an excellent year for the Society in its ongoing commitment to delivering exceptional customer service and embedding the principles of Consumer Duty across all areas of the business. With a continued strategic focus on customer outcomes, the Society has demonstrated measurable progress, innovation, and resilience in meeting regulatory expectations while maintaining its reputation for a high quality, personalised service.

## Elevating Customer *Experience*

The Society's customer satisfaction and advocacy reached record highs in 2025. The Institute of Customer Service (ICS) Business Benchmarking survey (issued in January 2025) resulted in a Customer Satisfaction Score of 91.6 (90.5 issued in July 2023) and a Net Promoter Score (NPS) of 73.9 (71.4), placing the Society well above the banks and building society sector averages (80.0 and 31.0 respectively in January 2025).

Furthermore, 90.5% said we got it right first time; 94% said that they intended to remain a customer and 91% said they would recommend Newbury Building Society. The Society scored highly in all areas, with customer ethos, emotional connection and ethics all exceeding 91%. Complaint handling scores improved by 22% compared to the survey in 2023.

Our people were also surveyed by the ICS and scored Newbury's commitment to customer service 88.6%, covering the 3 key areas of strategy & leadership, culture & engaged people, and operational delivery. Our people are the cornerstone of our customer service, so it is important for us to understand what they think and where we can improve.

During 2025 the Society won three awards: **'Best Building Society'** and **'Best Building Society Savings Provider'** at the British Bank Awards, and **'Trusted Quality Provider'** at the Institute of Customer Service Awards.


*Receiving one of our two awards at the 2025 British Bank Awards, run by Smart Money People.*

In September, after a rigorous assessment, the ICS re-accredited the Society with their ServiceMark at Distinction level. The Society is the only bank or building society to hold the Distinction level ServiceMark and one of only c.25 organisations in the UK.

## Customer *Improvements*

There have been several tangible improvements made for customers this business year, including the relocation and refurbishment of our Didcot branch; launch of debit card payments online; and the modernisation of our website.

Following the launch of our Mobile App last year, we have seen popularity increase both for savers and borrowers, meeting the demand for accessing financial services 'on the go'. There is more to do, and in 2025/26 we will be enhancing our online offering further, introducing digital onboarding and identification capabilities. This is an area that has been prominent in customer feedback, and we are excited to see the benefits. Also prominent in customer feedback is the ability to open Cash ISAs online; and in September this year we did exactly that.

In addition to our more strategic changes, our people continue to suggest and implement improvements to our processes. One of the key areas under review has been the service we provide to the relatives of customers who have passed away. This is a distressing time for them, so making the experience as smooth as possible is a priority. As a result, we launched an online notification service, enhanced communications, and reduced the level of information we need to release funds.

Another area of improvement has been our savings rate change notifications, which are now issued by email as default, not only reducing cost but also reducing paper production. In 2025/26 we will be introducing online savings statements, a further commitment to streamlining processes and supporting our green agenda.

## Embedding *Consumer Duty*

The Society's Consumer Duty programme has matured into a robust framework that supports fair outcomes for all customers, including those with vulnerabilities. The Society retained its Board Champion role to ensure strategic oversight and accountability, even though it is no longer a specific regulatory requirement.

Key achievements during the year include:

- **Launch of a new Customer Committee**, which is responsible for monitoring customer experience to ensure good outcomes for customers, consistent with the Society's Customer Service Strategy, Conduct Risk Framework and Consumer Duty;
- **Overhaul of the Consumer Duty performance dashboard**, with c45 key performance indicators designed to measure compliance with the Duty's principle 12 "A firm must act to deliver good outcomes for retail customers";
- **A comprehensive review of c300 communications**, tailored to improve customer understanding, and a revised communications strategy, which includes internal and external testing/review of key correspondence and documentation; and
- **Embedding of outcomes testing**, which involves reviewing end-to-end customer journeys to ensure good outcomes are achieved, and adjustments are made to support even better outcomes.

Consumer Duty continues to be a focus but it's not just about meeting regulations, it's about challenging ourselves further to drive the best customer experience and outcomes.

## Our *People*

Everyone within our business has a role to play in ensuring customers have good outcomes, whether they interact directly with customers or support those who do.

We continue to ensure all our colleagues are clear about Consumer Duty, what it is and their part to play. Our Customer Charter helps with this. The Charter was designed by our colleagues and gives clarity about the behaviours expected of them when dealing with customers and each other.

We have dedicated learning around the Duty and have integrated the concepts into our existing customer service learning programs. For example, all new employees attend our Thinking Like Customers workshop which covers our Customer First ethos and expectations. The workshop also dives into what this looks like in practice, including an opportunity to mystery shop other organisations in Newbury town centre to assess good and poor practice, and apply that internally to what we do.

We continue to enhance the learning for our people, and 2025/26 will see a refresh of our customer service-learning paths. We have engaged with the ICS to explore bespoke learning and several of our people are enrolled on their customer service excellence learning programs.

*Phillippa Cardno (centre) and Dean Scott (second from left) cut the ribbon of our newly located Didcot branch, joined by representatives from Morgan Lovell and the Mayor of Didcot.*

*Tarandeep*

## Your *Feedback*

In addition to the ICS survey which has an 18-month cycle, we regularly ask for feedback via Smart Money People's review website. The qualitative feedback is extremely important to us, as it gives us the opportunity to understand what's on your mind right now and enables us to consider your thoughts in our strategic and operational change program.

The main themes this year have been related to improving online servicing, and branch environment, and these have been our key focus in the last few years and will be into 2025/26. Also continuing to improve processes to ensure we are easy to do business with, and this will continue to be a priority.

Please continue to give us your feedback, it matters.

The Alton branch team get stuck in to planting a Jane Austen themed border at Chawton House.

*Team Thatcham show off their delicious bakes whilst fundraising at a local event.*

# Our *communities*

Supporting our branch towns is a core part of who we are. Our charity and community work is valued highly by both members and employees, who share our belief that mutual organisations should support the communities they're part of.

Together, through fundraising, events, and our charity savings account, we raised over £74,000 for our ten charity partners in 2025:

- Newbury Soup Kitchen
- Helen & Douglas House
- St Michael's Hospice
- Prior's Court
- Newbury Cancer Care
- Trinity Winchester
- Sue Ryder
- Countess of Brecknock Hospice
- Dementia Friendly Alton
- Swings & Smiles

## 2025 fundraising *highlights:*

- A summer quiz night and our first-ever bingo event at Head Office for **Newbury Soup Kitchen**, collectively raising over £300.
- Andover branch completed a challenge for **Countess of Brecknock Hospice** where they swam, walked, ran, or cycled the 175 mile distance between our branches, raising an amazing £910.
- Thatcham branch supported **Swings & Smiles** with a range of events, including a charity golf day, stalls at local events, and a bake sale and Connect 4 challenge in branch.

Our Community Support Scheme supported 28 (2024: 38) organisations, donating £12,500 (2024: £17,500), including to:

- **Didcot TRAIN (£1,000)** to support free football for young people who face economic, social, or behavioural challenges and cannot take part in regular football sessions.
- **Fairclose Men's Shed (£250)** to buy materials and tools for their men's social woodworking club.
- **Thrive (£500)** to support their 'Pots and Petals' horticulture therapy project.

## Financial *education*

We refreshed our Junior Newbury Building Society (JNBS) scheme for primary school pupils, making it easier for schools to deliver educational content to pupils. We now provide a comprehensive financial education lesson which teachers or a member of our team can deliver, depending on the school. We have so far delivered the new-look JNBS to 120 children, with more to come in 2026.

For secondary schools, we've continued our partnership with financial education charity, WizeUp, to deliver over 60 hours of money learning to over 1,600 students. Topics covered include budgeting, tax, national insurance, mortgages, and cryptocurrencies.

## Volunteering

Colleagues volunteered for a total of 106.8 days in 2025, using their volunteering days to support a range of diverse charities and projects across Berkshire, Hampshire, and Oxfordshire, including:

- **The Pink Place (Basingstoke)**, helping at a wellbeing craft session for those with cancer.
- **Chawton House (Alton)**, planting a flower border to celebrate the 250th anniversary of Jane Austen's birth.
- **West Berks Food Bank (Newbury)**, sorting food deliveries and donations.
- **Restore (Didcot)**, tidying and weeding to prepare the charity's garden for springtime.

## Sponsorships and *events*

We have continued to sponsor nearby events, with donations totalling £18,000. These enable the Society to reach a wider audience as well as support the longevity of clubs and events that enrich people's lives.

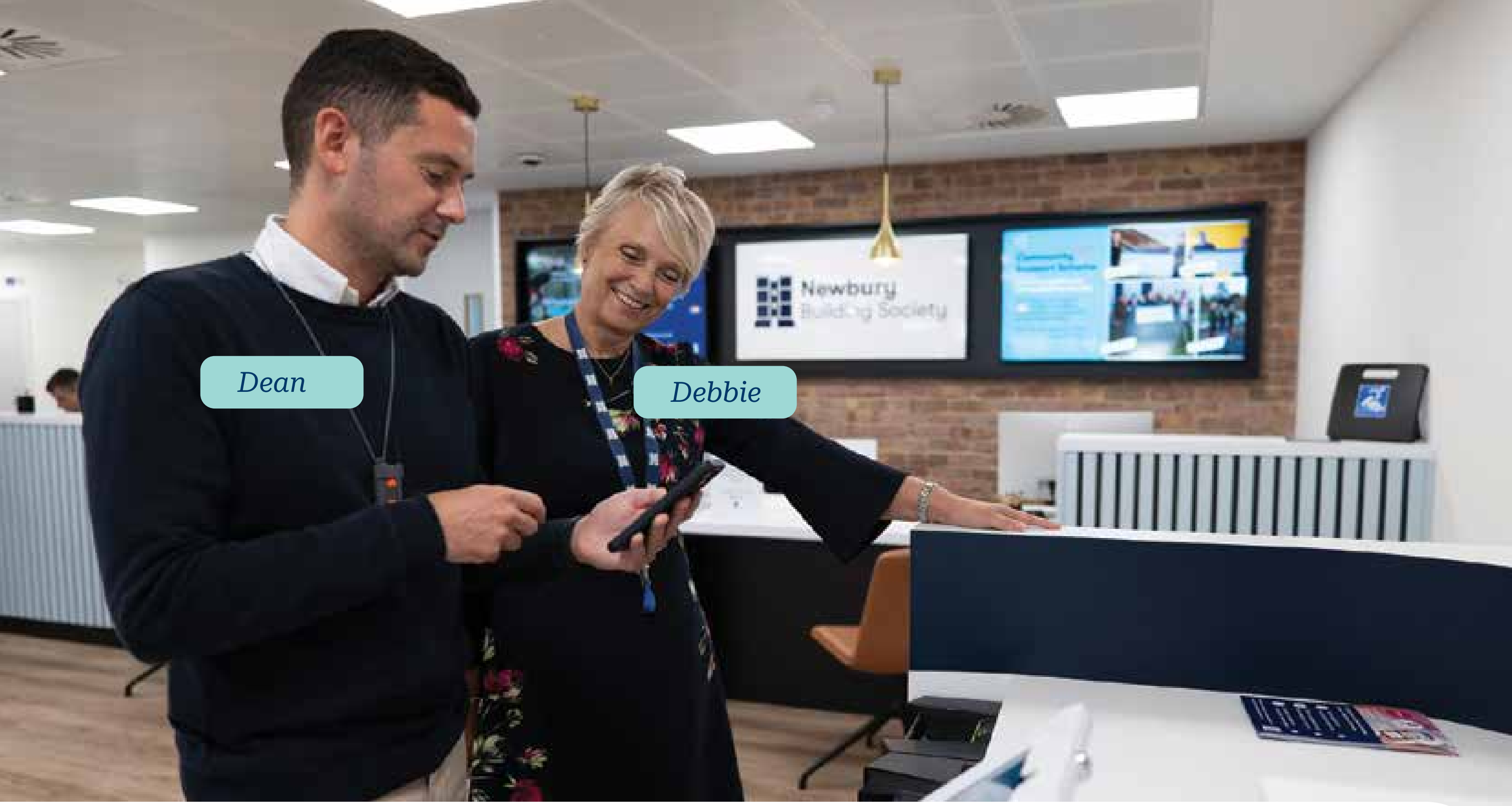
These included:

- Play to the Crowd, Winchester
- Abingdon Air Show
- The Lights, Andover
- Hungerford Town FC


*Justine Ransom, Wokingham Branch Manager (second from left), presents a £500 grant to Thrive, a gardening for health and wellbeing charity based near Reading.*


*£1,000 for First Great Western Society to support their family fun days. The grant helped pay for low-income families to enjoy the event for free.*


*Our Executive Team outside West Berks Foodbank on a volunteering day where they helped organise deliveries and donations.*




# Our *people*

The financial year ended 31 October 2025 saw a year of sustained focus on everyday colleague experience whilst enhancing our culture for sustainable growth.

We understand the importance of our people.  They are at the heart of our award-winning customer experience.

Being able to uphold the values that make us unique, whilst embracing the future, is essential for the Society to stay relevant; and those principles guide how we plan, refine and deliver our people experience every day.

As our Society grows, we continue taking extra steps to ensure we stay connected to our people, so they feel heard, valued, supported and included. Our purpose is clear; we enable and support everyone here to be the best they can be.

Some highlights of the places we've increased focus over the last year include:

## Boosting colleague voice

The Institute of Customer Service assessor said that this open feedback environment strengthens trust between employees and leaders, while also providing leadership with actionable insights to guide decision-making. This demonstrates, according to the assessor, the organisation's commitment not just to hearing its people, but to responding to them in meaningful ways.

We know our employees have important views and ideas on how to shape and make our Society even better. Our open and inclusive culture has always seen colleagues willing to step up and contribute, but we've boosted involvement and listening through:

- **A new, energised Employee Forum** – A refresh of our existing Staff Association, has brought together a group of 14 colleagues from across the Society to focus on how we can improve our employee experience.  The group have brought fresh perspective to social events and cross Society collaboration ideas, regularly seeking feedback from employees.
- **Enabling employees through deeper listening** - We ran a series of interactive workshops, designed to "deep dive" into everyday lived experiences and stories behind working at the Society. Our Chief Executive and Director of People were present throughout every session. Thought provoking sessions, with direct Executive involvement, gave us powerful insights to unlock small continuous improvement opportunities in a swift and impactful way.
- **Employee centred design** – We've introduced more opportunities for leaders and colleagues to input to how we create and update people policies and activities. Their involvement in designing important parts of their experience here - like the best method to run a more regular, short employee survey to track employee sentiment - ensures what we deliver meets their needs in the best possible way.

## Fostering continuous learning and self development

"Driving and supporting continuous learning will remain central to our people agenda and plans.

We're confident it will help make the Society a desirable place for people to join and stay and ensure we're ready to respond to future member needs".

Emma Jones, Director of People.

We believe the mindset and skills to keep learning and adapting are prerequisites for sustainable success.

- **Empowering everyone to grow** – We've continued to expand and enhance what's offered on our new learning platform, launched in October 2024, to make learning more accessible, inclusive, interesting and fun. The platform empowers employees to take personal responsibility for continuous learning and personal growth, elevating curiosity and appetite for personal learning.
- **Growing future skills** - Four employees completed professional qualifications through studying via an apprenticeship route. We focused on investing in skills important for the Society's future including people development, corporate and social responsibility, data and analytics and leadership.

We've invested in a further 14 colleagues supporting them to undertake professional qualifications in important professional areas such as Customer Service, Mortgage Advice, Risk and Project Management.

## Elevating conditions for growth

Small changes, driven by those who know what happens "on the ground" make a vital contribution to upholding our excellent customer and colleague experience.

*Our Customer Support Mortgages team have been able to find and own a range of improvements to working practices this year. Team members themselves suggested and delivered changes, such as:*

*Enhancing our customer experience by supplementing mortgage redemption letters with text messages. Customers are more quickly reassured their payments have arrived safely.*

Sustaining a vibrant organisational culture, that enables and empowers colleagues to be, and achieve, their best, is carefully thought through. We've been evolving the mindsets and behaviours needed to support our future ambitions, including:

- **Keeping leaders connected** with peers across the organisation enables them to build the clarity and confidence needed to help their teams stay connected with our purpose and Society goals. Our "Leading for our future" leadership programme has supported this. We've introduced more opportunities for leadership network conversations and support through additional workshops.
- **A continuous improvement culture** underpins our process, systems and procedure enhancements. We've used employee survey feedback, and encouragement and support from our Business Improvement team as a spring-board for team level discussions about ways of working and opportunities to find and initiate positive actions.
- **A place where our people can learn and grow.** Our employee turnover was 10.3% in the last year (2024: 14.2%). In the period 1 November 2024 to 31 October 2025 we achieved 25 internal promotions and four secondments.

## Wellbeing and Inclusion

An assessor from The Institute of Customer Service observed that this holistic approach underlines the Society's recognition that great service comes from people who are supported and thriving in all aspects of their lives.

- **Unlocking individual contributions and potential** requires leadership, care, and support tailored to each employees' needs. Our wellbeing and inclusion agenda has extended to new workshops covering menopause, men's health and neurodiversity; and we've shaped learning support for leaders based on their direct feedback about what they most need to help diverse teams achieve at their best.
- **Measuring our progress**. We've chosen to measure diverse characteristics in our workforce as we believe diverse perspectives help us deliver great outcomes for customers.
  - Over the past three years our people choosing to disclose personal characteristics has risen from 52% to 77%
  - 21% of our workforce have disclosed a disability or long term health condition
  - 7% disclosed a different ethnic origin other than White British
  - In our mid-year probation reviews and exit interviews our employees score us 8.8 out of 10 as an inclusive Society which reassures us we are responding equitably and inclusively to our peoples' needs



## We're confident that we're creating a Society for our employees and members that we can be proud of as we enter our *170th year*.

An assessor from the Institute of Customer Service discussed a strong, positive culture that is deeply rooted in shared values and member-first ethos.

Employees consistently report feeling motivated, valued, and proud of the service they deliver to members. The assessor noted a tangible sense of alignment between personal values and organisational purpose, which creates a cohesive environment where colleagues support one another and take pride in both their individual contributions and the organisation's achievements.

**93%**

of surveyed employees reported feeling proud to work here (Internal pulse survey, August 2025)


# Risk management *report*

## Risk Management *Framework*

The Society operates in a business environment and sector that contains a wide range of financial and non-financial risks.

The Board is ultimately responsible for the effective management of risk and annually reviews and approves the Risk Management Framework (RMF) which sets out their expectations for the identification, mitigation, management and reporting of risk across the Society. The RMF includes an overview of risk governance structures and reporting lines and Board approved risk appetite statements, setting out the maximum level of risk the Society is willing to take in pursuit of its corporate objectives. It is supported by a range of principal risk policies (also annually reviewed and approved by the Board) setting out the framework within which specific risk classes are managed.

The Board delegates responsibility for oversight of RMF implementation and operation to the Risk Committee. The Chief Risk Officer, who is a member of the Executive team and attendee of the Risk Committee, is responsible for the implementation and operation of the RMF, including supporting the Executive and management in discharging their risk management responsibilities.

In line with established sector practice, the Society adopts a three lines of defence model to risk management. This ensures a clear separation between the ownership and management of risks, processes and controls (held by first line management i.e. the Executive and the business areas for which they are responsible), oversight, assurance, support, and challenge (held by the second line – the Risk and Compliance functions led by the Chief Risk Officer) and independent assurance (the third line, being Internal Audit currently outsourced to BDO). All three lines of defence have risk reporting responsibilities.

## Risk governance *arrangements*

The Board reviews and approves the RMF and principal risk policies setting out how the principal risks are managed. The Risk Committee's terms of reference detail which policies it is required to review before recommendation to the Board for approval. Policies relating to credit risk, liquidity risk and financial risk management are reviewed and approved by the Board at least annually.

Each principal risk has an allocated first line Risk Owner at Executive level. Risk Owners are supported by Risk Champions, typically a Senior Manager, in each business area to oversee consistent application of the RMF in the areas for which they are responsible. The Risk function co-ordinate Quarterly Risk Meetings (QRMs) attended by the Chief Risk Officer (or a delegate), Risk Owners and Risk Champions to review RMF application, risk profile and the effectiveness of risk management for each business area. The outcome of these QRMs informs reporting to the Risk Committee.

## Risk *culture*

Risk culture is a reflection of the awareness, behaviour and mindset exhibited by all employees when managing risk and applying the RMF. It reflects Society wide risk awareness, approach to risk management, commitment to treating customers fairly and delivering good customer outcomes and risk management capability, all of which directly impact the Society's ability to effectively manage risk and the extent to which it is prepared to take risk in line with Board approved risk appetite statements.

The Board sets the tone from the top, supported by the Executive team. This includes a defined set of behavioural values which are underpinned by various policies. All employees are expected to demonstrate these behavioural values at all times, including adherence to all principal risk policy requirements and to communicate openly, honestly and on a timely basis. Where things go wrong, all employees are expected to take responsibility and ensure proactive remedial action is taken. The Board and Executive encourage a "no blame" culture which recognises risk events and incidents as an opportunity to learn and improve processes to reduce the risk of recurrence.

The second line Risk and Compliance teams conduct a biennial risk culture assessment, the most recent of which was reviewed by the Risk and Audit Committees in December 2025. A Society wide survey on risk and compliance culture received a high response rate (65%) and concluded that the risk and compliance culture of the Society is appropriate and supports effective risk management across the Society.

## Principal risks and *uncertainties*

The RMF outlines the seven principal risk classes to which we believe the Society is exposed. The seven principal risk classes, together with a summary of how they are controlled, are set out on pages 34 to 37 and remain unchanged from last year.

The Society has a cautious risk appetite across all its principal risks except conduct risk where the appetite is averse. A cautious risk appetite is associated with a preference for taking safe options that involve a low degree of risk. An averse risk appetite is associated with wishing to avoid risk taking, or to tightly manage processes and controls, as far as possible as a Board objective.

The Risk Committee reviews key risk indicators for each principal risk class on a quarterly basis, as well as output from a range of stress and scenario testing to ensure risk levels remain within Board approved risk appetite. The Society maintains strong levels of capital and liquidity to provide financial resilience.

| Risk and impact | Mitigation | Movement in risk profile | Progress |
| --- | --- | --- | --- |
| **Strategic risk**<br><br>Strategic risks are the risks resulting from strategic decision-making processes which have the potential to reduce the Society's profit levels and/or erode capital, thereby threatening the financial strength of the Society.<br><br>Strategic risks include the risks to the Society's business model and strategic objectives as a result of macroeconomic, regulatory, political or other factors. | The Board will not seek out strategic options which have a potential to create losses or erode capital, although will consider options that could result in reduced profit in the short to medium term provided that the capital ratio remains within appetite.<br><br>The corporate plan is risk assessed prior to Board approval, including stress testing of various alternative planning assumptions. Risk assessments are also performed and documented prior to commencement of any new strategic initiative. | ⇄ | Although UK growth rates have been subdued throughout 2024/25 and volatility in market rates has arisen due to macroeconomic challenges and geopolitical tensions during the year, the Society has remained profitable and retained capital levels with a significant buffer over regulatory requirements.<br><br>The sluggish growth of the UK economy is expected to continue into 2025/26, although market commentators suggest that a recession is unlikely to arise unless there are further significant external shocks.<br><br>During the year, the Board has:<br>• reviewed the risks associated with the Society's strategy as reflected in the latest Board-approved corporate plan.<br>• monitored the economic and geopolitical environment and considered the implications for the Society's performance and risk profile, recommending appropriate action where required.<br>• performed detailed qualitative stress testing on capital and liquidity positions through the ICAAP and ILAAP processes. |
| **Credit risk**<br><br>Credit risk is the risk that mortgage loan customers or treasury counterparties default on their contractual obligation(s) to repay the Society, resulting in losses which reduce profit and erode capital. | Mortgage credit risk is controlled in accordance with the Board approved Lending Policy which is aligned with a cautious risk appetite and sets out the parameters within which the Society is prepared to lend. Detailed policies also exist to support the management of borrowers in financial difficulty.<br><br>Lending is advanced on prudent terms after assessment of affordability, maintained within carefully controlled limits and subject to regular Credit Committee and Board review. Whilst the Lending Policy allows lending in a limited number of niche areas which may be considered to have a greater degree of risk, this is mitigated by the fact that these are areas where the Society either has significant experience or has set non-material limits. Each mortgage application is manually underwritten by an experienced team.<br><br>Treasury counterparty credit risk is controlled through adherence to the Board approved Treasury Policy which is aligned with a cautious risk appetite. It is regularly reviewed by the Assets & Liabilities Committee with oversight by the Risk Committee. The Policy defines limits over the quantum of exposures to single counterparties and groups of counterparties, and the minimum credit rating of counterparties with whom the Society will invest. Regular monitoring of treasury counterparty risk and limit compliance is performed by the Assets & Liabilities Committee. | ⇄ | Mortgage arrears and forbearance levels remain low. The Society acknowledges ongoing inflationary pressures on mortgage affordability and performs regular analysis to identify and proactively engage with borrowers at higher risk of default, or who show signs of financial difficulty. No significant increase in the volume of arrears and forbearance is expected in the coming year due to the prudence of the Lending Policy including the performance of affordability stress testing prior to mortgage advance and the fact that the majority of mortgages are linked to SVR and therefore benefit from recent reductions in base rates.<br><br>During the year, the Board:<br>• reviewed and updated the Lending Policy to ensure it remains prudent and aligned to risk appetite. This review was informed by a detailed review of policy application and backbook credit performance in recent years.<br>• reviewed and approved changes to affordability criteria to reflect current market conditions.<br><br>During the year, the Society has:<br>• continued to proactively manage arrears and provide forbearance to members with payment difficulties.<br>• continued to support customers through the Mortgage Charter.<br>• commenced activity to consider the implications of forthcoming regulatory changes on the credit risk framework.<br><br>Treasury counterparty risk remains low and within risk appetite. The majority of the Society's exposures are with the Bank of England. |

| Risk and impact | Mitigation | Movement in risk profile | Progress |
|---|---|---|---|
| **Liquidity and Funding risk**<br><br>Liquidity risk is the risk of the Society failing to meet its financial obligations as they fall due, resulting in an inability to support normal business activity and failure to meet regulatory liquidity requirements.<br><br>Funding risk is the risk that the Society is unable to obtain the funding necessary to support its corporate objectives as a result of either: (1) not being able to find new funding to replace outflows or maturing facilities; or (2) limitations or restrictions in access to retail or wholesale markets which reduce the Society's ability to fund planned growth. | Liquidity Policy requirements are outlined within the Treasury Policy, which is reviewed by the Assets & Liabilities Committee and the Risk Committee, and annually approved by the Board. Liquidity is maintained within Board-approved risk appetite limits.<br><br>Regular stress tests are conducted to determine the level of liquidity required to withstand a reasonably foreseeable liquidity stress. The Society also has a Contingency Funding Plan and Recovery Plan in place to support a response to sudden or extreme outflows.<br><br>The outcome of liquidity stress testing and the liquidity position are reported to and monitored by the Assets & Liabilities Committee and the Risk Committee and appropriate action is undertaken, if required.<br><br>Funding risk is managed in accordance with a Funding Plan contained within the ILAAP. | ↑ | The liquidity and funding risk profile has increased during the year as liquidity levels have reduced and ratios have tightened due to increasing competitiveness within the retail savings market ahead of TFSME repayment deadlines in October 2025. To mitigate the impact of reduced retail savings inflows and TFSME repayment, the Society has increased levels of brokered wholesale funding and drawn down from the Bank of England under the Indexed Long Term Repo (ILTR) facility. These actions have supported the Society in continuing to operate within risk appetite.<br><br>Over the past year the Risk Committee has:<br>• reviewed and recommended the Treasury Policy to the Board for approval.<br>• reviewed and recommended the ILAAP to the Board for approval.<br>• reviewed the portfolio of liquidity stress tests to ensure all aspects of liquidity risks remain appropriately addressed.<br>• reviewed the potential impact on risk profile of government review of the cash ISA market and proposed increases in the FSCS limit.<br><br>In addition, the Society has:<br>• completed repayment of drawings under the TFSME facility, repaying £49m in total during the year.<br>• implemented a number of competitive pricing changes to retail savings products to ensure they remain attractive in changing market conditions.<br>• increased brokered wholesale funding balances by £9m to £26m and drawn down £40m under the ILTR facility to ensure liquidity risk remains within appetite. |
| **Market risk**<br><br>Market risk is the risk of losses arising on the Society's assets and liabilities caused by adverse interest rate movements. This includes interest rate risk and basis risk.<br><br>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, impacting on profitability and the value of the Society's assets and liabilities.<br><br>Basis risk is the risk that assets and liabilities reprice on a different basis as interest rates change. | Market risk is controlled by setting and applying Board-approved limits for non-administered rate business (e.g. fixed-rate mortgage and deposits) therefore ensuring the majority of assets and liabilities are on an administered interest rate.<br><br>To mitigate the risks associated with non-administered rate assets, hedging (vanilla interest rate swaps) contracts are used in accordance with the Board-approved Treasury Policy. Market risk profile is regularly reviewed by the Assets & Liabilities Committee. Further information on the Society's interest rate position at 31 October 2025 can be found in note 27 on page 102. | ⇄ | The Assets & Liabilities Committee has continued to monitor the Society's exposure to interest rate and basis risk to ensure it remains within risk appetite even in a period of significant fixed rate mortgage demand and in a year which has, at times, seen increased volatility in market rates.<br><br>Consistent with previous years, these factors have been managed effectively and within risk appetite.<br><br>Over the past 12 months, the Society has continued to increase inflows into fixed rate deposits some of which act as a natural hedge for lending activities. Swap counterparty limits were also reviewed and updated as part of the annual review of the Treasury Policy.<br><br>Work has also commenced to consider the implications of forthcoming regulatory changes on the management of interest rate risk. |

| Risk and impact | Mitigation | Movement in risk profile | Progress |
|---|---|---|---|
| **Operational risk**<br><br>Operational risk is the risk of loss arising from inadequate or failed internal processes or systems, policies, human error, external events or disruption to normal business operations. Operational risk includes risks relating to processes and controls operated in-house and those operated by third parties on the Society's behalf and operational risk can arise from all Society activities across all business areas. | The Society has robust processes and controls in place across all operational areas, which are designed to mitigate the risks faced.<br><br>The Risk and Compliance functions are responsible for supporting review of, and all reporting of, risk events and incidents which occur where operational risks have not been effectively managed. The central oversight of this process enables root cause analysis to be performed and lessons to be learnt to reduce the risk of recurrence. The Risk and Compliance functions also oversee and report on regular first line testing of key control effectiveness.<br><br>Whilst effective operational risk management assists in mitigating the likelihood and impact of operational risks, it is not possible to fully eradicate these risks. To ensure operational resilience in the event of disruption, the Society protects against disruption resulting from operational risk events (such as cyber attack or data loss) by having controls in place to reduce risk exposures (prevention), applying clear tolerances on what can be absorbed and having actions in place to respond beyond these points (response), and having clear plans and arrangements in place to respond to and recover from incidents and to learn and adapt from operational disruption (recovery).<br><br>A range of metrics and risk limits are used to monitor the Society's ability to recover from an operational risk event in line with the defined risk tolerances for identified Important Business Services (IBS).<br><br>The Operational Resilience Framework, which includes the Operational Risk and Resilience Policy, the Business Continuity Plans and the Third-Party Arrangements Policy are reviewed by the Executive Committee. The Risk Committee receive and review management information relating to operational risk and resilience. | | The Board is aware of significant and high profile operational events that have disrupted operations in other businesses, particularly relating to cyber-attacks and events of data loss. The security of systems continues to be a key focus. Key features of the Society's security framework include:<br><br>• the core mortgages and savings systems is hosted on the resilient Amazon Web Services hosting platform.<br>• Identity Threat Detection and Response (ITDR), a Microsoft product that enables pro-active monitoring and management of identity related security risks, remains in place.<br>• the Society has achieved re-accreditation under the Cyber Essentials Plus scheme.<br><br>The Society continues to invest in its security standards and response capabilities, ensuring appropriate actions are taken in relation to emerging risks. This includes consideration of the impact of known facts about security incidents impacting other organisations.<br><br>The Society also continued to: undertake regular phishing tests; operate ransomware and Domain Name System protection; perform vulnerability scanning and regular penetration tests; and undertake service profiling for the automatic application of patches.<br><br>The Operational Resilience Framework is embedded within the Society, providing ongoing insight into the level of resilience of all IBS and identifying where enhancements can be made. The last Board self-assessment (March 2025) reported that all IBS impacting events in the previous 12 months were non-systemic and managed within Board approved tolerances.<br><br>Activity has commenced to enhance Society awareness of fourth and fifth party risks within the supply chain.<br><br>No high graded risk events were identified during the year and actions necessary to response to identified risk events have been implemented on a sufficiently timely basis. |
| **Legal and Regulatory risk**<br><br>Legal and Regulatory Risk is the risk of fines, public censure, restitution costs or limitations being imposed on business as a result of failing to understand, interpret, implement and comply with legal and regulatory requirements. | Legal and regulatory risk change is closely monitored and reported to the Executive Committee, Risk Committee and Board. The Risk and Compliance function and Internal Audit consider legal and regulatory compliance in their programmes of assurance activity. Horizon scanning for legal and regulatory change are embedded within the RMF to ensure forthcoming changes are identified and plans are developed to ensure timely implementation. | | The Board and Executive are not aware of any outstanding legal or regulatory issue which has the potential to adversely impact risk profile and business performance.<br><br>During the year, the Board approved the implementation of a new Anti-Fraud, Bribery and Corruption Policy to formalise existing approaches ahead of the implementation of the Economic Crime and Corporate Transparency Act. |

| Risk and impact | Mitigation | Movement in risk profile | Progress |
|---|---|---|---|
| **Conduct risk**<br><br>Conduct risk is the risk associated with losses arising from products, services, systems, structures (including remuneration) and behaviour that do not deliver good customer outcomes. Conduct risks are likely to be effectively managed when an environment (culture) is created that results in employees acting with integrity, honestly, fairly and openly, preventing foreseeable harm and supporting customers to pursue their financial objectives. | The Society is committed to delivering good customer outcomes and acting quickly to remediate customers where mistakes are made.<br><br>The Conduct Risk Framework is annually reviewed and approved by the Board and outlines how customer outcomes are monitored.<br><br>In line with the requirements of the FCA's Consumer Duty regulations, the Board receive an annual report outlining the extent to which good outcomes have been delivered and any actions necessary to reduce the risk of adverse outcomes being delivered.<br><br>Conduct Risk is overseen by the Customer Committee which reports into the Risk Committee and Board. | ⇄ | During the year, the Society has strengthened its focus on delivery of good customer outcomes through the formation of the Customer Committee which met for the first time in March 2025.<br><br>In September 2025, the Institute of Customer Service confirmed the reaccreditation of the Society's customer service standards at distinction level. The next review is due in 2028.<br>In addition:<br><br>• the Board reviewed and approved management's self-assessment of the management of conduct risk and delivery of good customer outcomes within the Society.<br>• the Society invites customers to leave feedback via Smart Money People, and this is regularly reviewed and acted upon to ensure customers continue to receive high levels of service and good outcomes.<br>• the Executive have continued to explore mechanisms to support the identification of, and provision of an appropriate response to, customers impacted by vulnerability. |

## Risk *outlook*

The Society also assessed a number of emerging or evolving risks to consider any potentially material impacts on overall strategy or performance. The likelihood and impact of these risks are considered on a regular basis at Risk Committee and Board to enable timely identification, assessment and monitoring and to determine whether existing controls and mitigants are sufficient or if any changes are required. The emerging and evolving risks that have received most focus from the Risk Committee and Board in the last year include the following:

| Emerging or evolving risks | Mitigating actions |
|---|---|
| **Macro-economic and Geopolitical volatility** | |
| Although UK economic growth rates remain sluggish, few market commentators predict a UK recession in the short term. The most significant economic challenge faced in the last year has been short term market volatility associated with US tariffs and ongoing conflict in Ukraine and the Middle East. Reductions in UK interest rates and energy prices have eased cost-of-living pressures on affordability, but inflationary pressures remain and it is likely that further volatility and unpredictability will continue to be features of global financial markets in the immediate future. | The Society is protected from the more significant impacts of market volatility by a number of factors including its prudent lending policy which has resulted in an average LTV of the mortgage book being below 30% and a focus on non-fixed rate mortgage lending which enhances the Society's ability to balance product pricing and margin pressures. Corporate plans include an assumption of a small increase in financial difficulty and arrears over the planning period as inflationary pressures remain, whilst the Society continues to invest in its cyber security, operational resilience and financial crime frameworks to mitigate the evolving risks faced in these areas. |
| **Legal and regulatory change risks** | |
| The volume of legal and regulatory changes impacting on the Society's business model remains high. During the year, an emerging trend in regulatory announcements has been the relaxation of certain requirements where it is believed that these will support economic growth – examples include the retirement of SS20/15, changes in mortgage affordability rules and proposed changes to the Senior Managers and Certification Regime. | The Society continues to operate a robust legal and regulatory horizon scanning process to identify and proactively respond to new and revised legal and regulatory requirements and ensure a timely and appropriate response is designed and implemented. Whilst the deregulatory theme identified in 2024/25 may present a number of opportunities for the Society, the Board and Executive are focussed on ensuring that any changes applied remain within the Society's risk appetite and any implications of change are understood and risk assessed. |

However, there remain a number of areas where legal and regulatory requirements are being strengthened – these include the strengthening of capital rules through Basel 3.1 and the Small Domestic Deposit Takers (SDDT) regime (which come into effect on 1 January 2027) and planned changes to third party and outsourcing, non-financial conduct and data protection laws and regulations.

Whilst significant preparatory work is required ahead of implementation of the legal and regulatory changes referred to, none are expected to have a material impact on the Society's business model or risk profile if they are appropriately managed. In particular, the impact of Basel 3.1/SDDT implementation may change a number of components of capital requirements calculations but is not expected to materially impact the Society's headroom over minimum capital requirements.

### Change management risk

To meet changing customer expectations and to source and retain employees with the skills to undertake the necessary change, financial service providers are continuing to develop their product offerings and distribution strategies including the increased use of digital solutions and applications, including Artificial Intelligence. The Society continues to evolve its own offering to meet changing customer expectations, but a risk exists that the speed and focus of change is insufficient.

The Society has a Digital Advisory Panel in place, a long standing and productive partnership with its principal IT platform provider and a robust Business Change Framework to mitigate these risks. Over the last 12 months the Society has:

- worked with third parties to complete a review of mortgage and savings processes to identify areas where customer experience can be improved.
- selected a new third party provider of customer identification and verification technology, and commenced implementation activity, to remove friction from account opening processes and strengthen financial crime prevention processes.
- commenced a limited use trial of off the shelf Artificial Intelligence tools to understand potential business use cases.

### Climate change and resilience

The Society recognises the risks and challenges posed by climate change. Whilst the financial risks from climate change may only crystallise in full over longer time horizons, climate resilience and transition risks are more apparent as extreme weather events become more common in many parts of the world, requiring impacted populations to build resilience, respond and adapt. The Society recognises two key risks - physical and transition, as described on page 17.

Climate related risks are monitored by the Green Committee which oversees a number of strategic and tactical options to increase visibility of the Society's carbon footprint and to reduce this over time. Activities completed during 2024/25 are summarised on page 20. The Society continues to evolve its decision-making processes to incorporate the metrics available on physical and transition risks.

The Society also continues to develop its emissions reporting capability, including assessment of Scope 3 emissions.

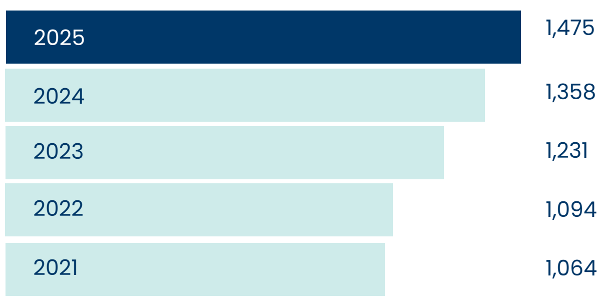
The Chief Financial Officer has responsibility for monitoring climate change risk at an operational level, with oversight provided by the Risk Committee and reviewed by the Board at least twice a year.

# Financial *review*

Profit before tax of £7.9m represents a solid financial performance against a backdrop of falling interest rates and increased operating costs, maintaining strong capital ratios as mortgage balances grew by over 8% taking total assets to £1.75bn. With interest rates expected to fall in the near term the Society's financial strength allows the Society to support members today whilst investing for tomorrow.

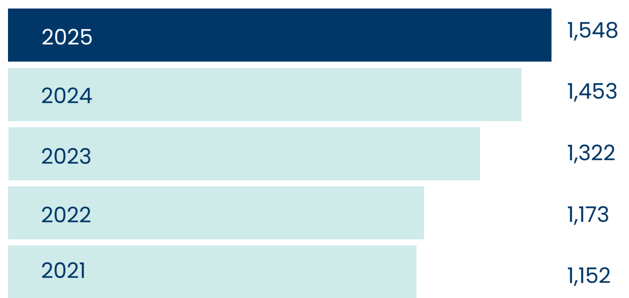
**Darren Garner**
Chief Financial Officer

Mortgage assets (£ million)



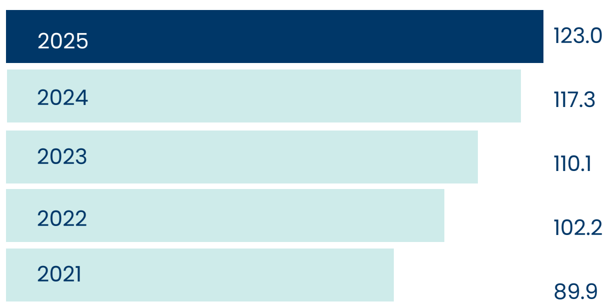

We achieved gross lending of £281m to mortgage customers (2024: £266m)

Savings balances (£ million)



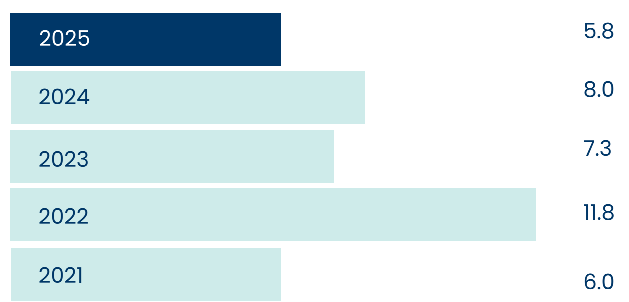

We increased savings balances by £95m (2024: £131m)

Regulatory capital (£ million)




Total capital ratio of 19.5% (2024: 20.0%)

Profit after tax (£ million)




Management expenses ratio of 1.04% (2024: 1.01%)

## Business *review*

The Society prepares its results under Financial Reporting Standard (FRS) 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and elects to apply the measurement and recognition provisions of IAS 39, "Financial Instruments: Recognition and Measurement". The Chief Executive's Review on pages 6 to 9 also contains information on the Society's performance for the year and factors affecting the results and should be read alongside this review.

## Overview of income *statement*

The Society's profit after tax decreased from £8.0m in 2024 to £5.8m in 2025. As a percentage of mean total assets profit after tax decreased from 0.50% in 2024 to 0.34% in 2025, following growth of 6.0% in total assets. The decrease in profits can be principally attributed to a £1.4m increase in costs, £1.0m reduction in net interest income and a lower release from loan impairments.

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Net interest income | 27,162 | 28,153 |
| Other income and charges | (1,668) | (2,305) |
| Administrative expenses (including depreciation and amortisation) | (17,596) | (16,203) |
| Loan impairment credit | 29 | 989 |
| **Profit before tax** | **7,927** | **10,634** |
| Taxation | (2,111) | (2,608) |
| **Profit after tax** | **5,816** | **8,026** |

## Net interest *income*

Net interest income decreased by £1.0m to £27.2m (2024: £28.2m), as the Society's assets and liabilities repriced into a lower interest rate environment. Interest received decreased by £6.1m with £7.3m of the decrease attributable to lower net receipts from derivatives hedging fixed rate mortgages. Income from the receive leg of the derivatives reduced in line with the 1% reduction in bank rate. The average fixed rate of interest payable on the derivatives also increased as more recently transacted derivatives continued to replace others transacted in a lower interest rate environment.

Mortgage Interest receivable increased by £3.5m reflecting 8.1% growth in mortgage balances partly offset by decreases in the Society's standard variable rate (SVR) enacted across the financial year. Interest income from the Society's liquid assets was also £2.3m lower than the previous year as a result of a combination of lower average interest rates and a further reduction in overall levels of liquidity.

Interest expense decreased by £5.1m to £54.8m (2024: £59.9m), principally due to a £3.3m reduction in interest payable on shares as the impact of savings deposit balance growth was more than offset by the impact of decreases to rates paid on savings and deposit balances enacted through the financial year in response to the 1% year on year reduction in bank rate. There was also a £1.8m decrease in other funding costs as a result of a combination of lower average balances, and an overall reduction in the average rates payable for such funding.

## Net interest *margin*

The Society's interest margin decreased by 0.16% to 1.60%. The decrease in margin, which was less than expected, arose mainly from a fall in the level of net interest income received from the Society's portfolio of liquid assets in response to the reduction in bank rate. There was also a further small decline in the contribution to net interest margin arising from mortgage and savings income, including the reduction in income from derivative contracts used specifically to hedge fixed rate mortgages, as the Society continued to strike an appropriate balance between rewarding all members with fair and sustainable rates whilst protecting the Society's competitive positioning and financial resilience in a falling interest rate environment.

The Society's plans assume that bank rate will fall further in the near term, resulting in a further reduction in the income earned on the Society's liquid assets and net interest receipts from derivative contracts. Despite the expected reduction in interest income, as bank rate falls the Board will continue to take the same balanced view of interest rate decisions in the best long-term interest of the Society and its borrowing and depositing members as it did as bank rate increased.

Maintaining margin remains an important element of the Society's financial strategy. The Board has planned for a further reduction in margin next year, reflecting the continued impact of an expected reduction in bank rate on income from the Society's liquid assets and derivative contracts, together with a continuation of pressure on mortgage pricing and competition for retail deposits.

## Other income and *charges*

Other income and charges comprise fees and charges not accounted for within the Effective Interest Rate (EIR) methodology and bank charges. Also included within this heading are fair value losses on derivative financial instruments of £1,625k (2024: £2,099k).

Derivatives are used solely for risk management purposes and are an important tool for managing exposure to changes in interest rates from the Society's portfolio of fixed rate mortgage products. The Society's derivatives are all in economic hedges with the majority in qualifying hedge accounting relationships however, hedge accounting does not remove all volatility. Derivatives are also typically transacted before the mortgages complete. Until a derivative is placed into a qualifying hedge accounting relationship movements in its fair value are immediately reflected in the income statement without any corresponding offset.

The net loss of £1,625k (2024: £2,099k) comprises:

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Accounting ineffectiveness in designated hedge accounting relationships | (660) | (3,197) |
| Gain/(loss) on derivatives not in designated hedge accounting relationships | (965) | 1,098 |

In the year ended 31 October 2022 the Society reported a gain of £4,661k as the fair value of derivatives increased as financial markets reacted to concerns about inflation (actual and perceived) and derivatives were held as unmatched for longer periods as mortgages were typically taking longer to complete.

This gain, combined with the losses reported in 2023 and 2024, mostly represented timing differences expected to reverse over the remaining life of the derivatives, reflected either in a downward movement in fair value where not in a hedge relationship, or amortised over the life of the mortgage, together with lower net interest charges in future periods.

In the year ended 31 October 2025 a loss of £1,625k is being reported. This loss comprises an additional year's amortisation of the previously reported (net) fair value gains described above, together with fair value losses in respect of derivative contracts entered into in the current financial year to hedge fixed rate mortgage offers.

## Management *expenses*

Management expenses comprise of people costs and all other costs and overheads necessary for the Society to function. Together with charges for depreciation, amortisation and impairment of fixed assets they comprise the total operating costs for the Society.

The Board recognises that only by the careful management of costs can the Society continue to provide competitively priced products to members. At the same time the Board continues to place importance on the need to make continued investment in the Society's operations to maintain the Society's award-winning levels of customer service and also to ensure the sustainability and safety of the Society. Such costs include investment in branch refurbishments and on core IT infrastructure.

In total management expenses increased by £1,393k (8.6%) during the year:

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Administrative expenses | 17,022 | 15,645 |
| Depreciation and amortisation | 579 | 558 |
| Profit on disposal of fixed assets | (5) | - |
| **Total** | **17,596** | **16,203** |

Despite closely monitoring and managing costs the Society is not immune to the effects of inflation. Although inflation can be seen, at 31 October 2025, to have significantly fallen from its peak, the effects of the high inflationary period continue to be felt as supplier contracts are renewed, contributing to the growth in operating costs. The Society also continues to take the necessary actions to ensure the salaries and related benefits paid to its employees remain fair and sufficiently competitive in the prevailing economic climate.

Administrative expenses increased by almost £1.4m (8.6%). People costs, which represent over half the Society's total costs, accounted for almost two thirds of the increase, increasing by £0.9m or 10%, reflecting 5.3% growth in average headcount (2024: 7.7%) and pay awards made during the year. Of the remaining £0.5m increase in costs this can be mostly attributed to: growth in the costs incurred to run, maintain and develop the Society's information technology systems to ensure it can continue to provide best practice security measures in an environment where the threat of cyber attacks are ever-present and increasing; and audit and compliance costs.

Administrative expenses may also include profits and losses from the disposal of fixed assets. The disposal of fixed assets in the year – comprised of residual IT and property-related assets and a Society vehicle - resulted in a profit of £5k being realised in the year ended 31 October 2025 (2024: £nil).

There was no material change in depreciation and amortisation charges. There were no further impairment charges required in respect of the Society's freehold properties.

The increase in total management expenses was proportionately higher than growth in the Society's average total assets, resulting in the management expenses ratio increasing, as expected, from 1.01% to 1.04%.

## Loan *impairment*

The Society maintains an appropriate provisioning policy designed to protect against difficulties in the housing market and makes provision for any estimated losses resulting from loans that are impaired on either an individual or a collective basis. For the year ended 31 October 2025 there was an impairment credit of £29k (2024: credit of £989k), analysed between collective and individual impairment as follows:

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Collective impairment (credit)/charge | (268) | (949) |
| Individual impairment charge/(credit) | 239 | (40) |
| **Total** | **(29)** | **(989)** |

At 31 October 2025 the Society held provisions totalling £1,319k (2024: £1,453k), analysed as follows:

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Collective provisions | 920 | 1,188 |
| Individual provisions | 399 | 265 |
| **Total** | **1,319** | **1,453** |

The total amount set aside for loan impairment has decreased by £134k. Whilst the 8.1% growth in mortgage balances and increase in the number and value of mortgages entering arrears or requiring forbearance (covered in arrears section below) resulted in an increase in amounts set aside for impairment, this was more than offset by the impact of changes to two areas of management judgement also used to determine the appropriate level of provisions.

Of the decrease in amounts set aside for impairment, £127k can be attributed to the removal of an adjustment previously made to capture an expectation of increased arrears due to deteriorating economic conditions, partly offset by a higher requirement following an increase in the management judgement applied to consider how property values could be expected to move across a loss emergence period, which assumes a decline of 0.9%, compared with no decline in 2024. It also remains an assumption that there will be no material increase in the number of loans being identified as impaired as the personal finances of households continue to be impacted by persistent inflation and increasingly uncertain economic conditions, as recent changes to bank rate continues to feed through into mortgage costs. See also section 1.13 of Note 1 to the Accounts, "Critical accounting estimates and judgements".

At 31 October 2025 there were 44 accounts (2024: 51) where customers were benefitting from a forbearance action such as temporary interest only concessions, payment plans or reduced payment concessions. This includes 15 cases of forbearance entered into as part of the Society's commitment to the Mortgage

Charter, announced by HM Government in July 2023 (2024: 23 cases). Forbearance cases represent total outstanding balances of £3.8m (2024: £3.0m).

At 31 October 2025 the Society had two properties in possession (2024: four).

## Mortgage *arrears*

The value of arrears for cases more than two months in arrears increased from £0.32m to £0.38m with the number of borrowers in this category increasing from 50 to 63 accounts. Including possession cases there were 18 cases in serious arrears of twelve months or more at 31 October 2025 (2024: 15 cases). The total amount of arrears outstanding on these accounts was £207k (2024: £219k) and the aggregate balances were £1,835k (2024: £1,747k).

Although increasing, the Society's arrears and possession statistics continue to remain low both for the building society sector and for the industry as a whole. The Board considers the Society operates with a low-risk business model and prudent underwriting approach, always ensuring that customers can afford to meet their mortgage repayments from the outset and throughout the full duration of their mortgage term. It is this approach that has kept the Society's arrears levels below the industry average for many years and demonstrates the effectiveness of good quality counselling and the consistent quality of lending decisions. The further increase in reported arrears at 31 October 2025 was expected. Whilst low levels of unemployment continue to support the servicing of mortgages, many borrowers experienced higher monthly repayments as interest rates increased across 2023 and 2024 however it is recognised that the full extent of these increases may not have fully materialised as many customers still remain on fixed rate products entered into in a period of lower interest rates.

Although interest rates have fallen, and are predicted to fall further, there remains uncertainty as to how fiscal policy announcements made could further impact on household incomes and manifest in future arrears and possession figures. The Society may therefore expect to see further increases in arrears in the near term.

As a responsible lender, and as demonstrated through the Covid-19 pandemic and the Society's ongoing commitment to the Mortgage Charter, the Society remains ready to assist and support members experiencing difficulty servicing their mortgage. Further details on forbearance can be found in Note 25 to the Accounts.

## Taxation

The Society's corporation tax charge for the year ended 31 October 2025 of £2,111k (2024: £2,608k) represents an effective rate of 26.7% (2024: 24.5%). Further detail is provided in Notes 6 and 20 to the Accounts.

## Overview of statement of *financial position*

Total assets increased by £98.2m (6.0%) (2024: £102.5m, 6.6%) and at 31 October 2025 stood at £1,747.3m. The increase can be attributed to a £110.2m increase in mortgage balances, partly offset by a £16.0m reduction in liquid assets.

As the primary source of capital generation for the Society retained profits of £5.8m allow the Society to continue to grow sustainably, necessary to protect itself against further cost increases and margin pressures and maintain its capital strength to support planned investment in the business and confidently meet any future capital challenges associated with increased regulatory requirements.

| | 2025<br>£000 | 2024<br>£000 |
|---|---|---|
| Liquid assets | 252,820 | 268,857 |
| Loans and advances to customers | 1,475,291 | 1,357,562 |
| Fixed and other assets | 19,180 | 22,652 |
| **Total assets** | **1,747,291** | **1,649,071** |
| Shares | 1,524,687 | 1,423,116 |
| Amounts owed to other customers | 90,022 | 96,967 |
| Other liabilities | 10,437 | 12,857 |
| **Total liabilities** | **1,625,146** | **1,532,940** |
| Reserves | 122,145 | 116,131 |
| **Total liabilities and reserves** | **1,747,291** | **1,649,071** |

## Liquid *assets*

Liquid assets comprise cash and other high-quality liquid assets as shown on the statement of financial position. The Society maintains a prudent level of liquid assets of appropriate quality, to meet its financial obligations as they fall due, under normal and stressed conditions.

Total liquid assets decreased to £252.8m (2024: £268.9m) including £228m held in the form of deposits placed at the Bank of England (2024: £248m). The reduction in amounts held with the Bank of England was in part due to the Society further diversifying its liquid assets into other types of assets that qualify for inclusion in regulatory measures of liquidity.

| | 2025<br>£000 | 2024<br>£000 |
|---|---|---|
| Cash | 291 | 342 |
| Bank of England | 228,096 | 248,425 |
| Debt securities | 18,809 | 11,690 |
| Bank counterparties | 5,624 | 8,400 |
| **Total** | **252,820** | **268,857** |

As a percentage of shares and deposits liquid assets decreased to 15.7% (2024: 17.7%). The decrease in liquidity arose as growth in retail savings balances, coupled with an increase in wholesale funding (see below) was not sufficient to fund mortgage growth of over £110m and the repayment of the final £49m of TFSME balances. The Society also returned a further £11m of cash deposits to counterparties held as collateral in accordance with the terms of derivative contracts.

As at 31 October 2025 the Society reported a Liquidity Coverage Ratio of 220% (2024: 233%). The reduction in the ratio principally reflects the decrease in overall levels of liquidity. The ratio remains significantly in excess of minimum regulatory requirements and the Board's risk appetite. The average monthly LCR reported across the year was 220% (2024: 233%).

## Loans and advances to *customers*

The Society's portfolio of loans and advances comprise almost entirely of owner-occupied mortgages, including shared ownership mortgages and buy-to-let mortgages. Gross lending of £281m compared with £266m achieved in the year to 31 October 2024. A continued focus on retention activities helped the Society report net lending of £110m (2024: £117m), including the impact of mortgage repayments, voluntary redemptions and other movements. Stated after provisions and fair value adjustments, loans and advances to customers totalled £1,475,3m (2024: £1,357.6m).

Strong demand for the Society's range of standard residential owner-occupied products and affordable housing products accounted for 85% of gross lending (2024: 88%) and 74% of net lending (2024: 91%). At 31 October the Society's mortgage book comprised of the following lending types:

| | 2025 | 2024 |
|---|---|---|
| Residential owner-occupied | 87.5% | 87.5% |
| Buy-to-let | 12.2% | 12.2% |
| Other | 0.3% | 0.3% |

The Society's mortgage book remains very high quality with an average indexed loan to value of 29.4% (2024: 30.0%) with 0.8% (2024: 1.0%) of the balances in the book more than 80% of the current indexed value of the properties on which their mortgages are secured. The Society's lending continues to be focused on its core operating areas with 64% of the mortgage assets within the South East and London geographical areas (2024: 65%).

## Shares and *deposits*

Retail savings and deposits continue to be the cornerstone of our funding and it remains a strategic priority of the Society to continue offering a range of good quality savings products paying consistently competitive rates of interest relative to available market rates.

During the year ended 31 October 2025 retail savings and deposit balances increased by £95.4m (2024: £130.9m) taking the Society's total shares and deposits balances to £1,548.1m (2024: £1,452.7m), with the Society's ISAs and range of fixed rate bonds accounting for the majority of the balance growth.

With the final balances owed under the TFSME scheme fully repaid, the Society expects to continue to sustainably grow its stock of shares and deposit balances to fund planned mortgage growth over the medium term and support ongoing liquidity management.

## Wholesale *funding*

It is critical that the Society also maintains access to funding from non-retail sources. The Society remains an active participant in the Bank of England's Sterling Monetary Framework (SMF) which supports liquidity risk management within the Society, provides greater funding certainty and supports the overall cost of funding, all of which benefits members. On 11 March 2020 the Bank of England launched the Term Funding Scheme with additional incentives for SMEs (TFSME), providing four-year funding – subject to meeting certain criteria – at interest rates at or very close to bank rate.

Inclusive of amounts refinanced from the previous TFS facility, the Society borrowed £155m under TFSME, with contractual maturities between April 2025 and October 2025. The Society made its first TFSME repayment in October 2022, repaying £5m, followed by £65m and £36m in the financial years ended 31 October 2023 and 2024, respectively. The remaining balance of £49m was repaid over the course of the year ended 31 October 2025 with the final payment made in October 2025.

As an SMF participant the Society may also arrange funding from the Bank of England under different schemes. As at 31 October 2025 the Society owes £40m under the ILTR Scheme (2024: £nil), with amounts repayable 6 months from original drawdown at an interest rate linked to bank rate.

The Society also has access to other wholesale funding, arranged via brokers, from a range of counterparties that include other financial institutions, local authorities and other public bodies, with typical repayment profiles of up to one year. At 31 October 2025 the Society had sourced £26m of such funding (2024: £17m).

## Capital

The Board is conscious that the Society's members and the Regulator require the Society to be financially secure. Financial strength protects the Society against its principal risks and uncertainties and safeguards member funds. Given the continuing emphasis on high quality capital by world banking authorities, the Board sets a strategy to ensure that capital is maintained at an appropriate level to cater not only for its day to day business needs but also for significant stresses in the marketplace.

The financial results reported for the year ended 31 October 2025 resulted in the Society's regulatory capital, after regulatory deductions, increasing to £123.0m at 31 October 2025 (2024: £117.3m).

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Tier 1 Capital (after regulatory deductions) | 122,100 | 116,115 |
| Tier 2 Capital | 920 | 1,188 |
| **Total** | **123,020** | **117,303** |

Capital consists of the Society's reserves plus collective provision balances, less any amounts which are required by capital regulations to be deducted from capital.

The £6.0m increase in Tier 1 capital comprised almost entirely of retained earnings for the year. Tier 2 capital represents collective impairment balances and decreased in line with the release made in the year.

A measure of capital strength commonly reported amongst financial institutions is the Common Equity Tier 1 (CET1) ratio. This ratio signifies the relationship between our strongest form of capital (accumulated profits held in reserves) against assets, weighted by the level of risk they are considered to carry. The profit after tax of £5.8m was not sufficient to fully cover the additional capital required as a result of balance sheet growth of 6.0%, and notably mortgage balance growth of 8.1%, leading to the Society's CET1 ratio falling to 19.4% at 31 October 2025 (2024: 19.8%).

Expressed as a percentage of shares and borrowings the Society's gross capital ratio* was 7.56% at 31 October 2025 (2024: 7.64%). The Society's free capital ratio* was 7.10% (2024: 7.16%).

* As defined in the Annual Business Statement on page 104.

The minimum level of capital required to be held under Pillar 1 and Pillar 2A requirements is set by the Prudential Regulation Authority (PRA) who provides the Society with a Total Capital Requirement (TCR). The Society's TCR is driven by both balance sheet growth and regulatory-determined risk factors. At 31 October 2025 the Society's TCR was £50.4m.

As a Small Domestic Deposit Taker the Society is not required to produce or report in line with Pillar 3 disclosure requirements. Note 29 to the Accounts contains further information on the Society's capital position, including a reconciliation of capital per the Statement of Financial Position to regulatory capital.

## Future outlook and *uncertainties*

The risk management report on pages 33 to 38 sets out the principal risks and uncertainties faced by the Society.

## Outlook

The global economy is expected to grow moderately in 2026, supported by easing monetary policy and fiscal stimulus in major economies. Inflation is projected to continue its downward trend, giving central banks room for further rate cuts. However, risks remain: geopolitical tensions, protectionist trade policies, and high government debt could weigh on growth. Europe and the UK face slower growth due to fiscal constraints and structural challenges.

For the UK, economic momentum is expected to remain subdued, reflecting fiscal tightening and weak consumer confidence. Inflation is improving, but unemployment is rising, and wage growth is slowing. Lower interest rates should provide some benefit to borrowers, though competitive pressures will persist as the ability to attract deposits is expected to remain as challenging in 2026 as it was in 2025 as the Bank Rate falls, reducing incentives for savers. The planned changes to Cash ISA allowances, announced in the Autumn 2025 Budget, whilst not applicable until April 2027, may also impact the competitive landscape and consumer behaviour in 2026. Despite these headwinds, the Society's comparably strong capital ratio will help the Society to navigate the uncertainty and continue to grow sustainably.

**Darren Garner,**
Chief Financial Officer
22 December 2025


# Governance

# The Board of *Directors*

## Phillippa Cardno
Chief Executive

Phillippa joined the Society in 1996. She joined the Executive team in 2007 and was appointed to the Board of Directors in February 2015. Phillippa was appointed Chief Executive in March 2022 and is responsible for the Society's strategic development and providing leadership and direction throughout the Society and for setting and maintaining culture and standards. Phillippa has many years of credit risk and housing sector experience, and also contributes to financial services nationally as Chair of the UK Finance Mortgage Product and Service Board, and as Chair of the BSA's Green Taskforce.

## Darren Garner
Chief Financial Officer

Darren joined the Society and the Board of Directors in August 2020. A qualified accountant, he has worked in financial services for over 20 years, half of which as a Finance Director in the building society sector. Darren is responsible for the Society's finance and treasury activities, ensuring the integrity of financial and regulatory reporting and managing the Society's liquidity, funding and capital positions. He also holds executive responsibility for IT and Business Change and Data and Governance.

## Dean Scott
Chief Operating Officer

Dean joined the Society in 2022 as Head of Sales and Marketing following 14 years at Nationwide Building Society. In 2024, he was appointed Director of Propositions and Distribution, expanding his remit to include the Society's network of 10 branches alongside responsibility for sales, marketing, and product strategy. On 1 September 2025, Dean joined the Board of Directors as Chief Operating Officer and is now also responsible for the leadership of the customer service and operations functions.

## Piers Williamson
Non-Executive Director

Piers was appointed to the Board of Directors in January 2018 and appointed Chairman of the Board on 23 February 2022. He has more than 35 years' financial markets experience specialising in treasury risk management and in 2024 retired as Chief Executive of The Housing Finance Corporation, a mutual company that lends funds to Housing Associations. In 2024 Piers took up the position of the Chair of Sustainability for Housing. Piers is also Chair of the Nomination Committee, a member of the Remuneration Committee and Risk Committee and attends and advises the Executive-led Sales, Marketing and Product Committee.

## Debbie Beaven

Non-Executive Director

Debbie was appointed to the Board of Directors in February 2022. She is a Fellow of the Institute of Chartered Management Accountants with an extensive career in financial leadership roles. Debbie is an experienced board director, with her last executive role being Chief Financial Officer at Simplyhealth, a regulated financial services business providing health plans and services to the UK. Debbie is currently Chair of Audit and Risk for two other mutuals; Boundless (CSMA Ltd) and Southern Coop. Debbie is Chair of the Society's Audit Committee and attends and advises the Executive-led Assets & Liabilities Committee. She is also a qualified Executive Coach.

## Chris Brown

Non-Executive Director

Chris was appointed to the Board of Directors in June 2019. She is the Group IT Director of Manpower Northern Europe. She has almost 20 years' experience in leading all aspects of technology and digital in commercial organisations, of which over half have been spent in financial services. Chris is the Senior Independent Director, Chair of the Remuneration Committee and a member of the Audit and Nomination Committees and the Digital Advisory Panel.

## Nailesh Rambhai

Non-Executive Director

Nailesh was appointed to the Board of Directors in September 2022. He graduated from the University of Oxford in 1995 and, following an early career in the City of London, he undertook executive roles at Coventry Building Society and Petronas. Nailesh has lived and worked all over the world, including in China, the USA and Canada. He is currently a non-executive director at several organisations, including University College London Hospital and Birmingham Women's & Children's Hospital where he is Deputy Chair. Nailesh is Chair of the Risk Committee and a member of the Audit Committee.

## Alistair Welham

Non-Executive Director

Alistair was appointed to the Board of Directors in February 2020. Alistair has more than 25 years' experience in marketing and digital communications having specialised in financial services, real estate, car retailing industries, and is an Executive member of the Financial Services Forum and programme faculty member of Imperial College Business School on digital transformation. Alistair also holds positions with NOW: Pensions as Director of Marketing and Communications and is a Trustee of the Brighton Student Union. Alistair is a member of the Risk, Remuneration and Nomination Committees and is the Board's Consumer Duty Champion.

## Ian Workman

Non-Executive Director

Ian was appointed to the Board of Directors in February 2025. He brings with him over 25 years' expertise in financial services, having previously held roles at Barclays and Yorkshire Building Society. He is currently Chief Customer Officer for Homes England, the government's housing agency, a position he has held since 2022. Ian is a member of the Risk Committee and the Digital Advisory Panel.

# Executive *team*

The Executive team comprises the Executive Directors, introduced on page 46, together with the individuals shown below. Meetings of the Executive team are chaired by Phillippa Cardno, Chief Executive.

## Michael Goddard

Chief Risk Officer

Michael joined the Society in January 2025, having previously spent more than 20 years with Deloitte. Having spent the first ten years of his career providing external audit services in the banking sector, he subsequently led the delivery of internal and audit services in the banking and building society sectors. He brings extensive risk expertise to the Society as well as experience as a consultant having offered advisory services on a variety of topics. Michael is responsible for implementation of the Risk Management Framework and reporting on risk profile to the Risk Committee. Michael reports to the Chief Executive.

## Emma Jones

Director of People

Emma joined the Society in March 2022 after a number of years in HR leadership roles at Nationwide Building Society and AXA UK. Emma is a Chartered Member of the Institute of Personnel and Development. As Director of People Emma is responsible for shaping and delivering the people strategy, ensuring the Society has the engagement of its people and the skills and talent necessary for the future. Emma also holds responsibility for the Facilities department. Emma reports to the Chief Executive.

## Melanie Mildenhall

Director of Customer Service

Melanie joined the Society in 1994 and was appointed an Executive in January 2019. She is responsible for leading, developing and implementing the Society's Customer Service strategy. Melanie also heads the Mortgage underwriting and Customer Support functions. Melanie reports to the Chief Operating Officer.

## Erika Neves

Director of Data and Governance and Company Secretary

Erika joined the Society in 1991 and was appointed an Executive in 2002. She is responsible for the Society's team of data analysts and the management, governance and usage of the Society's data. Previously Erika lead the Risk function and was responsible for developing the Society's Risk Management Framework. Erika also holds the role of Company Secretary. Erika reports to the Chief Financial Officer.


# Corporate governance *report*

The UK Corporate Governance Code 2018 (the Code) sets out the principles that emphasise the value of good corporate governance to long-term sustainable success. The Code is aimed at listed companies and is therefore not specifically applicable to mutual building societies, however the Prudential Regulation Authority expects building societies, when considering their corporate governance arrangements, to have regard to the Code.

The Financial Reporting Council (FRC) updated the Code in 2024. The new Code applies to financial years beginning on, or after, 1 January 2025 and will therefore apply to the Society from 1 November 2025. Therefore this report reflects the current 2018 Corporate Governance Code.

This report explains how the Society applies the principles in the Code so far as its provisions are relevant to building societies.

## Board leadership and company *purpose*

A. 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's role is one of stewardship, leading the Society to serve the interests of current and future members, thereby ensuring its long-term sustainability.

The Board's effectiveness is reflected in the Society's performance, driven by a strategic focus and robust risk management, within a culture that encourages constructive challenge.

A formal schedule outlines matters reserved for Board decision. To fulfil its responsibilities, the Board convenes eleven times annually, in addition to a dedicated strategy day that consolidates strategic discussions held throughout the year. Additionally, Non-Executive Directors meet at least once a year without Executive Directors present, and the Board meets annually without the Chair.

To ensure the long-term sustainable success of the Society, the Board approves the Corporate Plan, which defines the strategic priorities, establishes funding plans, sets expenditure limits, and monitors the risk profile and capital position of the organisation. The Board also oversees the organisational structure, including the appointment and dismissal of Directors and the Company Secretary. The Board approves major business developments and changes to key risk policies.

In support of the Society's digital transformation, there is an Executive-led Digital Advisory Panel. This panel guides the development of digital capabilities and reports directly to the Board. It comprises two Non-Executive Directors, three Executive Directors, and a minimum of one external advisor with expertise in digital innovation from commercial or research sectors.

B. 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.

The Chair leads the Board in shaping and embedding the Society's culture, while the Chief Executive ensures its effective adoption across the organisation. The Board defines the Society's purpose and values, fostering a culture that supports the delivery of a sustainable long-term strategy. The Society's purpose statement was developed collaboratively with the Board, senior management, employees, and a member panel, ensuring alignment across key stakeholder groups.

The assessment of culture is through qualitative and quantitative measures. These are brought together in the annual organisational culture review which considers the Society's people plan, employee engagement and enablement, employee involvement, the wellbeing programme, absence, performance, leadership, learning and development, and inclusion and diversity. The key areas of focus during the year included strengthening employee engagement and ensuring all voices are heard, supporting high performance, fostering continuous learning and adaptability to meet future member needs, and sustaining a diverse talent pipeline. The assessment of culture is also included in the rolling internal audit programme.

The statement of purpose and Society values are on pages 10 to 12.

C. The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Society's governance structure comprises both Non-Executive and Executive-led committees, ensuring comprehensive oversight and alignment with strategic objectives and risk management. Each business area reports progress against the Society's objectives and key risks to the relevant committee, and this is subsequently reported through to the Board. Committees receive management information that includes dashboards of key performance and risk indicators, aligned to the Board's risk appetite.

The main Executive-led committees are the Executive Strategic, Executive Operations, Credit, Assets & Liabilities (ALCO), Customer, Sales Marketing and Product, Business Change, and Health and Safety committees. The terms of reference of the Executive Operations Committee includes Operational Resilience. To strengthen Board insight, a non-executive director is partnered with the Credit, ALCO, Customer, and Sales Marketing and Product committees. A member of the Executive team provides feedback to the main Board or a Board committee following each meeting.

The Non-Executive-led committees are Risk, Audit, Nomination and Remuneration. A report from each of these committees is provided on pages 54 to 63.

The terms of reference for the Board Committees are available on the Society's website, at the AGM or upon request from the Company Secretary. All committee proceedings are formally minuted and shared with the full Board. The Chair of each committee, or an Executive Director, presents key matters at the subsequent Board meeting. The Society maintains liability insurance cover for Directors and Officers. Attendance records for the year to 31 October 2025 are set out on page 53.

D. 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.

As a mutual organisation, the Society's members are also its customers. The Society actively engages with members through regular newsletters, social media, and events such as the Annual General Meeting, which is attended by Directors. There is a member forum which, during the year, has been asked to provide feedback on, for example, the new website and savings product information. Members are also encouraged to provide feedback through Smart Money People, with insights shared across the organisation and reviewed regularly to identify opportunities for service improvements.

To further strengthen its commitment to customer service, the Society maintains membership with the Institute of Customer Service (ICS) and initially achieved Distinction level accreditation in 2022. This recognition was based on independent ICS surveys of both customers and employees. The ICS require firms to be reaccredited every three years, and in 2025 the Society achieved a consecutive Distinction level accreditation, affirming the Society's continued delivery of high-quality service.

The purpose of this ongoing dialogue is to understand, and respond to member needs, ensuring the Society consistently delivers good customer outcomes.

Employee engagement is equally prioritised. The Society conducts regular employee surveys, with the most recent held in May 2024 and completed by 90% of employees. Results are shared transparently with employees and the Board, and action plans are developed to address areas for improvement.

The Society also fosters employee involvement through working groups focused on diversity and inclusion, vulnerable customers, and green initiatives. All employees are invited to participate, and additional insights are gathered through online polls to ensure employee voices are heard and valued.

Beyond members and employees, the Society maintains proactive relationships with other key stakeholders, including regulators, trade bodies, suppliers, and local communities.

See pages 15 to 32 for more information.

E. The Board should ensure 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.

The Society's overarching HR policy is reviewed annually by the Nomination Committee and approved by the Board. Workforce policies and practices are regularly evaluated to ensure alignment with the Society's values, and compliance with the relevant legal framework. These policies are accessible to all employees via the Society's online employee portal, with additional support available from the HR team.

Employee wellbeing is a strategic priority, and the Society provides support to employees in several ways. These include access to an Employee Assistance Programme which offers confidential counselling and advice on a wide range of work and personal issues, a Cash Health Plan which includes a virtual GP service, wellbeing workshops and support from trained mental health first aiders.

The Society maintains a Board-approved Whistleblowing Policy, with annual reporting to the Board on its effectiveness and alignment with the Society's values.

Employees undertake learning and development activity to ensure they are aware of how to confidentially raise concerns without fear of victimisation. The Society's whistleblowing champion is Chris Brown (Senior Independent Director). She can be contacted at chris.brown@newbury.co.uk should members or employees have any concerns that cannot be addressed through standard channels.

## Division of *responsibilities*

F. 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.

The Chair sets the direction and culture of the Board, facilitating effective contribution from Directors, maintaining constructive relations between Executive and Non-Executive Directors and ensuring that Directors receive accurate, timely and clear advice and information.

The Society's Chair, Piers Williamson, was appointed as an independent Non-Executive Director in January 2018 following a rigorous selection exercise and was elected by the other members of the Board to become Chair on 23 February 2022. The Senior Independent Director, Chris Brown, has responsibility for leading the appraisal of the Chair's performance.

G. 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.

The Board currently comprises six Non-Executive Directors and three Executive Directors. All Non-Executive Directors are considered by the Board to be independent in character and judgement, in accordance with the UK Corporate Governance Code definition. Following the formal performance evaluation process, the Chair has confirmed that each Non-Executive Director continues to demonstrate effectiveness and commitment to their role.

The roles of Chief Executive and Chair are distinct and held by different Directors. The Chair leads the Board, ensuring effective governance and strategic oversight, while the Chief Executive is responsible for the day-to-day management of the Society's operations, within the framework of Board-approved policies and delegated authorities.

H. 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.

Directors are made aware of the expected time commitment during the appointment process and this is formally outlined in their letter of appointment. The Nomination Committee assesses each candidate's capacity to fulfil this commitment prior to appointment, drawing on references and other relevant information. Once appointed, any new external role requests are subject to a formal approval process. The Chair's annual appraisal of each Director includes an evaluation of their ability to meet the time demands of the role. Attendance records for Board and Committee meetings are detailed on page 53.

The Board dedicates a large amount of its time to strategic matters. Typically, the first part of each Board meeting is reserved for strategic discussions or on learning activities designed to enhance Directors' ability to make informed strategic decisions.

An annual Board strategy day consolidates the Board's strategic debates throughout the year to inform the development of the strategic plans. Following these sessions, the Executive Directors produce a four-year corporate plan which the Board rigorously reviews and approves, providing constructive challenge to ensure the strategy is robust, sustainable, and aligned with the long-term interests of the Society and its members.

I. 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.

The Chair ensures the Board receives timely and sufficient information to effectively discharge its responsibilities. Directors access Board-approved policies, the Board manual, committee packs, minutes and other relevant information through the secure online Board portal. Management information is regularly reviewed and enhanced to support the Board and its Committees in discharging their terms of reference. Each Committee also conducts an annual effectiveness review, which includes an assessment of the quality and adequacy of the information provided.

New Directors receive a tailored formal induction programme covering the nature of building societies, their responsibilities and duties, the management information they will receive and how to interpret it, insights into the Society and its local market, introductions to senior management, an overview of regulatory requirements, and current industry issues. The Chair regularly reviews and agrees each Non-Executive Director's training needs, ensuring access to internal briefings, on-line training modules and participation in industry seminars and conferences to maintain and enhance their skills and knowledge.

Prior to appointment, all new employees undertaking a Senior Management Function undergo a comprehensive handover process to ensure they fully understand the specific responsibilities relating to their role.

The Company Secretary provides guidance on corporate governance matters, and individual members of the Board have access to independent advice if required.

## Composition, succession and *evaluation*

J. Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Nomination Committee oversees succession planning and the appointment process for both Executive and Non-Executive Director roles. Appointments are made through a formal, rigorous, and transparent process, with candidates objectively assessed against agreed criteria to ensure selection is based on merit.

The Board has adopted an Inclusion and Diversity Statement that outlines its commitment and goals in fostering a diverse and inclusive environment. Newbury Building Society recognises that a high-performing Board is built on diversity of thought, experience, education, and background. The Board values the role of inclusion and diversity in shaping a positive organisational culture, which directly influences the Society's ability to attract and retain both employees and members. The terms and conditions of Non-Executive Director appointments are available for inspection at the AGM or at the Society's registered address.

K. 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.

The Board currently comprises the Chair and a further five independent Non-Executive Directors and three Executive Directors, collectively providing a balanced mix of skills and experience aligned with the requirements of the business. Committee membership is reviewed annually to ensure there is appropriate expertise in each Committee to effectively discharge its terms of reference.

In accordance with the Society's Rules, all Directors must stand for election within 16 months of their appointment. The Rules also require that Directors must be re-elected every three years. However, the Board has resolved that in line with the recommendation of the Code, all Directors should seek annual re-election.

Non-Executive Directors will not usually serve more than nine years. The Code also recommends that a Chair should not remain in post beyond nine years from the date of their first appointment to the Board. Although it does recognise that to facilitate effective succession planning this period can be extended for a limited time, particularly in those cases where the Chair was an existing Non-Executive Director on appointment. All the Society's Non-Executive Directors, including the Chair, have served less than nine years.

L. Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

There is a formal internal process to annually assess the performance and effectiveness of the Board and its members. As part of this process, the Chair of the Nomination Committee reviews the Chief Executive's performance, and the Committee considers the performance reviews of other Executive Directors. The Chair evaluates the contribution of each Director incorporating feedback from fellow Directors.

The Chair's performance is evaluated by the Non-Executive Directors facilitated by the Senior Independent Director, considering the views of the Executive Directors. Each Committee reviews its effectiveness annually and reports the outcomes to the Nomination Committee. With input from the Nomination Committee, the Board evaluates its overall performance and that of each Committee. This process supports continuous improvement, identifies training needs, and informs decisions regarding Director re-election.

Board effectiveness is also periodically assessed by an external facilitator. The most recent external assessment was completed in November 2022, and the outcomes were reviewed by the Nomination Committee. The assessment covered seven key categories: Board composition; Board process; Leadership from the Chairperson; Board dynamics, culture, and conduct; Strategy and purpose; Stakeholder engagement; and the governance framework.


## Audit, risk and internal *control*

M. 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.

The Audit Committee comprises three independent Non-Executive Directors. The Executive Directors, the Chief Risk Officer, senior managers from the Compliance team, and representatives from the internal and external auditors, attend by invitation. While the Board Chair is not an Audit Committee member, they may attend by invitation. The Committee meets four times a year, and once a year the external and internal auditors meet the Committee without the presence of the Executive Directors.

The Audit Committee report explains how it discharges its responsibilities in respect of internal and external audit functions, and the integrity of financial and narrative statements.

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

The Board believes that the annual report and accounts, taken as a whole, is fair, balanced and understandable. It provides members with the information needed to assess performance, strategy and the business model. The Directors responsibilities in relation to the preparation of the Society's accounts are contained in the Directors' Responsibilities on page 64. The Audit Committee Report describes the main areas of accounting judgement exercised.

O. The Board should establish procedures to manage risk, oversee the 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.

The Board has identified the principal risks and uncertainties that could threaten its business model, future performance, solvency or liquidity. These risks, together with the mitigation strategies in place, are detailed in the Risk management report on pages 33 to 38.

The Board, assisted by the Risk Committee, is collectively responsible for setting the Society's risk appetites and overseeing risk management and control strategies as outlined in the Society's Risk Management Framework. Senior management is accountable for designing, operating and monitoring the systems and controls that manage risk across the organisation.

The Society operates a robust second-line Risk and Compliance function, led by the Chief Risk Officer, which provides independent challenge and oversight to first-line activities. The Executive team holds quarterly meetings to review the risk and control environment in their respective areas. The Risk Committee evaluates the adequacy of the risk-related output of this process and the Society's internal auditor, provides independent and objective assurance regarding the design and performance of risk management systems and controls.

## Remuneration

The Remuneration Committee report on pages 61 to 63 explains how the Society applies the Code Principles relating to remuneration.

## Directors' attendance *record*

The attendance record for Board members is shown in the table below. The table shows the actual number of meetings attended with the number of meetings for which the Directors were eligible to attend.

| Board member | Board | Audit | Risk | Remuneration | Nomination |
|---|---|---|---|---|---|
| **Non-Executive** | | | | | |
| Piers Williamson | 11 (11) | | 4 (4) | 4 (4) | 4 (4) |
| Debbie Beaven | 11 (11) | 4 (4) | | | |
| Chris Brown | 11 (11) | 4 (4) | | 4 (4) | 4 (4) |
| Nailesh Rambhai | 11 (11) | 4 (4) | 4 (4) | | |
| Alistair Welham | 11 (11) | | 4 (4) | 4 (4) | 4 (4) |
| Ian Workman[1] | 9 (9) | | 3 (3) | | |
| **Executive** | | | | | |
| Phillippa Cardno | 11 (11) | 4 (4) A | 4 (4) A | 4 (4) A | 4 (4) A |
| Darren Garner | 11 (11) | 4 (4) A | 4 (4) A | | |
| Dean Scott[2] | 2 (2) | | | | |

Notes:

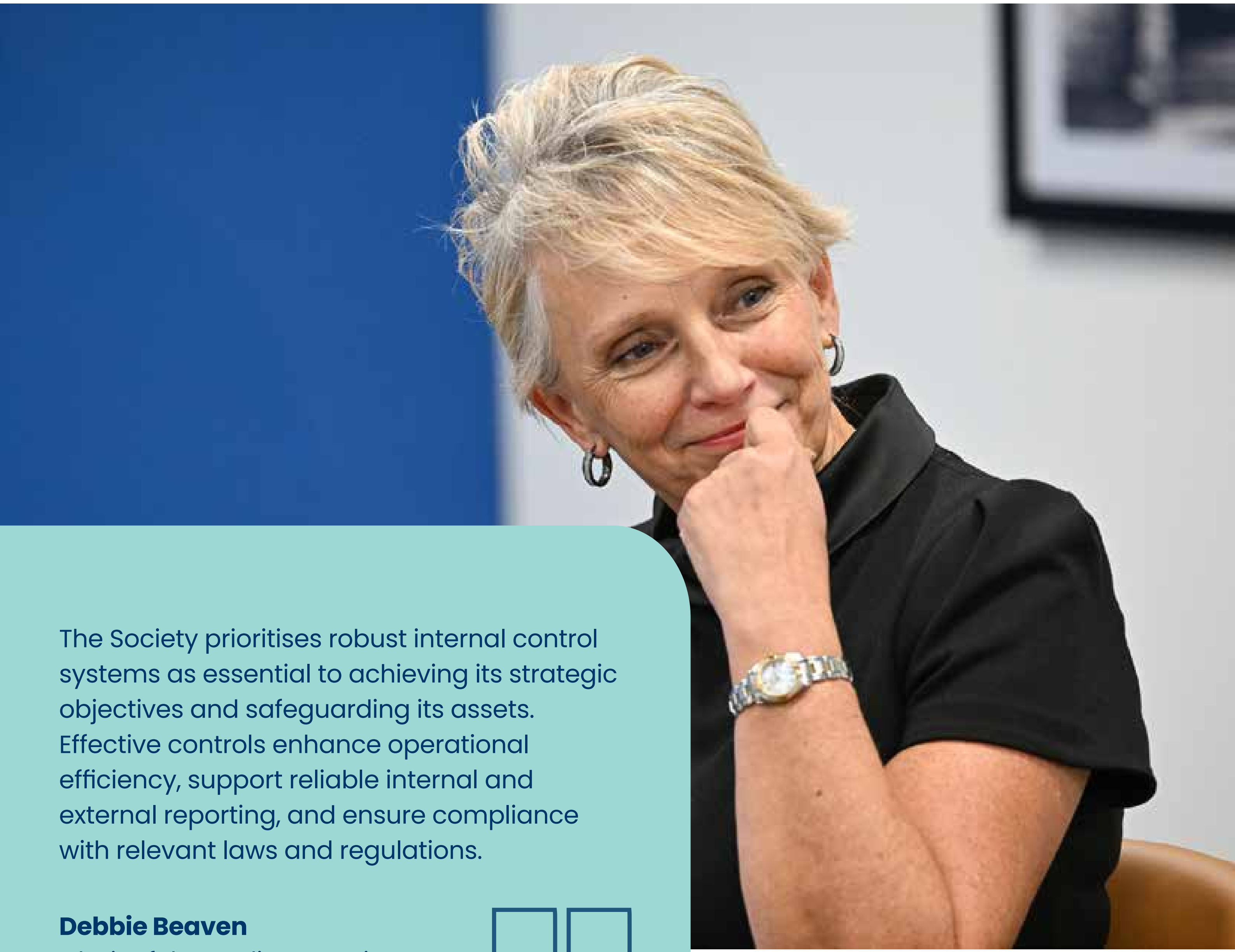
(1) Ian Workman joined the Board in January 2025

(2) Dean Scott joined the Board in September 2025

(3) A denotes attendee only

**Piers Williamson,** Chairman of the Board
22 December 2025

# Audit Committee *report*



The Society prioritises robust internal control systems as essential to achieving its strategic objectives and safeguarding its assets. Effective controls enhance operational efficiency, support reliable internal and external reporting, and ensure compliance with relevant laws and regulations.

**Debbie Beaven**
Chair of the Audit Committee

| Key activities for 2024/25 | Committee membership during 2024/25 | Number of meetings and attendance |
|---|---|---|
| • Reviewed the production, and validated the integrity, of the financial statements<br>• Reviewed and monitored the independence, expertise, objectivity, performance and effectiveness of the Society's internal and external auditors<br>• Approved the annual compliance plan, and reviewed progress | • Debbie Beaven (Chair) – member since March 2022, and Chair since February 2024<br>• Chris Brown – member since March 2020<br>• Nailesh Rambhai – member since March 2023 | • Four meetings held during the year<br>• 100% attendance from Committee members |

## Introduction

The report details how the Committee discharged its responsibilities in line with the provisions of the Financial Reporting Council's 'Guidance on Audit Committees' (April 2016) and explains how the Society applies the following principles of the UK Corporate Governance Code 2018 (the Code) relating to the operation of the Audit Committee and the system of internal control.

The new Corporate Governance Code 2024 applies to financial years beginning on or after 1 January 2025 and therefore is not applicable to the Society for the year ending 31 October 2025. The Committee considered the updates to the Code, particularly the new provision 29 relating to internal controls which applies to the Society from 1 November 2026.

M. 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.

N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.

It details the significant issues reviewed and concluded during the year including the Committee's assessment of those areas on which accounting judgement was exercised.

## Committee operations and *responsibilities*

The Audit Committee is responsible for providing appropriate oversight, independently of the Executive, to ensure the interests of members, and other key stakeholders, are protected in relation to financial reporting and internal control.

The Committee currently comprises three members, all independent Non-Executive Directors; Debbie Beaven as Chair of the Committee, Chris Brown, and Nailesh Rambhai. The Committee members have specialist expertise, including Debbie Beaven who is a Chartered Accountant with financial experience relevant to the remit of the Committee.

The Executive Directors, Chief Risk Officer, senior members of the Compliance team, and representatives from the internal and external auditors, also attend by invitation, as well as other members of the Executive and senior management when appropriate to the agenda.

The Audit Committee met four times during the year. It also met with the external and internal auditors without the Executive Directors present.

A review of the effectiveness of the operation of the Audit Committee is undertaken on an annual basis, providing an opportunity to review the Terms of Reference, assess the quality and appropriateness of the management information and reports as well as the rolling agenda. Every year an internal evaluation is undertaken through a questionnaire completed by Committee members and attendees. The Committee was observed to have strong governance with sufficient discussion, challenge and review.

A comprehensive assessment of the effectiveness of all Board Committees led to a reassignment of oversight responsibilities for Operational Resilience, transferring it from the Audit Committee's terms of reference to those of the Risk Committee.

The key responsibilities of the Committee are:

*Audit, risk and internal control*

The Society prioritises robust internal control systems as essential to achieving its strategic objectives and safeguarding its assets. Effective controls enhance operational efficiency, support reliable internal and external reporting, and ensure compliance with relevant laws and regulations. Management is responsible for designing an appropriate internal control framework and the Audit Committee is responsible for ensuring that the Board receives appropriate assurance over the framework's effectiveness.

To fulfil this role, the Audit Committee evaluates the performance of the Society's Compliance function and Internal Auditor, approves their annual plans, and monitors progress quarterly. The Committee also reviews their material findings and ensures the timely implementation of the recommendations arising from assurance activities.

*Annual report and accounts*

The Directors are responsible for preparing the Annual Report and Accounts. At the Board's request, the Committee considered whether this Annual Report and Accounts is fair, balanced and understandable, and whether it provides members and other stakeholders with the information needed to evaluate the Society's financial position, performance, business model, and strategy. To do this, the Committee considered the information published in the Annual Report and Accounts, the accounting policies adopted by the Society, the presentation and disclosure of financial information and, in particular, the key judgements made by management in preparing the financial statements.

In evaluating this year's financial reporting process, the Committee observed early and active engagement from Board members and the Executive management team in shaping the tone and content of the report. Members of the Executive Committee and Board also participated in a rigorous verification process, reviewing, commenting on, and challenging successive drafts to ensure accuracy and integrity.

*External audit*

The Audit Committee oversees the external audit process by monitoring the relationship with the External Auditor (currently Deloitte LLP), evaluating its effectiveness, approving its remuneration and terms of engagement, and making recommendations to the Board on their appointment, re-appointment or removal. As part of the external audit process, Deloitte reports and engages with the Society on internal control matters identified during the audit. No material control weaknesses were reported.

The Committee also monitors the External Auditor's effectiveness, performance, objectivity and independence. It ensures that the provision of non-audit services is appropriate and in accordance with the Financial Reporting Council's Ethical Standards. Deloitte did not provide any non-audit services during the year.

To safeguard independence and objectivity, the Society maintains a policy of regularly tendering audit services, at least every ten years. Deloitte LLP has served as External Auditor since February 2018. The Committee is considering the timetable for an upcoming tender process and will provide an update in next year's Committee report.

## Matters *considered* by the Committee during the year

In line with its responsibilities, the Audit Committee undertook the following activities during the year:

### Audit, risk and internal control

- *Compliance assurance*

  The Society's Compliance function provides second line assurance on activities across the Society. The Committee received regular reports detailing the outcomes of compliance reviews and progress updates on management's implementation of findings. During the year, the Committee:

  - approved the annual Compliance plan, outlining the high-level scope and focus of planned reviews.
  - confirmed that the Compliance function was adequately resourced to deliver the assurance programme, and that any identified areas of improvement had been addressed.

- *Internal audit*

  The Society's Internal Audit function, outsourced to BDO, delivers independent assurance to the Board, via the Audit Committee, on the effectiveness of the internal control framework. The information received and considered by the Committee during the year provided assurance that there were no material control breaches, and that the Society maintained an adequate internal control framework that met the principles of the Code.

  The Committee reviewed Internal Audit reports detailing material findings, recommendations, and management's progress in addressing their findings. It also verified that action statuses were accurately reported.

  The Committee is satisfied that, over the year, Internal Audit had an appropriate level of resources in order to deliver its plan of work and that it discharged its responsibilities effectively. During the year the Committee:

  - approved the Internal Audit annual risk-based plan of work and the annual budget; and
  - received assurance that no material control breaches occurred and that the Society maintained an adequate internal control framework aligned with the principles of the Code.

- *Other activities*

  During the year the Committee considered, and was assured of:

  - the operating effectiveness of the Society's whistleblowing arrangements. This included reviewing the Whistleblowing policy;
  - the IT and cyber security controls; and
  - the regulatory reporting framework.

The Committee also reviewed the:

- Society's Code of Conduct
- Conflicts of Interest policy
- Third party arrangements policy
- Regulatory reporting framework
- Savings terms and conditions

## Annual report and *accounts*

The Audit Committee reviewed several matters that carry significant potential impact on the Society's financial results due to their complexity, reliance on critical judgement, or the use of management estimates.

- *Provisioning for loan impairment*

The Committee closely monitored the Society's approach to loan impairment provisioning, particularly in relation to forbearance practices within the mortgage portfolio. It assessed the influence of prevailing economic conditions and key assumptions within the provisioning model - most notably, probability of default and house price movements. The Committee challenged the assumptions applied and reviewed the related disclosures in the Accounts. It is satisfied that the level of impairment provisions is appropriate and reflects an appropriately prudent approach.

- *Effective interest rate*

Interest income on the Society's mortgages is measured under the effective interest method, as explained in Note 1 to the Accounts on page 80. This method requires estimating mortgage product lives, based on historical data and management judgement. The Society's estimate of mortgage lives reflects changes in market conditions and customer behaviours. The Committee reviewed changes in market conditions and customer behaviour, including revised mortgage life estimates and the impact of standard variable rate (SVR) adjustments. It confirmed that the estimates and accounting treatment are reasonable and appropriately applied.

- *Going concern*

This involves rigorous consideration, based on reports as requested by the Committee, of the Society's current and projected liquidity and capital positions, together with the potential risks (for example strategic risk, credit risk, liquidity risk, operational risk and conduct risk) which could also impact the business, as well as consideration of potential stress scenarios relating to economic uncertainty caused by the direct or indirect consequences of inflation and interest rate changes, focused on the Society's capital and liquidity position and operational resilience. Based on its review, the Committee concluded that the adoption of the going concern assumption to prepare the financial statements remains appropriate.

*External Audit*

The Committee considered matters raised during the statutory external audit, through discussions with senior management and Deloitte, the external auditor. It concluded that no adjustments were required that would be material to the financial statements.

## Conclusion

Based on its enquiries and oversight throughout the year, the Audit Committee is satisfied that the 2025 Annual Report and Accounts, taken as a whole, is fair, balanced, and understandable. It provides a clear and accurate representation of the Society's financial position and future prospects.

**Debbie Beaven,** Audit Committee Chair
22 December 2025

# Risk Committee *report*

The main purpose of the Committee is to oversee the Society's Risk Management Framework, including the risk appetite, risk monitoring, policies and strategy to ensure they are appropriate, proportionate and in line with regulatory requirements and industry best practice.

**Nailesh Rambhai**
Chair of the Risk Committee

| Key activities for 2024/25 | Committee membership during 2024/25 | Number of meetings and attendance |
|---|---|---|
| • Full programme of oversight of current risk profile and emerging risks, including a detailed review of strategic and horizon risks<br>• Transition to a new Chief Risk Officer during the year<br>• Review of the Society's ability to respond to operational disruption<br>• Oversight of the Society's capital, liquidity and funding risk profile and key lending and treasury policies | • Nailesh Rambhai (Chair) – member since September 2022<br>• Piers Williamson – member since January 2018<br>• Alistair Welham – member since February 2020<br>• Ian Workman – member since January 2025 | • Four meetings held during the year<br>• 100% attendance from Committee members |

## Report on the *year*

This report outlines the duties of the Committee and how the Committee has fulfilled its role in providing oversight for the Board of current and potential future risk exposures, the effectiveness of management and mitigation of these risk exposures and in overseeing the effectiveness of the Risk Management Framework.

During the year, the Committee provided this oversight against a backdrop of economic and geopolitical uncertainty. Economic growth remains subdued and whilst the Bank of England base rate was reduced four times in 2024/25, inflation remains above the Government's long-term targets. House price inflation may have slowed, but the Society remains aware of the impact of ongoing pressure on household incomes and mortgage affordability. The outlook for the year ahead remains uncertain due to the impact of geopolitical conflicts, international trade tensions and UK tax policy. Further complexity is likely to arise due to changes in the UK financial services regulatory framework which are intended to accelerate growth but bring both opportunities and risks that need careful consideration.

I would like to thank my fellow Committee members for their continued commitment, support and challenge during the year. Following his appointment to the Board, Ian Workman joined the Risk Committee as an additional member in January 2025. In the same month, Michael Goddard joined the Society as Chief Risk Officer. Michael is an experienced governance, risk and control professional with more than 20 years' experience in the banking and building society sectors and has joined the Risk Committee as an attendee. Prior to Michael's appointment, the role of Chief Risk Officer was held by an experienced risk professional on an interim basis. Members and attendees to the Committee have otherwise remained unchanged.

## Committee operations and *responsibilities*

The Committee currently comprises four members, all independent Non-Executive Directors; myself as Chair of the Committee, Piers Williamson, Alistair Welham and Ian Workman. The Chief Executive, Chief Financial Officer and Chief Risk Officer also attend by invitation, as well as other members of the Executive depending on the agenda to ensure appropriate representation and input. The Director of Data and Governance and Company Secretary acts as the Committee Secretary.

The main purpose of the Committee is to oversee the Society's Risk Management Framework, including risk strategy, risk appetite, risk policies and risk monitoring activity to ensure they are appropriate, proportionate and in line with regulatory requirements and industry practice. The full roles and responsibilities of the Committee are set out within the Terms of Reference (ToR), which can be found under the Corporate Governance section of the Society's website.

The Committee also receives a quarterly report from the Chief Risk Officer, which assesses performance against the seven principal risks identified within the Risk Management Framework and how the resulting risk profile aligns to Board approved risk appetite, as well as the outcome of a range of risk assurance and monitoring activities performed by the Risk function. The Committee also considers strategic, emerging and horizon risks identified through Board and Executive workshops and the broader horizon scanning activity undertaken within the first and second lines of defence, and any responses or remedial actions required to ensure these are effectively mitigated. Following each meeting, I provide an update to the Board, including recommendations for Board approval of key policies and documents that were reviewed, providing an opportunity for further scrutiny and oversight. I am also a member of the Audit Committee, which has broader responsibility for oversight of the internal control environment and report to the Audit Committee on any matters discussed by the Risk Committee which are of relevance.

The Committee meets four times a year. Additional meetings can be convened on an ad-hoc basis when required.

A review of the effectiveness of the Risk Committee is performed annually, providing an opportunity to review the ToR, assess the quality and appropriateness of the management information and reports received and the content of the rolling agenda. An internal evaluation is undertaken each year using a questionnaire completed by all Committee members and attendees. In addition, the key duties and responsibilities of the Committee were reviewed against the ToRs of a range of other comparable organisations. No specific gaps were identified and the Committee was observed to have strong governance with sufficient discussion, challenge and review. The Society will continue to evolve and develop its risk oversight in key emerging topic areas including technological change (including risks linked to Artificial Intelligence) and climate-related risks, as well as considering the effectiveness of linkages and overlaps between Risk and Audit Committees. BDO, our outsourced internal auditors, completed an audit of the effectiveness of risk management and governance in 2023/24 with no significant adverse findings. All actions identified have since been addressed and the Committee are currently overseeing a number of enhancements to Risk Management Framework maturity recommended by the new Chief Risk Officer.

## Matters considered by the Committee in *2024/25*

During the financial year ended 31 October 2025, the Risk Committee has supported the Board in overseeing the Society's current and expected future risk profile as set out in the annual rolling agenda within the ToR. Key activities have included:

- annual review of the Risk Management Framework and Risk Appetite Statements, incorporating revisions to the calibration of a small number of risk limits to ensure their consistency with the business model and risk profile;
- a full review of identified strategic, emerging and horizon risks, considering the risks and challenges that may have the most significant impact on the Society over the next five years was performed, with enhancements made to tracking and reporting on the Society's management of these risks;
- quarterly review of risk management information including key risk indicator metrics and the outcome of risk monitoring activity;
- annual review and recommendation to the Board of the principal risk policies relating to Lending and Treasury activity, taking into account evolving regulatory requirements, the impact of recent macroeconomic challenges on borrower affordability and the management of swap counterparties;
- annual review and recommendation to the Board of the Internal Liquidity Adequacy Assessment Process (ILAAP) and Internal Capital Adequacy Assessment Process (ICAAP) policy documents, outlining the Society's strategy for the management of capital and liquidity resources, taking into account input from the Assets & Liabilities Committee throughout the year;
- annual review and recommendation to the Board of the Recovery Plan and Resolution Packs, and first-time review and approval of the Solvent Exit Analysis following the introduction of new regulatory rules which took effect from 1 October 2025;

- annual review and recommendation to the Board of the Operational Risk and Resilience Policy and Operational Resilience Self-Assessment Report, both of which assess the Society's ability to respond to events of operational disruption and consider the root causes of, and lessons learnt from, any operational disruption encountered;
- annual review and recommendation to the Board of the Conduct Risk Framework and Consumer Duty Board Report, outlining the Society's framework for ensuring that all customers receive appropriate outcomes and the extent to which the risk of customer harm has been managed during the year. No significant concerns were identified with external input and internal monitoring identifying no systemic concerns. These documents were informed by input from the Customer Committee, which was re-introduced to the governance structure in March 2025;
- review of the risk profile associated with delivery of the proposed 2025/26 Corporate Plan ahead of the full plan being approved by the Board; and
- review and consideration of a number of reports issued by the Risk function, including assurance review outcomes, analysis of risk events and tracking of future regulatory change.

## Future areas of *focus*

Over the next 12 months, the Committee will continue to focus on the potential impacts of the challenging macroeconomic and geopolitical environments, a number of significant regulatory changes (including Basel 3.1, the Small Domestic Deposit Takers regime, the retirement of regulations previously referred to as the Building Societies Sourcebook, the strengthening of requirements in relation to third party risk management and oversight and various regulatory initiatives to enhance competition and choice in the mortgage market). Key areas of focus for the Committee in 2025/26 are expected to include:

- Oversight of the external factors and regulatory changes referred to above;
- Continued focus on oversight of, and the receipt of assurance over, emerging risks relating to business change, technological advancements and external cyber threats;
- Ongoing evolution of the Risk Management Framework to support its development in line with business model maturity and risk profile, with further development of operational risk and resilience and conduct risk related risk metrics anticipated; and
- Ensuring sufficient liaison and interaction with other Committees, particularly the Audit Committee, to ensure holistic oversight of the effectiveness of the control environment and efficiency and effectiveness of Committee operation.

**Nailesh Rambhai,** Chair of the Risk Committee
22 December 2025

# Nomination Committee *report*

| Key activities for 2024/25 | Committee membership during 2024/25 | Number of meetings and attendance |
|---|---|---|
| • Executive and Board succession, including Non-Executive Director appointment to new roles<br>• Oversee the performance review process for the Executive and Non-Executive Directors<br>• Support the Board to oversee the Society's people policies and practices | • Piers Williamson (Chair) – member since April 2019<br>• Alistair Welham – member since April 2022<br>• Chris Brown – member since April 2022 | • Four meetings held during the year<br>• 100% attendance from Committee members |

## Report on the *year*

This report outlines the duties of the Committee and how the Committee has fulfilled its role to provide oversight for the Board in relation to Board governance, succession planning and overseeing appointments to the Board.

## Committee operations and *responsibilities*

The Committee currently comprises of three members, all independent Non-Executive Directors; myself as Chair of the Committee alongside Chris Brown, and Alistair Welham. The Chief Executive, the Director of Data and Governance and Company Secretary, and the Director of People also attend by invitation.

The main purpose of the Committee is to review the Society's governance arrangements including the composition and performance of Board Committees, maintain and enact succession plans for the Board and Executive team and oversee successful appointment to the Board and Executive team. The full set of duties and responsibilities is available within the Terms of Reference (ToR), which can be found under the Corporate Governance section of the Society's website.

The Committee meets four times a year and the Chair can convene additional meetings on an ad-hoc basis when required.

A review of the effectiveness of the operation of the Nomination Committee is undertaken on an annual basis, providing an opportunity to review the ToR, assess the quality and appropriateness of the management information and reports as well as the rolling agenda. Every year an internal evaluation is undertaken through a questionnaire completed by all Committee members and attendees. In addition, the key duties and responsibilities of the Committee were reviewed against the ToRs of a range of other comparable organisations. No specific gaps were identified, and the Committee was observed to have strong governance with sufficient discussion, challenge and review.

## Matters considered by the Committee in *2024/25*

During the financial year ended 31 October 2025 the Nomination Committee has supported the Board to oversee our approach to inclusive and effective people policies and practices.

These have included review of:

- The appointment of a new Non-Executive Director, Ian Workman, an internal promotion to Executive Director, Chief Operating Officer for Dean Scott and the appointment of a new Chief Risk Officer, Michael Goddard. The Board carefully considers diversity, skills and experiences when making any appointments and ensures we use an objective set of criteria when recruiting. There has been no requirement to address any under-represented gender gaps in our Board which is currently operating at 66% male to female representation. The gender ratio of our Senior Managers (those that report to a Board Member or a member of the Executive team) is 58% female to 42% male
- The progress of People Strategy activities (many of which are outlined on pages 30 to 32)
- The performance review process for all Executive Directors, Directors and Material Risk Takers as well as Non-Executive Directors
- The approach to the regulatory requirements of the Senior Manager and Certification Regime including the Fitness and Propriety of our employees. This also includes regularly reviewing the Management Responsibilities Map ensuring clear accountability and governance across the Society ahead of Board approval
- Board and Executive succession
- Composition and performance of Board Committees through Board capability self-assessments

At each meeting the Director of People presents data and insight on employee retention and exit trends as well as Inclusion and Diversity reporting which continue to give us measurable confidence in the way people practices are operated at the Society. The review of the Society's Inclusion and Diversity policy and the associated actions, implementation and outcomes were moved from the Nomination Committee to the Board to provide wider strategic debate.

## Future areas of *focus*

The Nomination Committee will continue to support the Executive team to meet the Society's growth ambitions by maintaining the strong performance and effectiveness of the Board, ensuring it has the right skills, qualities and performance expectations which underpin the Society's vibrant culture, and has the ability to continue to meet its changing customer needs today and in the future.

**Piers Williamson**, Chair of the Nomination Committee

22 December 2025

# Remuneration Committee *report*

The Remuneration Committee will continue to ensure we have the right reward structures in place ensuring appropriate alignment between delivering an ambitious but credible growth plan for the Society and its members and the promotion of a healthy and inclusive culture where we continue to attract and retain talent

**Chris Brown**
Chair of the Remuneration Committee

| Key activities for 2024/25 | Committee membership during 2024/25 | Number of meetings and attendance |
|---|---|---|
| • Supported the Board to oversee the Society's remuneration policies and practices<br>• Approved Executive and Board fixed and variable pay decisions | • Chris Brown (Chair since January 2024) - member since April 2022<br>• Piers Williamson – member since April 2019<br>• Alistair Welham – member since January 2024 | • Four meetings held during the year<br>• 100% attendance from Committee members |

## Report on the *year*

This report outlines the duties of the Committee and how the Committee has fulfilled its role to provide oversight for the Board in relation to remuneration policies and practices.

This Committee is responsible for completing the Directors' Remuneration Report (detailed on pages 62 to 63).

## Committee operations and *responsibilities*

The Committee currently comprises of three members, all independent Non-Executive Directors; myself as Chair of the Committee, alongside Piers Williamson, and Alistair Welham. The Chief Executive and the Director of People also attend by invitation but take no part in the discussion of their own salaries.

The main purpose of the Committee is to set and monitor adherence to the Society's remuneration principles ensuring the Society complies with best practice and the appropriate legal and regulatory requirements. The full set of duties and responsibilities is available within the Terms of Reference (ToR), which can be found under the Corporate Governance section of the Society's website.

The Committee meets four times a year and the Chair can convene additional meetings on an ad-hoc basis when required.

A review of the effectiveness of the operation of the Remuneration Committee is undertaken on an annual basis, providing an opportunity to review the ToR, assess the quality and appropriateness of the management information and reports, as well as the rolling agenda items. Every year an internal evaluation is undertaken through a questionnaire completed by all Committee members and attendees. In addition, the key duties and responsibilities of the Committee were reviewed against the ToRs of a range of other comparable organisations. No specific gaps were identified, and the Committee was observed to have strong governance with sufficient discussion, challenge and review.

## Matters considered by the Committee in *2024/25*

During the financial year ended 31 October 2025 the Remuneration Committee has supported the Board to oversee our remuneration practices and policies.

These have included review of:

- The Society's Remuneration principles including our Remuneration Policy Statement and oversight of the Society's salary and payments policy
- All decisions relating to Executive Directors, Non-Executive Directors and Executive team reward including variable pay through the short-term incentive plan. It should be noted the Executive Team medium term incentive plan is not due for review and pay award until the next financial year
- Directors' expenses policy and payments
- Gifts and hospitality received by Material Risk Takers (MRTs) including the Board and the Executive team
- Any changes to remuneration regulations and associated regulatory returns

The Committee has been kept informed and updated of annual pay and variable pay awards made throughout the year which were benchmarked in our building society sector and geographical area using national pay benchmark data, recruitment agency data locally and nationally, and the Building Societies Annual Salary survey. The 2025 pay awards took into account changes to national minimum wage and changes to employer's national insurance contributions. The pay review for employees was conducted in two parts, a pay review effective on 1 April 2025 predominantly aimed at our customer facing employees who received a pay increase of between 3.5% and 6.6% and one effective on 1 May 2025 for all other employees where at least a 2.5% increase was applied.

The Committee continue to review the progress of the Executive Team's medium term incentive plan on a quarterly basis through a report brought by the Director of People. The Committee is required to consider and govern that the incentive scheme is delivering the desired results in terms of achievement against the corporate plan objectives whilst not taking unnecessary risk in doing so.

## Future areas of *focus*

The Remuneration Committee will continue to ensure we have the right reward structures in place ensuring appropriate alignment between delivering an ambitious but credible growth plan for the Society and its members and the promotion of a healthy and inclusive culture where we continue to attract and retain talent.

We will provide appropriate governance of all Director and MRT reward decisions, providing both challenge and support to help the Society maintain a competitive reward offering that is designed to help retain and motivate their employees, whilst ensuring that reward outcomes are transparent and equitable.

Next year the Committee will be asked to review the awards proposed in the Executive medium term incentive plan and the gender pay gap reporting, which is completed and reported to the Remuneration Committee every two years.

## Directors' Remuneration *Report*

This report explains how the Society applies the principles of the UK Corporate Governance Code (relating to remuneration). It also explains how the Society's remuneration policy complies with relevant regulations including the Remuneration Part of the Prudential Regulation Authority's Rulebook and the Financial Conduct Authority's Remuneration Code for dual regulated firms (SYSC 19D). The Remuneration Committee has determined that, at 31 October 2025, all of the Non-Executive Directors and Executive Directors, as well as the other members of the Executive management team, were classified as Material Risk Takers (MRTs) and subject to the Remuneration Code.

## The level and components of *remuneration*

### Code Principle:

P. 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.

The Society's objective when setting remuneration is to ensure that it is in line with the Society's business strategy, risk appetite and long-term objectives, by being consistent with the interests of the Society's members. Remuneration is set at a level to retain and attract individuals of the calibre necessary to operate and meet the Society's objectives.

### Executive Directors' emoluments

The remuneration of the individual Directors is detailed in note 8 on page 83. The remuneration reflects the Directors' specific responsibilities and comprises basic salary, annual performance related pay and various benefits detailed below.

### Basic salaries

Basic salaries are reviewed and benchmarked annually in line with comparable organisations across location, industry and job function.

### Performance Related Pay schemes

The Society operates two simple and transparent performance related pay schemes for the Executive Management team, with objectives relating to a balance of financial performance, customer service and sustainable growth over a multi-year timeframe:

1. An annual scheme based on the Society's key performance measures of profitability, control of costs, risk management controls, growth in mortgages, and increases in member numbers. A maximum of 10% of salary (prior to any salary sacrifice) can be earned annually for achievement of these targets, which includes a maximum 2% of salary based on personal contribution.
2. A two-year medium-term incentive plan based on successful delivery of our corporate plan objectives. This pays a maximum of 20% of salary after two years. There is no acknowledgement of personal performance in this scheme, instead it makes a requirement of the Executives to come together to deliver the strategic plan as a team.

Performance related payments are not pensionable and are paid in cash through payroll.

As a mutual, the Society has no share option scheme, and none of the Directors has any beneficial interest in, or any rights to subscribe for shares in or debentures of, any connected undertaking of the Society.

### Benefits

The Society makes a contribution of up to 15.25% of salary (before salary sacrifice where applicable) to Executive Directors' private pension arrangements.

Executive Directors receive other benefits comprising private healthcare, cash health plan, death in service and income protection insurance. The Society does not provide concessionary home loans to Directors.

### Executive Directors' contractual terms

Phillippa Cardno, Darren Garner and Dean Scott each have a service contract with the Society, terminable by either party giving twelve months' notice.

The Society meets contractual obligations for loss of office and whilst the Remuneration Committee has discretion to provide better terms, this is disclosed to Members if used.

An Executive Director is permitted to take a role as a Non-Executive Director with another firm provided the firm is not a competitor and the associated time commitment can be accommodated. Any such arrangements must be agreed in advance by the Nomination Committee. There were no new arrangements of this nature entered into during the year.

### Non-Executive Directors

The level of fees payable to Non-Executive Directors is assessed using information from comparable organisations and national publications from Non-Executive Director recruiters. The salaries of the Non-Executive Directors were reviewed by the Chief Executive and recommended to the Remuneration Committee in 2025 after a benchmarking exercise.

Remuneration comprises a basic fee with supplementary payments for the Chair of the Board and the other Non-Executive Directors classified as Senior Managers, for regulatory purposes, to reflect the additional responsibilities of these positions. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not participate in any incentive schemes or receive any other benefits. Non-Executive Directors have letters of appointment and these are available for inspection prior to the AGM or at the Society's registered address.

### Other material risk takers

The Remuneration Committee is also responsible for determining the terms and conditions of other members of the Executive management team, who are considered Material Risk Takers or undertake Senior Manager Functions, in consultation with the Chief Executive. These are the Director of Data and Governance and Company Secretary, the Chief Risk Officer, the Director of Customer Service and the Director of People. These individuals are subject to the same variable pay performance targets and rewards as the Executive Directors and they also receive pension contributions from the Society of up to 15.25% of salary (prior to any salary sacrifice).

## The procedure for determining *remuneration*

### Code Principle:

Q. 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.

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

The remuneration of the Non-Executive Directors, Executive Directors and other members of the Executive team is overseen by the Remuneration Committee, which consists of three Non-Executive Directors and meets four times a year. During the reporting period the composition of the Committee satisfied the Code provisions regarding independence. The Chief Executive, and Director of People attend by invitation but take no part in the discussion of their own salaries. Minutes of the Committee meetings are distributed to all Board members.

The Remuneration Committee reviews and updates the Society's Remuneration Policy, principles and the PRA policy statement annually taking note of the policy and communications that applies to all employees to check alignment with wider company pay policy. The Committee maintains a list of the Society's Material Risk Takers detailing the composition of their respective remuneration. In setting remuneration, the Committee considers the remuneration levels and structure provide by building societies that are similar in size and complexity. A report may be commissioned from external consultants to assist in this process. The Committee did not use the services of an external consultant during the reporting period. The Committee also ensures that variable remuneration does not undermine the objectivity of the risk and compliance functions.

### Non-Executive Directors

The fees payable to Non-Executive Directors are proposed by the Chief Executive, taking into consideration an objective market comparison of peer organisations. The fees are approved by the Board, following recommendation by the Remuneration Committee.

### Executive Directors

The performance related pay schemes are designed to encourage the achievement of key business objectives relating to a balance of financial performance, customer service and sustainable growth over a multi-year timeframe. In setting variable remuneration targets the Committee considers the balance between the fixed and variable components of remuneration to ensure that the ratio is appropriately balanced and in line with the risk profile of the Society. The Committee believes that the performance related targets set for 2025 were suitably balanced and hence risk adjusted.

The Remuneration Committee assesses whether any performance related payments should be made taking into account reports, where applicable, from the Risk and Compliance functions.

### AGM vote

Whilst a binding vote on Remuneration Policy is not considered appropriate for a building society of our size and nature, if more than 25% of the turnout vote against the report, the Remuneration Committee will take steps to ascertain and address the concerns of the Membership.

On behalf of the Committee, I recommend that you endorse our report.

**Chris Brown**, Chair of the Remuneration Committee
22 December 2025

# Directors' *report*

## The Directors have pleasure in presenting their Annual Report together with the Annual Accounts and Business Statement of the Society for the year ended 31 October 2025.

Certain information required to be included in a Directors' report can be found in the Strategic report, which starts on page 4.

## Business objectives, future developments and key performance indicators

Contained within the Strategic report on pages 4 to 44.

## Profit and *capital*

Profit before tax for the year ended 31 October 2025 was £7.9 million (2024: £10.6 million). The profit after tax transferred to the general reserve was £5.8 million (2024: £8.0 million).

Total reserves at 31 October 2025 were £122.1 million (2024: £116.1 million). Further details on the movements on reserves are given in the Statement of Changes in Members' Interests.

Gross capital at 31 October 2025 was £123.0 million (2024: £117.3 million) comprised of accumulated reserves and collective provisions.

The ratio of gross capital as a percentage of savings and borrowings at 31 October 2025 was 7.56% (2024: 7.64%) and the free capital ratio was 7.10% (2024: 7.16%). The Annual Business Statement gives an explanation of these ratios.

## Mortgage *arrears*

At 31 October 2025, there were 18 mortgage accounts more than 12 months in arrears (including those in possession) (2024: 15). The balance on these accounts totalled £1.83 million (2024: £1.75 million) and the value of these arrears was £0.21 million (2024: £0.22 million) or 0.01% (2024: 0.02%) of total mortgage balances.

## Charitable *donations*

During the year charitable donations of £74k were made to a number of organisations (2024: £107k). See also pages 28 to 29 of the Strategic report.

## Political donations and gifts

The Society has not made any political gifts or donations in the year to 31 October 2025 (2024: £nil).

## Disclosure requirements under CRD IV country-by-country *reporting*

Please see Note 30 to the Accounts.

## Financial Risk Management *Objectives*

Contained within the Risk management report on pages 33 to 38.

## Principal risks and *uncertainties*

Contained within the Strategic report.

## Stakeholder *engagement*

Information on engagement with stakeholders is contained within the Strategic report on pages 15 to 32.

## Creditor Payment *Policy*

Please see page 15 of the Strategic report.

## Board of *Directors*

The names of the Directors of the Society who served during the year and up to the date of signing the accounts, their roles and membership of board committees and their attendance at meetings of the Board and Board Committees are set out in the Governance section which starts on page 45.

None of the Directors had any beneficial interest in any connected undertaking of the Society as at the year end. The Society maintains liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986. There are no Directors' indemnities.

In accordance with the requirements of the new Corporate Governance code, to which the Society has due regard, all the Society's Directors are seeking re-election to the Board at the Annual General Meeting, except for Ian Workman and Dean Scott who, having both been appointed since the date of the previous Annual General Meeting, are seeking election to the Board.

## Statement of disclosure to *auditors*

The Directors who held office at the date of approval of this Directors' report confirm that:

- So far as they are each aware, there is no relevant audit information of which the Society's auditor is unaware; and
- Each Director has taken all the steps that should be taken by a director in order to be aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

## Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Strategic Report, Directors' Report and the annual accounts

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

The Building Societies Act (the Act) requires the Directors to prepare annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard as it applies to the UK.

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 the Society's 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; and
- prepare the annual accounts, on the going concern basis unless it is inappropriate to presume that the Society will continue in business.


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; and
- 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 both the Prudential Regulation Authority and the Financial Conduct Authority under the Financial Services and Markets Act 2000.

The Directors 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 jurisdictions.

## Going *concern*

The Directors are required to consider whether the Society will continue as a going concern for a period of 12 months from the signing of the accounts. In making the assessment the Directors have reviewed the Society's corporate plan and considered risks that could impact on the Society's capital position, financial position and liquidity over that period.

The Directors have also prepared forecasts to consider the effect on the Society's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions for a period in excess of 12 months from the date of approval of these financial statements. A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to economic uncertainty caused by the direct or indirect consequences of falling interest rates, focused on the Society's capital and liquidity position and operational resilience.

After considering all of this information, together with available market information and the Directors' knowledge and experience of the Society and markets in which it operates, after making the necessary enquiries the Directors are satisfied that the Society has adequate resources to continue in business for at least the twelve-month period from the signing of the accounts. Accordingly, the accounts continue to be prepared on a going concern basis.

## Auditor

Deloitte LLP are eligible for re-appointment and have offered themselves for re-election. The Board is recommending that Deloitte LLP are re-appointed as external auditors of the Society for the financial year ending 31 October 2026. A resolution for their appointment will be proposed to the forthcoming Annual General Meeting of the Society.

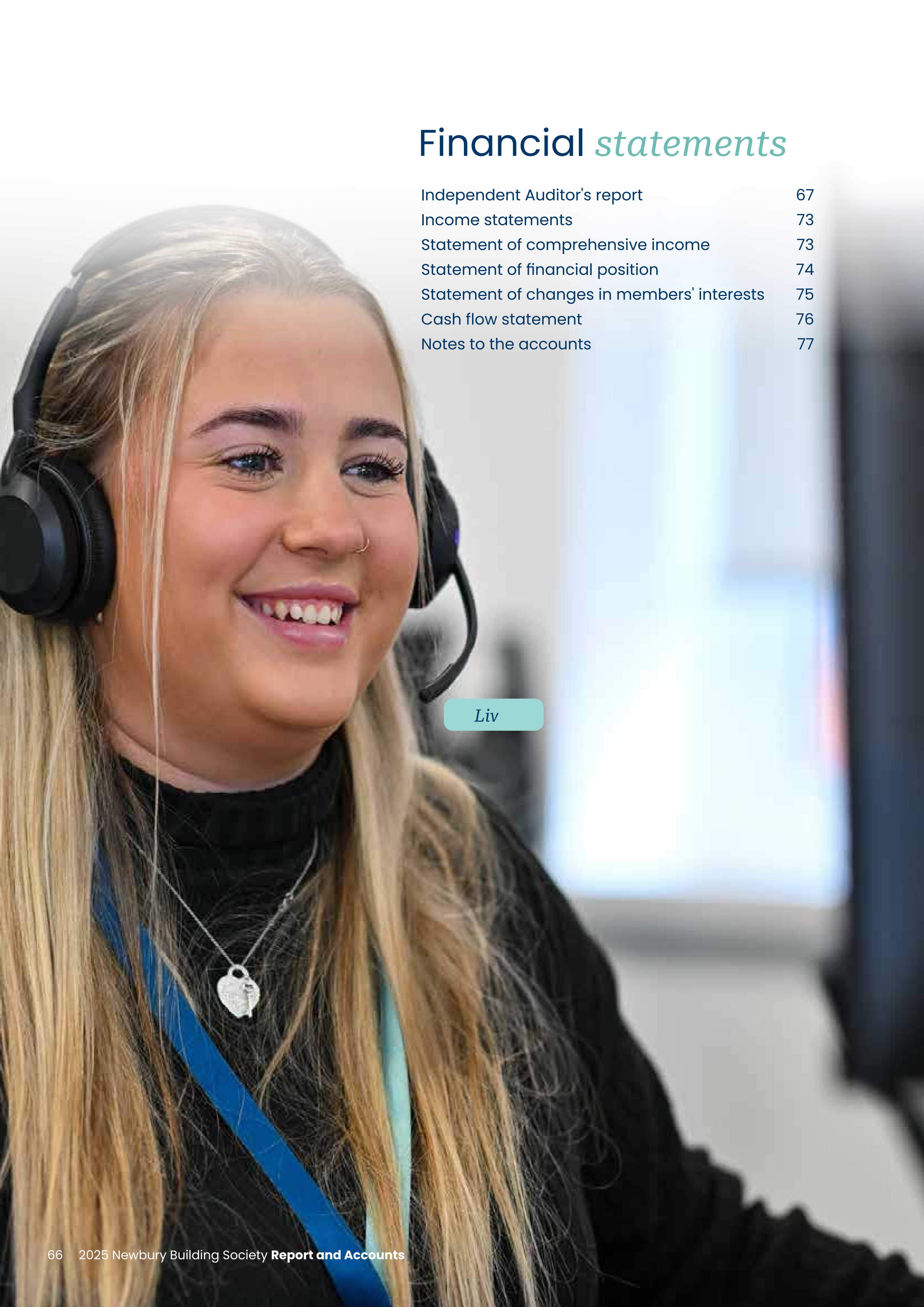
## Post balance sheet *events*

The Directors consider that no events have occurred since the year end to the date of this Annual Report that are likely to have a material effect on the financial position of the Society, as disclosed in the Annual Accounts.

**Piers Williamson**, Chairman
22 December 2025

# Financial *statements*





# Financial *Statements*

## Independent Auditor's report to the members of Newbury Building Society

### Report on the audit of the financial statements

### 1. Opinion

In our opinion the financial statements of Newbury Building Society (the 'Society'):

- give a true and fair view of the state of the Society's affairs as at 31 October 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in members' interests;
- the cash flow statement; and
- the related notes 1 to 30.

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

### 2. 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 financial statements section of our report.

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Society.

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

### 3. Summary of our audit approach

| | |
|---|---|
| Key audit matters | The key audit matters that we identified in the current year were<br>• Effective interest rate ("EIR") accounting; and<br>• Loan loss provisioning<br>Within this report, key audit matters are identified as follows:<br>Newly identified<br>Increased level of risk<br>Similar level of risk<br>Decreased level of risk |
| Materiality | The materiality that we used for the financial statements was £1,221,000 which was determined on the basis of 1% of net assets. |
| Scoping | Audit work to respond to risks of material misstatement was performed directly by the audit engagement team. |
| Significant changes in our approach | There are no significant changes in our audit approach from the previous year. |

### 4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Evaluating the directors' going concern assessment, which included consideration of the Society's operational resilience, in order to understand, evaluate and evidence the key judgements made by management;

- Evaluating the assumptions underpinning forecast projections;
- Assessing management's four-year business plan as well as evaluating previous forecasting accuracy;
- Meeting with the Society's lead regulators at the Prudential Regulation Authority, discussing their views on existing and emerging risks to the Society and reviewing all regulatory correspondence;
- Involving our in-house prudential regulation specialists, in reviewing the most recent ICAAP and ILAAP submissions and management's capital and liquidity projections, including stress testing outputs; and
- Assessing the disclosures in the financial statements surrounding going concern and the principal risks and uncertainties that the Society is facing.

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 financial statements 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.

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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 financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1. Effective interest rate ("EIR") accounting

| | |
|---|---|
| Key audit matter description | The main revenue stream within the Society is interest receivable and similar income primarily derived from loans and advances to customers. The interest receivable and similar income recognised during the year was £82.0m (2024: £88.1m).<br>The directors apply the EIR method to recognise interest income and similar income for loans and advances to customers. The EIR method requires the modelling of all cash flows, including directly attributable fees and costs, over the shorter of the behavioural and contractual life.<br>The key assumption in the EIR models is the estimation of redemption rates used in the calculation of the behavioural lives of the mortgages and thus timing of the expected future cash flows over these lives.<br>Given the complexity and judgement involved in accounting for EIR and given that revenue recognition is an area susceptible to fraud, there is an opportunity for management to manipulate the amount of interest receivable reported in the financial statements. Therefore, we identify it as a key audit matter.<br>Management's accounting policies are detailed in notes 1.2 and 1.4 to the financial statements while the significant judgements involved in the revenue recognition process are outlined in note 1.13, with note 2 quantifying the interest receivable and similar income recognised during the year. The area of significant judgement is discussed by the Audit Committee as detailed in the Committee's report on pages 54-56. |
| How the scope of our audit responded to the key audit matter | We obtained an understanding of relevant controls that the Society has in place to manage the risk of inappropriate behavioural life assumptions being used within the EIR model.<br>In conjunction with our IT specialists, we tested the general IT controls over the loan administration systems and evaluated the manner in which data is extracted from these systems to determine the EIR balance.<br>We challenged the appropriateness of the behavioural lives adopted by management by reference to historical customer redemptions, and performed accuracy and completeness testing over the underlying data on a sample basis.<br>Additionally, we assessed any amendments made to the behavioural lives by management during the course of the year, based on recent customer redemption activity. Our evaluation also considered the potential influence of forward-looking factors on future redemption behaviour.<br>As part of our wider assessment of the key audit matter we independently recalculated a sample of EIRs and tested the adjustment posted to recognise revenue over the behavioural life on a sample of loans.<br>We assessed the treatment of fees and costs arising on loans and advances to customers and the appropriateness of their inclusion or exclusion in the Society's EIR models.<br>We tested the inputs which are used to determine revenue by agreeing a sample of customer loans back to underlying source data. |
| Key observations | We concluded that the overall EIR accounting including the behavioural lives used within management's revenue recognition process were reasonable and the models to be working as intended. |

### 5.2. Loan loss provisioning

| | |
|---|---|
| Key audit matter description | Under IAS 39 Financial Instruments: Recognition and Measurement, the directors are required to assess whether there is objective evidence of impairment of any financial assets that are measured at amortised cost. If there is objective evidence of impairment, management should recognise an impairment loss within the income statement immediately. |

| | |
|---|---|
| | The Society holds £1,475.2m (2024: £1,357.6m) of loans and advances to customers on which a loan loss provision of £1.3m (2024: £1.5m) has been provided for at year end. The provision comprises a collective provision for losses incurred but not observed and a specific provision for loans where there has been an observable impairment trigger.<br>Key assumptions in determining the collective provision include the use of the probability of default ("PD") assumption which is derived from third-party ratings agency data and the house price index ("HPI") assumption derived from external publicly available information. Given the high level of directors' judgement required coupled with historically low levels of arrears, we identified a key audit matter in relation to the valuation of the collective provision and in particular the PD and HPI assumptions, including the possibility of management bias on the basis that amendments to these assumptions could give rise to a material misstatement due to fraud or error.<br>Management's accounting policies are detailed in note 1.5 to the financial statements while the significant judgements involved in loan loss provisioning are outlined in note 1.13, with note 14 quantifying the loan loss provision at year end. The area of significant judgement is discussed by the Audit Committee as detailed in the Committee's report on pages 54-56. |
| How the scope of our audit responded to the key audit matter | We obtained an understanding of relevant controls that the Society has in place to manage the risk of inappropriate assumptions being used in the loan loss provisioning model.<br>In conjunction with our IT specialists, we tested the general IT controls over the loan administration systems and evaluated the manner in which data is extracted from these systems to determine the provision.<br>We challenged the PD assumption used within the impairment calculation by considering the Society's historical loss rate data, third-party ratings agency data, and the wider macro-economic environment. We have also considered the relevance and reliability of the information used as evidence and derived from third parties.<br>With support from our economic specialists and through considering the wider macro-economic environment, we challenged the appropriateness of the forecast HPI assumption used within the impairment calculation.<br>Additionally, and as part of our stand back assessment, we determined whether the provision held is commensurate with the loan book size and inherent risk in light of the current economic environment.<br>As part of our wider audit testing we independently recalculated the loan loss provision for a sample of customer loans and compared the output to the amount provided by management.<br>We also tested the accuracy and completeness of the inputs which were used to determine the loan loss provision back to underlying source data.<br>We tested the completeness of the loan population identified by management as having incurred an impairment event by testing a sample of loans that were not in arrears for other indicators of financial distress. We also considered if any management adjustments were required to recognise impairment provisions held by the Society for impairment events that are not captured in its impairment model. |
| Key observations | We concluded that management's view with regards to the loan loss provision and in particular the PD and HPI assumptions adopted was appropriate, with the provision level being acceptable.<br>We determined the impairment events used by management in its impairment model to be appropriate and considered that this appropriately identifies customers for which a specific provision may be required.<br>Overall, we found the loan loss provision model to be working as intended and consider the loan loss provision to be recorded in line with the requirements of IAS 39. |

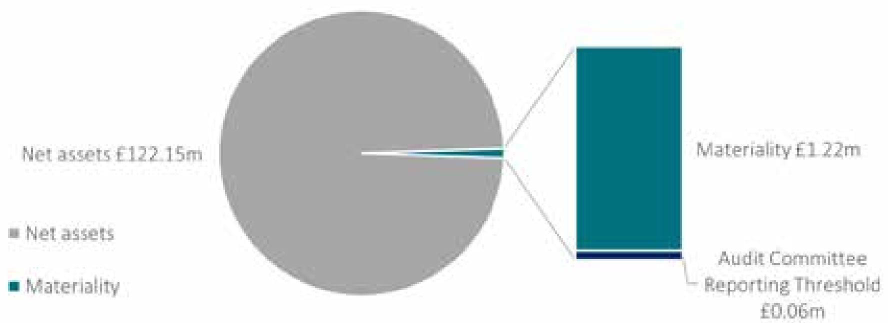
## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Society financial statements |
|---|---|
| Materiality | £1.22m (2024: £1.16m) |
| Basis for determining materiality | 1% of net assets (2024: 1% of net assets) |
| Rationale for the benchmark applied | Net assets is a relevant benchmark to users of the financial statements and the Society's regulators and is a stable basis on which to determine materiality in the current economic environment. |



### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2025 audit (2024: 65%).

In determining performance materiality, we considered it appropriate to increase the threshold from 65% to 70%, reflecting the Society's strong and stable control environment, low number of corrected and uncorrected misstatements identified in the previous audits and history of addressing audit findings. This rationale was communicated to those charged with governance.

### 6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £61k (2024: £58k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

### 7.2. Our consideration of the control environment

We identified key IT systems for the Society in respect of the financial reporting system and lending and deposits system. With the involvement of our IT specialists, we tested the general IT controls ('GITCs') associated with these systems and relied upon IT controls across the systems identified.

We planned to adopt a controls reliance approach in relation to the lending and deposits business cycles, with relevant automated and manual controls being tested across these cycles. Based on the completion of these procedures being satisfactory, we were able to adopt a controls reliance approach across the lending and deposits cycles when performing our substantive audit procedures.

We also obtained an understanding of relevant controls that relate to our identified key audit matters. These controls are predominantly manual in nature for the areas involve significant management judgement which inherently limits our ability to place reliance on them for audit purposes. We have shared observations from our procedures with management and the Audit Committee.

### 7.3 Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Society's business and its financial statements. The Society continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on pages 15 - 25.

As a part of our audit, we have obtained management's climate-related risk assessment which included consideration of the impact on impairment provisions and held discussions with the Society to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Society's financial statements.

We performed our own risk assessment of the potential impact of climate change on the Society's account balances and classes of transactions.

We read the disclosures in the strategic report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

## 8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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.

## 10. Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Society's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Society's sector;
- any matters we identified having obtained and reviewed the Society's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instruments, economics, IT, real estate and prudential regulation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the areas of revenue recognition of interest receivable and similar income and loan loss provisioning. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Society operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included legislations imposed by the Building Societies Act 1986 and tax legislations.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Society's ability to operate or to avoid a material penalty. These included legislations imposed by the Financial Conduct Authority ("FCA"), Prudential Regulation Authority ("PRA"), Anti-Money Laundering Regulations, the Consumer Credit Act 2006 and General Data Protection Regulations.

### 11.2. Audit response to risks identified

As a result of performing the above, we identified EIR accounting and loan loss provisioning as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the FCA and the PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### 12. Opinions on other matters prescribed by the Building Societies Act 1986

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 requirements of the Building Societies Act 1986;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In the 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.

### 13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 30 to the financial statements for the financial year ended 31 October 2025 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

### 14. Matters on which we are required to report by exception

#### 14.1 Adequacy of explanations received and accounting records

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have nothing to report in respect of these matters.

### 15. Other matters which we are required to address

#### 15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by Board of Directors on 26 February 2018 to audit the financial statements for the year ending 31 October 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is eight years, covering the years ending 31 October 2018 to 31 October 2025.

#### 15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

### 16. Use of our 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.

Neil Reed FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
22 December 2025

## Income statement for the year ended 31 October 2025

| | Notes | 2025<br>£000 | 2024<br>£000 |
|---|---|---|---|
| Interest receivable and similar income | 2 | 81,965 | 88,070 |
| Interest payable and similar charges | 3 | (54,803) | (59,917) |
| **Net interest income** | | 27,162 | 28,153 |
| Fees and commissions receivable | | 144 | 102 |
| Fees and commissions payable | | (286) | (396) |
| Other operating income | | 99 | 88 |
| Net loss from derivatives | 4 | (1,625) | (2,099) |
| **Total Net Income** | | 25,494 | 25,848 |
| Administrative expenses | 5 | (17,022) | (15,645) |
| Depreciation, amortisation and impairment of fixed assets | 15/16 | (579) | (558) |
| Profit on disposal of fixed assets | | 5 | - |
| **Operating profit before impairment and provisions** | | 7,898 | 9,645 |
| Impairment credit of loans and advances | 14 | 29 | 989 |
| **Profit before tax** | | 7,927 | 10,634 |
| Taxation | 6 | (2,111) | (2,608) |
| **Profit for the financial year** | 21 | 5,816 | 8,026 |

## Statement of comprehensive income

| | | | |
|---|---|---|---|
| Profit for the financial year | | 5,816 | 8,026 |
| **Items that may be reclassified to income statement** | | | |
| Fair value movement on available for sale assets | | 198 | 94 |
| **Total comprehensive income for the financial year** | | 6,014 | 8,120 |

No income has been reclassified to the income statement. The above results are all derived from continuing operations.

*The accounting policies and notes on pages 77 to 103 form part of these accounts.*

# Statement of financial position at 31 October 2025

| | Notes | 2025 £000 | 2024 £000 |
|---|---|---|---|
| **Assets** | | | |
| **Liquid assets** | | | |
| Cash in hand and balances with the Bank of England | 9 | 228,387 | 248,767 |
| Loans and advances to credit institutions | 10 | 5,624 | 8,400 |
| Debt securities | 11 | 18,809 | 11,690 |
| | | 252,820 | 268,857 |
| Derivative financial instruments | 12 | 2,695 | 11,228 |
| **Loans and advances to customers** | | | |
| Loans fully secured on residential property | 13 | 1,468,410 | 1,357,687 |
| Other loans | 13 | 3,067 | 3,267 |
| Fair value adjustment for hedged risk | 13 | 3,814 | (3,392) |
| | | 1,475,291 | 1,357,562 |
| Tangible fixed assets | 15 | 8,403 | 8,417 |
| Intangible fixed assets | 16 | 45 | 16 |
| Investment properties | 17 | 1,048 | 1,048 |
| Other assets | | 4,500 | - |
| Prepayments and accrued income | | 2,489 | 1,943 |
| **Total assets** | | 1,747,291 | 1,649,071 |
| **Liabilities** | | | |
| Shares | 18/26 | 1,524,687 | 1,423,116 |
| Amounts owed to credit institutions | 26 | 66,644 | 67,385 |
| Amounts owed to other customers | 26 | 23,378 | 29,582 |
| Derivative financial instruments | 12 | 5,685 | 1,563 |
| Other liabilities | 19 | 967 | 7,663 |
| Tax liabilities | 19 | 1,370 | 1,550 |
| Accruals and deferred income | | 1,867 | 1,587 |
| Deferred tax | 20 | 548 | 494 |
| **Total liabilities** | | 1,625,146 | 1,532,940 |
| **Reserves** | | | |
| Revaluation reserve | 21 | 726 | 726 |
| Accumulated other comprehensive income | 21 | 292 | 94 |
| General reserves | 21 | 121,127 | 115,311 |
| **Total reserves** | | 122,145 | 116,131 |
| **Total reserves and liabilities** | | 1,747,291 | 1,649,071 |

*The accounting policies and notes on pages 77 to 103 form part of these accounts.*
*These accounts were approved by the Board of Directors on 22 December 2025 and were signed on its behalf by:*
*Piers Williamson - Chairman*
*Phillippa Cardno - Chief Executive*
*Darren Garner - Chief Financial Officer*

# Statement of changes in members’ interests for the year ended 31 October 2025

| | Notes | General reserves £000 | Accumulated other comprehensive income £000 | Revaluation reserve £000 | Total £000 |
|---|---|---|---|---|---|
| **Balance at 1 November 2024** | | 115,311 | 94 | 726 | 116,131 |
| Profit for the financial year | | 5,816 | – | – | 5,816 |
| Other comprehensive income for the year | | – | 198 | – | 198 |
| Total comprehensive income | 21 | 5,816 | 198 | – | 6,014 |
| **Balance at 31 October 2025** | | 121,127 | 292 | 726 | 122,145 |
| | | | | | |
| **Balance at 1 November 2023** | | 107,285 | – | 726 | 108,011 |
| Profit for the financial year | | 8,026 | – | – | 8,026 |
| Other comprehensive income for the year | | – | 94 | – | 94 |
| Total comprehensive income | | 8,026 | 94 | – | 8,120 |
| **Balance at 31 October 2024** | | 115,311 | 94 | 726 | 116,131 |

The accounting policies and notes on pages 77 to 103 form part of these accounts.

# Cash flow statement

| | Notes | 2025 £000 | 2024 £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit before tax | | 7,927 | 10,634 |
| **Adjustments for:** | | | |
| Gain on debt securities | | (325) | - |
| Fair value movement on derivatives | | 1,625 | 2,099 |
| Depreciation and amortisation | 15/16 | 579 | 558 |
| Gain on disposal of property, plant and equipment | | (5) | - |
| Impairment of loans and advances | 14 | (29) | (999) |
| Total | | 9,772 | 12,292 |
| **Changes in operating assets and liabilities** | | | |
| (Increase)/decrease in prepayments, accrued income and other assets | | (1,360) | 3,424 |
| Decrease in accruals, deferred income and other liabilities | | (6,115) | (13,857) |
| Decrease in loans and advances to credit institutions | | 1,380 | 12,120 |
| Increase in loans and advances to customers | 13 | (110,494) | (117,879) |
| Increase in shares | | 101,570 | 133,472 |
| Decrease in amounts owed to credit institutions | | (1,000) | (23,000) |
| Decrease in amounts owed to other customers | | (6,204) | (2,547) |
| Taxation paid | | (2,278) | (2,670) |
| **Net cash used in operating activities** | | (24,501) | (10,937) |
| **Cash flows from investing activities** | | | |
| Purchase of debt securities | 11 | (22,237) | (11,536) |
| Proceeds from sale/maturity of debt securities | 11 | 15,800 | - |
| Purchase of property, plant and equipment | 15 | (546) | (751) |
| Purchase of intangible assets | 16 | (48) | - |
| Proceeds from disposal of property, plant and equipment | | 5 | - |
| **Net cash used in investing activities** | | (7,026) | (12,287) |
| **Net decrease in cash and cash equivalents** | | (21,755) | (10,932) |
| Cash and cash equivalents at 1 November | | 255,766 | 266,698 |
| **Cash and cash equivalents at 31 October** | 22 | 234,011 | 255,766 |

The accounting policies and notes on pages 77 to 103 form part of these accounts.

# Notes to the accounts

## 1. Accounting policies

The principal accounting policies applied consistently in the preparation of these Annual Accounts are set out below.

### 1.1 Basis of preparation

The Annual Accounts of the Society have been 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 Society has also chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement; and
- on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, available for sale assets, properties which are measured using the revaluation model and investment properties.

The Annual Accounts are presented in pounds Sterling and, except where otherwise indicated, have been rounded to the nearest thousand.

**Going concern**

The Society's financial position and business activities, together with the factors likely to affect its future development and performance are set out in the strategic report. The Directors have also prepared forecasts to consider the effect on the Society's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions for a period in excess of 12 months from the date of approval of these financial statements. A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to economic uncertainty caused by the direct or indirect consequences of inflationary cost pressures and interest rate volatility, focused on the Society's capital and liquidity position and operational resilience.

The resultant forecasts and projections showed that the Society will be able to operate at adequate levels of both liquidity and capital for the foreseeable future. For this reason, the financial statements continue to be prepared on the going concern basis. See also the Directors' Report on page 65.

### 1.2 Interest

Interest receivable and payable are recognised in the Income Statement using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash flows to the net carrying amount on initial recognition. Expected lives are estimated using historic data and management judgment and the calculation is adjusted when actual experience differs from estimates, with changes being recognised immediately in the Income Statement. Effective interest rates are recalculated when the Society changes its Standard Variable Rate (SVR).

### 1.3 Fair value changes on derivatives

Fair value changes on derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net gain/(loss) from derivatives at fair value through profit or loss in the Income Statement.

### 1.4 Fees and commissions receivable and payable

Fees and commissions that are material and that are an integral part of the effective interest rate on financial assets and financial liabilities are included in the measurement of the effective interest rate. Other fees and commissions are recognised as the related services are performed.

### 1.5 Financial instruments

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the Statement of Financial Position and measured in accordance with their assigned category.

**Recognition**

The Society initially recognises loans and advances and deposits issued on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Society becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

**Classification**

a) Financial assets

The Society allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss; available for sale; and loans and receivables. Management determines the classification of its financial instruments at initial recognition. Purchases and sales of non-derivative financial assets are accounted for at settlement date.

**i. At fair value through profit or loss**

This category comprises financial assets designated by the Society at fair value through profit or loss upon initial recognition. Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement. The Society uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational activities, mainly fixed rate mortgages. Recognition of any resultant gain or loss depends on the nature of the item being hedged. See 1.6 Hedge accounting.

**ii. Available for sale assets**

Available for sale assets are non-derivative assets that are intended to be held for an indefinite period of time. They may be sold in response to needs for changes in liquidity requirements or interest rates. The Society's debt securities are classified as available for sale assets. The Society measures debt securities at fair value, with subsequent changes in fair value being recognised through the Statement of Comprehensive Income, except for impairment losses which are recognised in the Income Statement. Further information regarding how fair values are determined can be found in Note 24 to the Accounts. Upon sale or maturity of the asset, the cumulative gains and losses recognised in other comprehensive income are removed from available for sale reserves and recycled to the Income Statement.

**iii. Off setting**

Financial assets and liabilities are offset and the new amounts presented in the accounts when there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Currently there are no financial assets or liabilities offset on the balance sheet.

**iv. Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Society does not intend to sell immediately or in the near term. Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any directly attributable transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the Statement of Financial Position as loans and advances to credit institutions or customers. Interest on loans is included in the Income Statement and is reported as interest receivable and similar income. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the Income Statement as impairment losses on loans and advances.

b) Financial liabilities

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

**Measurement**

a) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or 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.

b) Fair value measurement

Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted, between knowledgeable, willing parties in an arm's length transaction.

The Society determines fair values by the three-tier valuation hierarchy as defined within IAS 39 and FRS 102.34:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3 - inputs for the asset or liability that are not based on observable market data. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Debt securities fall within level 1 and Derivatives within level 2.

**Impairment of mortgage loans and advances**

The Society assesses at each year end date whether there is objective evidence that a financial asset is impaired. Objective evidence of impairment can be defined as one or more events occurring after the initial recognition of the asset that have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The Society first assesses whether objective evidence of impairment exists for financial assets using the following criteria:

- Deterioration in payment status;
- Forbearance being applied; and
- Expected future increase in arrears due to change in loan status and any other information suggesting that a loss is likely in the short to medium term.

If there is objective evidence of an impairment of loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate. This calculation takes into account the Society's and the industry's experience of default rates, loss emergence periods, the effect of regional movements in house prices based upon a recognised index and adjustments to allow for ultimate forced sales values and realisation costs. The amount of the loss is recognised in the Income Statement.

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the Income Statement.

If the Society determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment, and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

A collective provision is made against a group of loans and advances where there is objective evidence that credit losses have been incurred but not identified at the reporting date.

**Forbearance**

The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. The Society has various forbearance options to support customers who may find themselves in financial difficulty. During the financial period ended 31 October 2024 and 31 October 2025, these options included the provision of support to borrowing members as part of the Society's commitment to the Mortgage Charter. Details on the options offered by the Society can be found in Note 25 to the Accounts.

**Derecognition of financial assets and liabilities**

The Society derecognises financial assets when the contractual right to the cash flows from the financial asset expires or when it transfers the asset to another party, provided the transfer of the asset also transfers the right to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership.

The Society derecognises financial liabilities only when the obligation specified in the contract is discharged, cancelled or has expired.

### 1.6 Hedge accounting

The Society documents, at the inception of any hedging transaction, the relationship between the hedging instrument and the hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions. The Society also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values of hedged items. This is done by measuring the correlation coefficient between the hedged items and the derivatives. These must be within parameters to be deemed highly effective, which the Society's hedges are.

i. Fair value hedges – Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to profit or loss over the remaining expected life of the previously hedged item.

ii. Derivatives that do not qualify for hedge accounting – Certain derivative instruments do not qualify for hedge accounting.

Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the Income Statement.

### 1.7 Intangible assets

**Computer software**

Purchased software which is not an integral part of the related hardware is recorded as an intangible asset and stated at cost. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Society, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred.

**Amortisation**

Intangible assets are held at amortised cost, with amortisation charged to the Income Statement on a straight-line basis over the estimated useful life of between 3-5 years. The Society reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Intangible assets are subject to annual impairment reviews in accordance with section 27 of FRS 102.

### 1.8 Property, plant and equipment

Property, plant and equipment are initially stated at cost. All property is revalued to fair value, determined by market based evidence, at the date of the valuation less any subsequent accumulated depreciation and impairment losses. Full valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The Directors review the valuations to confirm that the valuations remain appropriate in the intervening years. An independent valuation exercise was last performed in July 2022 by Quintons, an independent firm of Commercial property agents based in Newbury, Berkshire. Assessments are also undertaken at each subsequent balance sheet date to consider whether these values could have materially changed in the light of the prevailing economic conditions. The reviews concluded there was no evidence to suggest that values had materially changed since the date the formal valuations were obtained except in respect of the Society's Head Office premises and one of its branches where an impairment charge was considered necessary for the year ended 31 October 2023. No further impairments were considered necessary at 31 October 2024 or 31 October 2025.

Gains on revaluation are recognised in the statement of other comprehensive income and accumulated in the revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in the Income Statement.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

**Depreciation**

Depreciation commences when the assets first become available for operational use and are depreciated using the straight line method (unless otherwise stated) to allocate their cost less their residual values over their estimated useful lives, as follows:

| | |
|---|---|
| Buildings | 50 years |
| Short leasehold properties | Straight line over the period of the lease or over 50 years, whichever is shorter |
| Equipment, fixtures and fittings and motor vehicles | Straight line 3 to 8 years |
| Office equipment | Straight line 3 to 8 years |
| Computer equipment | Straight line 3 to 8 years |
| Motor vehicles | Straight line 3 to 8 years |
| Building and mechanical equipment | Straight line 15 years |

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The planned disposal of an asset before the previously expected date is an indicator of potential impairment.

An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the proceeds from sale with the carrying amount and included in the Income Statement.

### 1.9 Investment properties

Freehold land and buildings held for rental purposes or capital appreciation are classified as investment properties and held in the balance sheet at their open market valuation and not depreciated. Changes in the fair value are included in the Income Statement in the period in which they arise.

### 1.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash in hand and loans and advances to credit institutions repayable on demand. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value, with maturities of 90 days or less. There are no cash and cash equivalent balances held by the Society that are not available for use by the Society.

### 1.11 Taxation

Tax on the profit for the year comprises current tax and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income within the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable expense for the year, using the tax rate which applies to the accounting period ending at the date of the Statement of Financial Position, and any adjustment to tax payable in respect of previous years. Deferred tax is provided in full, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is stated without discounting and determined using tax rates (and laws) that have been substantively enacted by the year end date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

### 1.12 Employee benefits

The Society operates a defined contribution pension plan funded by contributions from the Society and employees. Society contributions are recognised as an employee benefit expense in the Income Statement when they are due, in accordance with the rules of the scheme. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

### 1.13 Critical accounting estimates and judgements

In applying the Society's accounting policies, the Society makes estimates and applies judgements that can have a material effect on the reported amounts of assets and liabilities. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although the Society has internal controls in place to ensure reliable measurement actual results may differ from the estimates. In the course of preparing the financial statements, no judgements have been made in the process of applying the Society's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised in the financial statements. As set out in the Climate risk report on pages 16 to 25, climate change is a global challenge and an emerging risk to businesses, people and the environment. Therefore, in preparing the financial statements, the Society has considered the impact of climate-related risks on its financial position and performance. While the effects of climate change represent a source of uncertainty, the Society does not consider there to be a material impact on its judgements and estimates from the physical or transition risks in the short to medium term. The most significant use of accounting estimates relate to the matters described below.

**Impairment provision on loans and advances**

The Society reviews its loans on a monthly basis to assess impairment. This requires the exercise of a significant degree of judgement. Provisions require judgement to be exercised in predicting future economic conditions such as house price movements and the length of time before impairments are identified (i.e. emergence period).

Accounting estimates relate to default rates. The accuracy of the provision is dependent on the assumptions regarding probability of default.

The Society determines loan probabilities of default informed by publicly available information obtained from a third party, Fitch Ratings. Applied to individual loans this takes into consideration specific factors such as borrower and loan attributes and property location. Management judgement is also applied in instances where it is considered that the derived assumptions do not adequately cover other risks known to exist at the balance sheet date. See below.

House prices are included at actual valuation at time of mortgage origination, adjusted for movements in published house price indices. In determining any impairment management judgement is applied to consider how property values could be expected to move across the emergence period and then further adjusted by an amount to reflect the risk that such properties may not achieve full market price, together with appropriate sales costs. Given the change in economic outlook compared to 12 months ago, it has been assumed that house prices could decline by 0.9% in the near term compared with 0% at 31 October 2024. This change in assumption has increased the amount set aside for impairment by £69k. If it was assumed that house prices increase by 2% in the near term the amount set aside for impairment would be £211k lower.

The reduction in sales value applied to each property is informed by historic experience. Currently set at 34.9% (2024: 34.1%) for residential properties and 45.0% (2024: 45.0%) for commercial properties, a 3.5% increase in this assumption would result in an additional provision requirement of £481k (2024: £539k). An increase of 3.5% takes the sales discount assumptions to 38.4% for residential properties and 48.5% for commercial properties which, whilst remaining within a range of discounts historically observed by the Society, is also considered to represent a material movement since it is additional to the discount already applied to house prices assuming an orderly possession and disposal, and in addition to declines expected between the balance sheet date and date of sale as described above.

The Society has considered additional factors when determining levels of impairment:

i. Buildings of over four storeys or more in height. The impairment assessment already makes an assumption for the combined forced sale discount and disposal costs however, to reflect the risk that a sale of these properties in the near term may require heavier discounting, due to the actual or perceived concerns over fire safety, an additional 25% forced sale discount was applied as a management judgement. The application of this judgement resulted in an increase in impairment provisions of £59k (2024: £96k).

ii. Macro-economic developments. For the year ended 31 October 2024 the level of impairment provision was determined considering the economic outlook, which was subject to a high degree of uncertainty due to continued pressure on households arising from past increases in interest rates, and concerns over increasing unemployment. These factors were judged to result in an increased likelihood of borrower default within the loss emergence period, the risk for which may not be fully captured in modelled assumptions, and resulted in a management overlay adjustment to increase impairment provisions by £138k. For the year ended 31 October 2025 this judgement was removed.

**Effective Interest Rate (EIR)**

Under IAS 39, financial instruments carried at amortised cost are accounted for using the EIR method. The calculation of an effective interest rate requires judgements regarding the expected (behavioural) life of the underlying mortgage asset and affects the carrying value of loans and receivables. The Society assesses which mortgage products have similar characteristics to then be grouped to calculate their respective average behavioural lives. Average lives are then estimated based on behavioural repayment data. In determining the expected lives of mortgage assets the Society uses both historical and forecast redemption data as well as management judgement. These assumptions are regularly reviewed and reassessed for reasonableness and against actual performance.

Each year the Society undertakes a review into behavioural lives. The review for the year ended 31 October 2025 identified a change in the redemption profile of a specific cohort of mortgage assets which resulted in the Society revising (shortening) the expected behaviourial life for this cohort of loans, leading to a £277k reduction in the carrying value of the mortgages.

Average lives can increase or decrease depending on economic and interest rate conditions. If the average lives of the mortgages were to decrease by three months, the carrying value of mortgages would decrease by £1,216k (2024: £1,051k) with a corresponding change to income. Average lives are recalculated at least annually and usually vary by up to three months. In making judgements around EIR consideration was also given to how changing interest rates could impact behavioural lives.

This included consideration of the propensity for loans to redeem early i.e. before the end of a fixed rate or discount period, as well as any changes to behaviours where a loan reverts to the Society's SVR. The review concluded that, whilst there are multiple factors that could result in the actual behaviour of mortgage lives being different to those used at 31 October 2025, these factors comprised both upside and downside risks that in aggregate would not cause behavioural lives to materially differ. Based on the level of market uncertainty being higher than normal the Society acknowledges that there is an increased risk of expected future cash flows being materially higher or lower than forecasted.

## 2. Interest receivable and similar income

| At amortised cost: | 2025 £000 | 2024 £000 |
|---|---|---|
| On loans fully secured on residential property | 66,459 | 62,927 |
| On other loans | 141 | 154 |
| On liquid assets | 10,478 | 13,273 |
| | 77,078 | 76,354 |
| At fair value through profit and loss: | | |
| Net income on financial instruments | 4,255 | 11,594 |
| At fair value through other comprehensive income: | | |
| On debt securities | 632 | 122 |
| | 81,965 | 88,070 |

## 3. Interest payable and similar charges

| At amortised cost: | 2025 £000 | 2024 £000 |
|---|---|---|
| On shares held by individuals | 50,898 | 54,200 |
| On other shares | 224 | 238 |
| On amounts owed to other customers and credit institutions | 3,681 | 5,479 |
| | 54,803 | 59,917 |

## 4. Net loss from derivatives

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Derivatives in designated fair value hedge relationships | (7,877) | (11,047) |
| Adjustments to hedged items in fair value hedge accounting relationships | 7,205 | 7,850 |
| (Loss)/gain on derivatives not in designated fair value hedge accounting relationships | (953) | 1,098 |
| | (1,625) | (2,099) |

The net loss from derivative financial instruments of £1,625k (2024: £2,099k) represents the net fair value movement on derivative instruments that are matching risk exposures on an economic basis. Some accounting volatility arises on these items due to accounting ineffectiveness on designated hedges or because hedge accounting is not achievable on certain items.

## 5. Administrative expenses

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Wages and salaries | 7,793 | 7,206 |
| Social security costs | 936 | 753 |
| Other pension costs | 1,137 | 1,015 |
| | 9,866 | 8,974 |
| Other administrative expenses | 7,156 | 6,671 |
| | 17,022 | 15,645 |
| Remuneration of auditor and its associates: Audit of annual accounts (excluding VAT) | 332 | 286 |
| Operating lease costs | 185 | 193 |

## 6. Taxation

| | 2025 £000 | 2024 £000 |
|---|---|---|
| The taxation charge for the year comprises: | | |
| UK corporation tax on profits in the year | 2,111 | 2,608 |
| Adjustment in respect of previous year | (54) | 59 |
| Total current tax | 2,057 | 2,667 |
| Deferred taxation: | | |
| Origination and reversal of timing differences | 12 | (38) |
| Adjustment in respect of previous year | 42 | (21) |
| Total deferred tax charge/(credit) | 54 | (59) |
| Tax on profit on ordinary activities | 2,111 | 2,608 |
| Factors affecting the tax charge for the year are: | | |
| Profit on ordinary activities before tax | 7,927 | 10,634 |
| Profit on ordinary activities multiplied by 25% (2024: 25%) | 1,982 | 2,659 |
| Effects of: | | |
| Difference between opening and closing tax rates | 101 | 6 |
| Adjustment in respect of previous year | 89 | (2) |
| Depreciation on non-qualifying assets | 13 | (77) |
| Disallowable expenses | (74) | 22 |
| Total tax | 2,111 | 2,608 |

Current tax has been provided at the rate of 25%. The FInance Act 2023, which was enacted in February 2024, increased the rate of tax from 19% to 25% from 1 April 2024. For the year ended 31 October 2025 deferred tax was provided at the enacted tax rate expected to apply when the related asset or liability is realised or settled.

## 7. Employees

| | Full time 2025 | Part time 2025 | Full time 2024 | Part time 2024 |
|---|---|---|---|---|
| The average number of people employed during the year (including Executive Directors) was as follows: | | | | |
| Head Office | 115 | 38 | 111 | 35 |
| Branches | 46 | 21 | 43 | 20 |
| | 161 | 59 | 154 | 55 |

## 8. Directors' remuneration and transactions

The emoluments for both Executive and Non-Executive Directors totalled £829,000 for the year (2024: £824,000).

### Executive Directors' emoluments

| 2025 | Salary £000 | Performance related pay Short Term £000 | Medium Term[2] £000 | Taxable benefits £000 | Pension contribution [1] £000 | TOTAL £000 |
|---|---|---|---|---|---|---|
| Phillippa Cardno | 239 | 25 | - | 3 | 51 | 318 |
| Darren Garner | 186 | 19 | - | 3 | 40 | 248 |
| Dean Scott (appointed 01/09/25) | 23 | 10 | - | - | 5 | 38 |
| **TOTAL** | 448 | 54 | - | 6 | 96 | 604 |
| | | | | | | |
| 2024 | | | | | | |
| Phillippa Cardno | 225 | 25 | 45 | 4 | 48 | 347 |
| Darren Garner | 179 | 19 | 36 | 3 | 38 | 275 |
| **TOTAL** | 404 | 44 | 81 | 7 | 86 | 622 |

**Notes**

1. The Executive Directors have the option to sacrifice part of their salary in exchange for the Society making additional pension contributions on their behalf. During the year Phillippa Cardno, Darren Garner and Dean Scott took advantage of this option.
2. Amounts payable under the MTIP for performance across the two financial years ended 31 October 2024.

Further details on the components of Directors' emoluments can be found in the Remuneration Committee report on pages 61 to 63.

### Non-Executive Directors' emoluments (comprising fees only)

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Piers Williamson (Chairman) | 54 | 52 |
| Debbie Beaven | 37 | 35 |
| Chris Brown | 37 | 35 |
| Nailesh Rambhai | 37 | 36 |
| William Roberts (retired 20/02/24) | - | 12 |
| Alistair Welham | 34 | 32 |
| Ian Workman (appointed 12/02/25) | 26 | - |
| | 225 | 202 |

### Loans to Directors and connected persons:

The aggregate outstanding balance at the end of the financial year in respect of loans from the Society to Directors and connected persons was nil (2024: £nil) representing loans to none (2024: none) persons. The terms and conditions are in line with standard mortgage lending and the loan is secured on residential property with the nature of any final settlement being on a cash basis. There are no guarantees given or received. A register of loans to and transactions with Directors and connected persons is maintained. It is available for inspection by members at the Society's Head Office for the period of fifteen days prior to the Annual General Meeting and at the Annual General Meeting.

## 9. Cash in hand and balances with Bank of England

| | 2025<br>£000 | 2024<br>£000 |
|---|---|---|
| Cash in hand | 291 | 342 |
| Balances at Bank of England | 228,096 | 248,425 |
| | 228,387 | 248,767 |

Balances at Bank of England comprise entirely of amounts deposited in an interest bearing reserve account with no restrictions as to access or use of funds.

## 10. Loans and advances to credit institutions

| | 2025<br>£000 | 2024<br>£000 |
|---|---|---|
| Accrued interest | – | 21 |
| Repayable on demand | 5,624 | 6,999 |
| Other loans and advances by residual maturity repayable: | | |
| In no more than three months | – | 1,380 |
| | 5,624 | 8,400 |

## 11. Debt securities

| | 2025<br>£000 | 2024<br>£000 |
|---|---|---|
| Accrued interest | 158 | 60 |
| Treasury bills and gilts | 18,651 | 11,630 |
| | 18,809 | 11,690 |

| | | |
|---|---|---|
| Movements during the year of debt securities | | |
| At 1 November 2024 | 11,690 | – |
| Additions | 22,237 | 11,536 |
| Disposals and maturities | (15,445) | – |
| Accrued interest | 158 | 60 |
| Gain on disposal of debt security | (29) | – |
| Net movements in fair value recognised in the statement of comprehensive income | 198 | 94 |
| At 31 October 2025 | 18,809 | 11,690 |

These investments in debt securities are exposed to credit risk. Management has assessed the credit risk and concluded it to be immaterial as these are government bonds having a low risk of default.

## 12. Derivative financial instruments

| | Contract/notional amount £000 | Fair values assets £000 | Fair values liabilities £000 |
|---|---|---|---|
| At 31 October 2025 | | | |
| a) Unmatched derivatives - Interest rate swaps | 39,350 | 82 | (301) |
| b) Derivatives designated as fair value hedges - Interest rate swaps | 585,360 | 2,613 | (5,384) |
| **Total recognised derivative assets/(liabilities)** | 624,710 | 2,695 | (5,685) |
| At 31 October 2024 | | | |
| a) Unmatched derivatives - Interest rate swaps | 67,700 | 921 | (50) |
| b) Derivatives designated as fair value hedges - Interest rate swaps | 485,555 | 10,307 | (1,513) |
| **Total recognised derivative assets/(liabilities)** | 553,255 | 11,228 | (1,563) |

The Society determines fair values by the three tier valuation hierarchy as set out in the accounting policies (note 1). All of the Society's derivative financial instruments are valued using level 2 methodology.

## 13. Loans and advances to customers

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Loans fully secured on residential property before adjustments | 1,464,157 | 1,353,773 |
| Other loans: fully secured on land before adjustments | 3,067 | 3,267 |
| Total loans before adjustments | 1,467,224 | 1,357,040 |
| Effective interest rate adjustment | 5,572 | 5,367 |
| Provision for impairment losses on loans and advances | (1,319) | (1,453) |
| Per note 25 | 1,471,477 | 1,360,954 |
| Fair value adjustment for hedged risk | 3,814 | (3,392) |
| | 1,475,291 | 1,357,562 |

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

| | 2025 £000 | 2024 £000 |
|---|---|---|
| **Repayable:** | | |
| In not more than three months | 3,431 | 5,506 |
| In more than three months but not more than one year | 6,960 | 7,531 |
| In more than one year but not more than five years | 112,614 | 91,935 |
| In more than five years | 1,353,605 | 1,254,043 |
| | 1,476,610 | 1,359,015 |
| Less allowance for impairment (refer to note 14) | (1,319) | (1,453) |
| | 1,475,291 | 1,357,562 |

The maturity analysis above is based on contractual maturity; not behavioural or expected maturity.

Loans and advances to customers includes assets pledged to the Bank of England as collateral in order to access funding from the Bank's Sterling Monetary Framework (SMF) facilities. To access SMF facilities the Society must: maintain operational capability to efficiently settle transactions with the Bank; act in a manner consistent with the Bank's objectives; and have not experienced an event of default or received regulatory objections to participation. Qualifying assets transferred to the Bank for use as collateral are subject to a valuation adjustment made by the Bank. At 31 October 2025 the Society had pledged £217.9m of mortgage assets (2024: £254.0m) as collateral to cover the £40m of funding drawn from SMF facilities (2024: £49.0m) and support the drawdown of additional funding where required.

## 14. Allowances for losses on loans and advances

| | Collective £000 | Individual £000 | Total £000 |
|---|---|---|---|
| At 1 November 2024 | 1,188 | 265 | 1,453 |
| Charge/(credit) for the year | (268) | 239 | (29) |
| Utilised in the year | - | (105) | (105) |
| At 31 October 2025 | 920 | 399 | 1,319 |
| | | | |
| At 1 November 2023 | 2,137 | 315 | 2,452 |
| Credit for the year | (949) | (40) | (989) |
| Utilised in the year | - | (10) | (10) |
| At 31 October 2024 | 1,188 | 265 | 1,453 |

## 15. Tangible fixed assets

| | Land and buildings £000 | Equipment, fixtures, fittings & vehicles £000 | Total £000 |
|---|---|---|---|
| **Cost / valuation (1)** | | | |
| At 1 November 2024 | 4,922 | 6,189 | 11,111 |
| Additions | - | 546 | 546 |
| Disposals | (61) | (90) | (151) |
| At 31 October 2025 | 4,861 | 6,645 | 11,506 |
| **Depreciation** | | | |
| At 1 November 2024 | 485 | 2,209 | 2,694 |
| Charge for the year | 51 | 509 | 560 |
| Elimination in respect of disposal | (61) | (90) | (151) |
| At 31 October 2025 | 475 | 2,628 | 3,103 |
| **Net book value** | | | |
| At 31 October 2024 | 4,437 | 3,980 | 8,417 |
| At 31 October 2025 | 4,386 | 4,017 | 8,403 |

| | Land and buildings £000 | Equipment, fixtures, fittings & vehicles £000 | Assets in the course of construction £000 | Total £000 |
|---|---|---|---|---|
| **Cost / valuation (1)** | | | | |
| At 1 November 2023 | 4,922 | 5,144 | 365 | 10,431 |
| Additions | - | 751 | - | 751 |
| Reclassification between asset classes (2) | - | 365 | (365) | - |
| Disposals | - | (71) | - | (71) |
| At 31 October 2024 | 4,922 | 6,189 | - | 11,111 |
| **Depreciation** | | | | |
| At 1 November 2023 | 431 | 1,789 | - | 2,220 |
| Charge for the year | 54 | 491 | - | 545 |
| Elimination in respect of disposal | - | (71) | - | (71) |
| At 31 October 2024 | 485 | 2,209 | - | 2,694 |
| **Net book value** | | | | |
| At 31 October 2023 | 4,491 | 3,355 | 365 | 8,211 |
| At 31 October 2024 | 4,437 | 3,980 | - | 8,417 |

**Notes**

1. Land and buildings consist of £2.2m of freehold property, £2m non-depreciable land and £0.3m of leasehold property. The net book value occupied for own activities at 31 October was £4.2m (2024: £4.2m). If the freehold properties had been held under the historical cost basis their net book value as at 31 October 2025 would have been £3.4m (2024: £3.4m). The Society's freehold properties were last revalued in July 2022 on a market value and vacant possession basis by Quintons, Chartered Surveyors, who are considered to be independent of the Society. Other tangible fixed assets are included at cost.
2. Reclassification in respect of costs previously incurred in the course of refurbishing the Society's branches and held in aggregate within assets in the course of construction now transferred to equipment, fixtures, fittings & vehicles and subject to depreciation following completion of all refurbishment activities.

## 16. Intangible fixed assets

| | 2025 Software £000 | 2024 Software £000 |
|---|---|---|
| **Cost / valuation** | | |
| At 1 November | 377 | 377 |
| Additions | 48 | – |
| Disposal | – | – |
| At 31 October | 425 | 377 |
| **Amortisation** | | |
| At 1 November | 361 | 348 |
| Charge for the year | 19 | 13 |
| Disposal | – | – |
| At 31 October | 380 | 361 |
| **Net book value** | | |
| At 31 October | 16 | 29 |
| At 31 October | 45 | 16 |

Intangible assets are included at cost.

## 17. Investment properties

| | 2025 £000 | 2024 £000 |
|---|---|---|
| At 1 November | 1,048 | 1,048 |
| Revaluations | – | – |
| At 31 October | 1,048 | 1,048 |

Valuations of all investment properties were last carried out in July 2022 on an open market value and vacant basis by Quintons, Chartered Surveyors, who are considered to be independent of the Society. Further assessments undertaken at 31 October 2025 concluded that there was no objective evidence during the year suggesting impairment for the year.

The Society's investment properties represent the unoccupied portions of Society-owned properties. As such, none of the investment properties are subject to any restrictions on sale and the Society is under no contractual obligation to purchase, construct or develop investment properties. As the owner of the freehold, and also in occupation, the Society is responsible for ensuring the properties are adequately maintained.

## 18. Shares

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Held by individuals | 1,524,560 | 1,422,993 |
| Other shares | 127 | 123 |
| | 1,524,687 | 1,423,116 |

## 19. Other liabilities

| Amounts falling due within one year: | 2025 £000 | 2024 £000 |
|---|---|---|
| Corporation tax | 1,153 | 1,374 |
| Social security | 217 | 176 |
| Cash collateral received against hedging contracts | 321 | 7,593 |
| Other creditors | 646 | 70 |
| | 2,337 | 9,213 |

## 20. Deferred tax

| | 2025 £000 | 2024 £000 |
|---|---|---|
| At 1 November | 494 | 553 |
| Deferred tax charge/(credit) (see note 6) | 54 | (59) |
| At 31 October | 548 | 494 |
| **Comprising:** | | |
| Accelerated capital allowances | 580 | 491 |
| FRS 102 transition adjustment | - | 31 |
| Branch refurbishment provisions | (32) | (28) |
| At 31 October | 548 | 494 |

All deferred tax balances have been recognised at 25% being the rate enacted at the balance sheet date at which the balances are materially expected to reverse.

## 21. Reserves

| | 2025 £000 | 2024 £000 |
|---|---|---|
| **General reserves** | | |
| At 1 November | 115,311 | 107,285 |
| Profit for the financial year | 5,816 | 8,026 |
| At 31 October | 121,127 | 115,311 |
| **Revaluation reserve** | | |
| At 1 November | 726 | 726 |
| Property revaluation | - | - |
| At 31 October | 726 | 726 |

| **Available for sale reserve** | 2025 £000 | 2024 £000 |
|---|---|---|
| At 1 November | 94 | - |
| Net movements in fair value recognised in the statement of comprehensive income | 198 | 94 |
| At 31 October | 292 | 94 |

### 22. Cash and cash equivalents

| | 2025 £000 | 2024 £000 |
|---|---|---|
| Cash in hand and balances with the Bank of England repayable on demand | 228,387 | 248,767 |
| Loans and advances to credit institutions | 5,624 | 6,999 |
| As at 31 October | 234,011 | 255,766 |

Loans and advances to credit institutions excludes accrued interest and amounts repayable in more than three months.

### 23. Capital and other financial commitments

| | 2025 £000 | 2024 £000 |
|---|---|---|
| a. Capital commitments | | |
| Capital expenditure contracted but not yet provided for in the accounts | - | - |
| b. Leasing commitments | | |
| Total rental commitments on leases with a remaining term of | 177 | 176 |
| Not later than one year | - | 74 |
| Later than one year but not later than five years | 25 | 71 |
| Later than five years | 152 | 31 |

The Society has no material contingent liabilities (2024: none).

### 24. Financial instruments

A financial instrument is a contract that gives rise to a financial asset or financial liability. Newbury Building Society sells financial instruments, namely mortgages and savings products. The Society uses derivative instruments in the form of interest rate swaps to manage the risk arising from its exposure to financial instruments. These are used to protect the Society from exposures arising principally from fixed rate mortgage lending. An interest rate swap is a contract to exchange one set of interest rate cash flows for another. Such swaps result in the economic exchange of interest rates. No exchange of principal takes place. Instead interest payments are based on notional principal amounts agreed at inception of the swap. The duration of the interest rate swaps is generally short to medium term and their maturity profile reflects the nature of the exposures arising from the underlying business activities. The objective of the Society in using derivatives is in accordance with the Building Societies Act 1986 and is to limit the extent to which the Society will be affected by changes in interest rates. Derivatives are not used in trading activity or for speculative purposes.

The following table sets out the activities that cause interest rate risk and how they are managed:

| Activity | Risk | Managed by |
|---|---|---|
| Fixed-rate mortgage lending and other assets | Sensitivity to rises in interest rates | Pay fixed-rate interest rate swaps to match against fixed rate receipts |
| Fixed-rate savings products and funding | Sensitivity to falls in interest rates | Matching longer terms products against fixed-rate mortgages |

The Society has a formal governance structure for managing financial and other risks, including an established risk appetite, risk limits, reporting lines, mandates and other control procedures. The Assets & Liabilities Committee monitors the financial risks (including the use of derivative financial instruments), funding and liquidity in line with the Society's policy statements and reports any significant matters at each Board meeting.

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost as shown in the following table.

| **Financial instrument** | **Terms and conditions** | **Accounting policy** |
|---|---|---|
| Loans and advances to credit institutions | Fixed or SONIA linked interest rates<br>Fixed term<br>Short to medium term maturity | Loans and receivables at amortised cost<br>Accounted for at settlement date |
| Loans and advances to customers | Secured on residential property or land<br>Standard contractual term typically of 25 years<br>Fixed or variable rate interest | Loans and receivables at amortised cost<br>Accounted for from the date of advance |
| Shares | Variable term<br>Fixed or variable interest rates | Amortised cost<br>Accounted for from the date of deposit |
| Amounts owed to credit institutions | Fixed or SONIA linked interest rates<br>Fixed term<br>Short to medium term maturity | Amortised cost<br>Accounted for at settlement date |
| Debt securities | Fixed interest rate<br>Fixed term<br>Short to medium term maturity | Available for sale at fair value through other comprehensive income<br>Accounted for at settlement date |
| Amounts owed to other customers | Fixed or SONIA linked interest rates<br>Fixed term<br>Short to medium term maturity | Amortised cost<br>Accounted for at settlement date |
| Derivative financial instruments | Fixed interest received/paid converted to variable interest paid/received<br>Based on notional value of the derivative | Fair value through profit and loss<br>Accounted for at trade date |

The Society's accounting policies set out in Note 1 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the Society's financial assets and liabilities by financial classification:

**Carrying values by category 31 October 2025**

| | Held at amortised cost | | Held at fair value | | | |
|---|---|---|---|---|---|---|
| | Loans and receivables £000 | Financial assets and liabilities £000 | Available for sale £000 | Derivatives designated as fair value hedges £000 | Unmatched derivatives £000 | Total £000 |
| **Financial assets** | | | | | | |
| Cash in hand and balances with the Bank of England | 228,387 | - | - | - | - | 228,387 |
| Loans and advances to credit institutions | 5,624 | - | - | - | - | 5,624 |
| Debt securities | - | - | 18,809 | - | - | 18,809 |
| Derivative financial instruments | - | - | - | 2,613 | 82 | 2,695 |
| Loans and advances to customers | 1,475,291 | - | - | - | - | 1,475,291 |
| **Total assets** | 1,709,302 | - | 18,809 | 2,613 | 82 | 1,730,806 |
| **Financial liabilities** | | | | | | |
| Shares | - | 1,524,687 | - | - | - | 1,524,687 |
| Amounts owed to credit institutions | - | 66,644 | - | - | - | 66,644 |
| Amounts owed to other customers | - | 23,378 | - | - | - | 23,378 |
| Derivative financial instruments | - | - | - | 301 | 5,384 | 5,685 |
| **Total liabilities** | - | 1,614,709 | - | 301 | 5,384 | 1,620,394 |

The amounts owed to credit institutions include borrowings from the Bank of England under the ILTR facility.

**Carrying values by category 31 October 2024**

| | Held at amortised cost | | Held at fair value | | | |
|---|---|---|---|---|---|---|
| | Loans and receivables £000 | Financial assets and liabilities £000 | Available for sale £000 | Derivatives designated as fair value hedges £000 | Unmatched derivatives £000 | Total £000 |
| **Financial assets** | | | | | | |
| Cash in hand and balances with the Bank of England | 248,767 | - | - | - | - | 248,767 |
| Loans and advances to credit institutions | 8,400 | - | - | - | - | 8,400 |
| Debt securities | - | - | 11,690 | - | - | 11,690 |
| Derivative financial instruments | - | - | - | 10,307 | 921 | 11,228 |
| Loans and advances to customers | 1,357,562 | - | - | - | - | 1,357,562 |
| **Total assets** | 1,614,729 | - | 11,690 | 10,307 | 921 | 1,637,647 |
| **Financial liabilities** | | | | | | |
| Shares | - | 1,423,116 | - | - | - | 1,423,116 |
| Amounts owed to credit institutions | - | 67,385 | - | - | - | 67,385 |
| Amounts owed to other customers | - | 29,582 | - | - | - | 29,582 |
| Derivative financial instruments | - | - | - | 50 | 1,513 | 1,563 |
| **Total liabilities** | - | 1,520,083 | - | 50 | 1,513 | 1,521,646 |

Amounts owed to credit institutions comprise borrowings from the Bank of England under the Term Funding Scheme with additional incentives for SMEs and ILTR.

**Valuation of financial instruments carried at fair value**

The Society holds certain financial assets and liabilities at fair value, grouped into levels 1 to 3 of the fair value hierarchy as defined within IAS 39 and FRS 102.34:

**Valuation techniques**

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value.

Level 1 – The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Society's Level 1 assets comprise entirely of the Society's portfolio of debt securities in the form of Treasury bills issued by HM Government. Market prices have been used to determine the fair value of listed debt securities.

Level 2 – These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists, and quoted prices are available for similar instruments in active markets. The Society's Level 2 assets comprise entirely of the Society's portfolio of derivative financial instruments held for risk management purposes the fair value for which has been determined using generally observable SONIA yield curves derived from quoted interest rates which match the timings of the cash flows and maturities of the instruments.

Level 3 – These are valuation techniques for which one or more significant input is not based on observable market data. Valuation techniques include net present value by way of discounted cash flow models. The Society has no financial assets or liabilities that qualify as Level 3.

## 25. Credit risk

Credit risk is the risk that the Society incurs a financial loss arising from the failure of a customer or counterparty to meet their contractual obligations to repay the Society. The Society controls the level of credit risk it undertakes by maintaining a credit governance framework involving delegated approval authority levels and credit procedures, the objective of which is to build and maintain asset portfolios of high quality.

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

| | 2025<br>£000 | 2024<br>£000 |
|---|---|---|
| **Credit risk exposure** | | |
| Cash in hand and balances with the Bank of England | 228,387 | 248,767 |
| Loans and advances to credit institutions | 5,624 | 8,400 |
| Debt securities | 18,809 | 11,690 |
| Derivative financial instruments | 2,695 | 11,228 |
| Loans fully secured on residential property | 1,468,410 | 1,357,687 |
| Other loans | 3,067 | 3,267 |
| Total statement of financial position exposure | 1,726,992 | 1,641,039 |
| Off balance sheet exposure - mortgage offers and retentions | 48,559 | 63,833 |
| Total | 1,775,551 | 1,704,872 |

Loans and advances to customers are shown as gross of effective interest rate adjustment and net of provisions (see Note 13).

Loans and advances to customers are predominantly made up of retail loans fully secured against UK residential property £1,464.2m (2024: £1,353.8m), split between residential, buy-to-let and commercial owner occupier loans, and £3.1m (2024: £3.3m) being secured on commercial property.

The Society operates throughout England and Wales with the portfolio mainly concentrated in the South East and South West.

### Residential assets

Loans fully secured on residential property are split between residential, buy-to-let and commercial owner occupied.

| | 2025 £000 | 2024 £000 |
|---|---|---|
| **Concentration by loan type** | | |
| Prime owner occupied | 1,269,269 | 1,187,736 |
| Buy-to-let and commercial owner occupied | 194,888 | 166,037 |
| Gross balance | 1,464,157 | 1,353,773 |
| Impairment provisions | (1,319) | (1,453) |
| Fair value adjustments | 3,814 | (3,392) |
| | 1,466,652 | 1,348,928 |

| **Geographical analysis** | 2025 £m | 2025 % | 2024 £m | 2024 % |
|---|---|---|---|---|
| East Anglia | 58.5 | 4.0 | 50.8 | 3.8 |
| East Midlands | 49.4 | 3.4 | 43.6 | 3.2 |
| Greater London | 229.0 | 15.6 | 204.7 | 15.1 |
| North | 16.2 | 1.1 | 11.4 | 0.8 |
| North West | 67.0 | 4.6 | 57.9 | 4.3 |
| South East | 703.2 | 48.0 | 677.2 | 50.0 |
| South West | 217.9 | 14.9 | 202.9 | 15.0 |
| Wales | 28.4 | 1.9 | 24.3 | 1.8 |
| West Midlands | 60.1 | 4.1 | 50.8 | 3.8 |
| Yorkshire & Humberside | 34.5 | 2.4 | 30.2 | 2.2 |
| **Total** | 1,464.2 | 100.0 | 1,353.8 | 100.0 |

The following table analyses the loan to value (LTV) of the residential portfolio:

| **LTV analysis** | 2025 £m | 2025 % | 2024 £m | 2024 % |
|---|---|---|---|---|
| 0% - 50% | 1,055.0 | 72.1 | 961.0 | 70.9 |
| 50.01% - 75% | 385.4 | 26.3 | 364.2 | 26.9 |
| 75.01% - 80% | 12.4 | 0.8 | 16.2 | 1.2 |
| 80.01% - 85% | 7.6 | 0.5 | 6.5 | 0.5 |
| 85.01% - 90% | 3.1 | 0.2 | 4.8 | 0.4 |
| 90.01% - 95% | 0.7 | 0.1 | 0.9 | 0.1 |
| 95.01% - 100% | - | - | 0.2 | 0.0 |
| **Total** | 1,464.2 | 100.0 | 1,353.8 | 100.0 |
| Average loan to value of residential mortgage loans | | 29.4 | | 30.0 |

The average LTV of 29.4% (2024: 30.0%) is the mean LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of the collateral held adjusted by an average of the quarterly movements in the Nationwide and HM Land Registry price indices.

The quality of the Society's retail mortgage book is reflected in the number and value of accounts in arrears. By volume 0.63% (2024: 0.43%) of loans are three months or more in arrears and by value it is 0.47% (2024: 0.31%).

The main factor for loans moving into arrears is due to a change in the borrower's circumstances e.g. unemployment, illness, relationship breakdown.

The table below provides information on residential loans by payment due status:

### Arrears analysis

| Not impaired: | 2025 £m | 2025 % | 2024 £m | 2024 % |
|---|---|---|---|---|
| Neither past due or impaired | 1,442.6 | 98.5 | 1,334.3 | 98.6 |
| Past due under 3 months but not impaired | 9.3 | 0.6 | 10.2 | 0.8 |
| Past due 3 months and over but not impaired | 4.7 | 0.3 | 3.1 | 0.2 |
| Possessions | 0.2 | 0.0 | 0.2 | 0.0 |
| Impaired: | | | | |
| Not past due | 4.3 | 0.3 | 4.6 | 0.4 |
| Past due under 3 months | 2.1 | 0.2 | 0.5 | 0.0 |
| Past due 3 to 5 months | 0.7 | 0.1 | – | – |
| Past due 6 to 12 months | – | – | 0.3 | 0.0 |
| Over 12 months | 0.3 | 0.0 | 0.2 | 0.0 |
| Possessions | – | – | 0.4 | 0.0 |
| **Total** | 1,464.2 | 100.0 | 1,353.8 | 100.0 |

The status 'past due up to three months but not impaired' and 'past due over three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated. The amount included is the entire loan amount rather than just the overdue amount.

Possession balances represent those loans where the Society has taken ownership of the underlying security pending its sale. The Society has various forbearance options to support customers who may find themselves in financial difficulty. These include temporary interest only concessions, payment plans and reduced payment concessions. Possession is a last resort.

The following table sets out the value of collateral on an indexed and unindexed basis for the residential portfolio.

| | Indexed 2025 £m | Unindexed 2025 £m | Indexed 2024 £m | Unindexed 2024 £m |
|---|---|---|---|---|
| Value of collateral held: | | | | |
| Neither past due or impaired | 4,921.9 | 4,320.8 | 4,456.4 | 3,875.5 |
| Past due but not impaired | 54.3 | 42.5 | 51.6 | 39.6 |
| Impaired | 11.5 | 11.3 | 8.8 | 8.4 |
| **Total** | 4,987.7 | 4,374.6 | 4,516.8 | 3,923.5 |

The collateral consists of residential property. Collateral values are adjusted by an average of the Nationwide and HM Land Registry price indices on a quarterly basis.

The value of collateral held against loans 'Past due but not impaired' at 31 October 2025 is £54.3m (2024: £51.6m) against outstanding debt of £14.1m (2024: £13.5m). In addition, the value of collateral held against 'Impaired' assets at 31 October 2025 is £11.5m (2024: £8.8m) against outstanding debt of £7.4m (2024: £6.0m).

Mortgage indemnity insurance acts as additional security. It is taken out for residential loans where the borrowing exceeds 75% LTV at inception.

## Commercial assets

### Concentration by loan type

| | 2025 £m | 2024 £m |
|---|---|---|
| Loans secured on commercial property | 3.1 | 3.3 |
| | 3.1 | 3.3 |

The analysis of loans secured on commercial property by industry type is as follows:

| | 2025 £m | 2025 % | 2024 £m | 2024 % |
|---|---|---|---|---|
| Club/social | 0.1 | 2.6 | 0.1 | 2.8 |
| Education | 0.0 | 0.8 | 0.2 | 4.6 |
| Industrial unit | 0.1 | 2.5 | 0.1 | 2.9 |
| Office | 0.9 | 28.4 | 0.9 | 27.4 |
| Shops | 1.9 | 63.2 | 1.9 | 59.8 |
| Other | 0.1 | 2.5 | 0.1 | 2.5 |
| | 3.1 | 100.0 | 3.3 | 100.0 |

There are no impairments or fair value adjustments on the commercial assets above.

| Geographical analysis | 2025 £m | 2025 % | 2024 £m | 2024 % |
|---|---|---|---|---|
| South East | 3.0 | 97.7 | 3.2 | 97.6 |
| South West | 0.1 | 2.3 | 0.1 | 2.4 |
| **Total** | 3.1 | 100.0 | 3.3 | 100.0 |

The following table analyses the loan to value (LTV) of the commercial portfolio using the valuation of the property carried out at inception of the mortgage:

| | 2025 £m | 2025 % | 2024 £m | 2024 % |
|---|---|---|---|---|
| **LTV analysis** | | | | |
| 0% - 50% | 1.7 | 55.1 | 1.6 | 48.9 |
| 50.01% - 75% | 1.4 | 44.9 | 1.7 | 51.1 |
| | 3.1 | 100.0 | 3.3 | 100.0 |
| Average loan to value of commercial mortgage loans | | 24.8 | | 25.8 |

The quality of the Society's commercial mortgage book is reflected in the number and value of accounts in arrears. By volume 0% (2024: 0%) of loans are three months or more in arrears and by value it is 0% (2024: 0%).

The main factor for loans moving into arrears is the condition of the general economic environment and its impact on business performance or commercial rents.

The table below provides information on retail loans by payment due status:

| Arrears analysis | 2025 £m | 2025 % | 2024 £m | 2024 % |
|---|---|---|---|---|
| Not impaired: | | | | |
| Neither past due or impaired | 3.1 | 100.0 | 3.3 | 100.0 |
| Past due up to 3 months but not impaired | – | – | – | – |
| Past due over 3 months but not impaired | – | – | – | – |
| Possessions | – | – | – | – |
| Impaired: | | | | |
| Not past due | – | – | – | – |
| Past due up to 3 months | – | – | – | – |
| Past due 3 to 6 months | – | – | – | – |
| Past due 6 to 12 months | – | – | – | – |
| Past due over 12 months | – | – | – | – |
| Possessions | – | – | – | – |
| **Total** | 3.1 | 100.0 | 3.3 | 100.0 |

The status 'past due up to three months but not impaired' and 'past due over three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated. The amount included is the entire loan amount rather than just the overdue amount.

The following table sets out the value of unindexed collateral for the commercial portfolio.

| | Unindexed 2025 £m | Unindexed 2024 £m |
|---|---|---|
| Value of collateral held: | | |
| Neither past due or impaired | 12.3 | 12.6 |
| Past due but not impaired | – | – |
| Impaired | – | – |
| **Total** | 12.3 | 12.6 |

The collateral consists of commercial property.

The value of collateral held against loans 'Past due but not impaired' at 31 October 2025 is £nil (2024: £nil) against outstanding debt of £nil (2024: £nil). In addition, the value of collateral held against loans 'impaired' at 31 October 2025 is £nil (2024: £nil) against outstanding debt of £nil (2024: £nil).

### Forbearance

The Society has various forbearance options to support customers who may find themselves in financial difficulty:

- Temporary conversion from capital and interest to interest only repayment (interest only concessions)
- Temporary extension of mortgage term to reduce monthly repayments (term extensions)
- Reduced payment concessions, where the customer makes an agreed underpayment for a period
- Arrangements to make part payments to repay arrears over an agreed period (payment plans)
- Payment holidays where previous overpayments have accrued
- Change of repayment date to better suit customer's income and expenditure profile
- Change of method by which payments are made
- Capitalisation of arrears where borrower has maintained repayments for an agreed period
- Freezing of interest on arrears where borrower has been granted breathing space under the Goverment Debt Respite Scheme

In July 2023 the Society signed up to the Government's voluntary "Mortgage Charter" scheme, which gives borrowers the ability to temporarily reduce their capital and interest payments by switching to interest only, or extending their mortgage term for 6 months without an affordability assessment, and without it being highlighted on their credit record.

In some cases, more than one forbearance solution is offered, for example where a customer can afford to pay more than just interest only and combines with a part repayment. Capitalisation is usually an exception and is approved by Credit Committee.

All forbearance arrangements are formally discussed with the customer and agreed by an authorised member of the payment support team. By offering customers in financial difficulty the option of forbearance the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the customer into a detrimental position at the end of the forbearance period.

Regular monitoring of the level of forbearance activity is reported to Credit Committee on a monthly basis. In addition all forbearance arrangements are reviewed and discussed with the customer on a regular basis to assess the ongoing suitability for the customer and potential risk to the Society.

In addition to loans in forbearance, the Society also monitors loans that, by way of a specific event or conversation with the customer, may likely be subject to future forbearance. These 'potential forbearance indicators' include:

- Appointment of an Attorney or Officer of the Court of Protection
- Declined further advance applications for debt consolidation
- Receipt of application for mortgage interest relief from the Department of Work and Pensions
- Receipt of repayment plan from a debt management company
- Admission into residential care/nursing home
- Registration of a second charge where total indebtedness appears unsustainable
- Notification from customer or guarantor that future income is likely to reduce
- Lapsed or surrendered endowment policies
- Notification of money judgement through the Court
- Request for payment holiday or other forbearance method when not in arrears

The table below details the number of forbearance cases within the 'not impaired' category:

| Type of forbearance | 2025 Number | 2024 Number |
|---|---|---|
| Interest only concessions | 6 | 6 |
| Reduced payment concessions | 5 | 5 |
| Payment plans | 19 | 18 |
| Mortgage charter interest only concessions | 15 | 23 |
| Less: Cases with more than one form of forbearance | (1) | (1) |
| Total | 44 | 51 |

In total £2.2m (2024: £2.7m) of loans that are past due are subject to forbearance. Balance not past due subject to forbearance £2.7m (2024: £3.4m). An additional £1.0m (2024: £0.9m) of loans that are past due are considered likely subject to future forbearance. Balance not past due £14.3m (2024: £19.6m).

## 26. Liquidity risk

Liquidity risk is the risk that the Society will not have sufficient financial resources available to meet its financial obligations as they fall due, under either normal business conditions or a stressed environment. It is the Society's policy that a significant amount of its total assets are carried in the form of cash and other readily realisable assets in order to:

- meet day-to-day business needs;
- meet any unexpected cash needs;
- maintain public confidence; and
- ensure maturity mismatches are provided for.

Monitoring of liquidity, in line with the Society's liquidity policy, is performed daily. Compliance with the policy is reported to the Assets & Liabilities Committee (ALCO).

The Society's liquidity policy is designed to ensure the Society has sufficient liquid resources to withstand a range of stressed scenarios. A series of liquidity stress tests have been developed as part of the Internal Liquidity Adequacy Assessment Process (ILAAP). They include scenarios that fulfil the specific requirements of the PRA (the idiosyncratic, market-wide and combination stress tests) and scenarios identified by the Society which are specific to its business model. The stress tests are performed quarterly and reported to ALCO to confirm that liquidity levels remain appropriate. The Society maintains a liquidity funding plan to ensure that it has so far as possible, sufficient liquid financial resources are available to meet liabilities as they fall due under each of the scenarios.

The Society's liquid resources comprise high quality liquid assets, including deposits in a Bank of England reserve account and time deposits. At 31 October 2025 the ratio of liquid assets to shares and deposits was 15.7% (2024: 17.7%).

The Society remains an active participant in the Bank of England's Sterling Monetary Framework. Included in Amounts owed to credit institutions is £nil borrowed under the Term Funding Scheme with additional incentives for SMEs (2024: £49m), and £40m under the ILTR Scheme (2024: £0m).

The table below analyses the Society's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity at the statement of financial position date. This is not representative of the Society's management of liquidity. The actual repayment profile is likely to be significantly different from that shown in the analysis as while most mortgages have a contractual maturity of around 25 years they are generally repaid much sooner. Conversely, retail deposits repayable on demand or with notice periods generally remain on balance sheet much longer.

| **Residual maturity as at 31 October 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 | No specific maturity £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Liquid assets | | | | | | | |
| Cash in hand and balances with the Bank of England | 228,387 | – | – | – | – | – | 228,387 |
| Loans and advances to credit institutions | 5,624 | – | – | – | – | – | 5,624 |
| Debt securities | – | 1,985 | 8,838 | 7,986 | – | – | 18,809 |
| Total liquid assets | 234,011 | 1,985 | 8,838 | 7,986 | – | – | 252,820 |
| Derivative financial instruments | – | 194 | 496 | 2,005 | – | – | 2,695 |
| Loans and advances to customers | – | 3,431 | 6,960 | 112,614 | 1,353,605 | (1,319) | 1,475,291 |
| Other assets | – | – | – | – | – | 16,485 | 16,485 |
| | 234,011 | 5,610 | 16,294 | 122,605 | 1,353,605 | 15,166 | 1,747,291 |

**Financial liabilities and reserves**

| | 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 | No specific maturity £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| Shares | 1,226,340 | 158,223 | 86,036 | 51,339 | – | 2,749 | 1,524,687 |
| Amounts owed to credit institutions | – | 25,000 | 41,000 | – | – | 644 | 66,644 |
| Amounts owed to other customers | 6,768 | 16,610 | – | – | – | – | 23,378 |
| Derivative financial instruments | – | – | – | 5,685 | – | – | 5,685 |
| Other liabilities | – | – | – | – | – | 4,752 | 4,752 |
| Reserves | – | 1 | 190 | 101 | – | 121,853 | 122,145 |
| | 1,233,108 | 199,834 | 127,226 | 57,125 | – | 129,998 | 1,747,291 |
| Net Liquidity gap | (999,097) | (194,224) | (110,932) | 65,480 | 1,353,605 | (114,832) | – |

All Society liquid assets are unencumbered as at the balance sheet date.

| **Residual maturity as at 31 October 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 | No specific maturity £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | |
| Liquid assets | | | | | | | |
| Cash in hand and balances with the Bank of England | 248,767 | – | – | – | – | – | 248,767 |
| Loans and advances to credit institutions | 6,999 | 1,380 | – | – | – | 21 | 8,400 |
| Debt securities | – | – | 6,864 | 4,766 | – | 60 | 11,690 |
| Total liquid assets | 255,766 | 1,380 | 6,864 | 4,766 | – | 81 | 268,857 |
| Derivative financial instruments | – | 764 | 2,793 | 7,671 | – | – | 11,228 |
| Loans and advances to customers | – | 5,506 | 7,531 | 91,935 | 1,254,043 | (1,453) | 1,357,562 |
| Other assets | – | – | – | – | – | 11,424 | 11,424 |
| | 255,766 | 7,650 | 17,188 | 104,372 | 1,254,043 | 10,052 | 1,649,071 |

**Financial liabilities and reserves**

| | 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 | No specific maturity £000 | Total £000 |
|---|---|---|---|---|---|---|---|
| Shares | 1,202,257 | 134,773 | 36,775 | 47,773 | - | 1,538 | 1,423,116 |
| Amounts owed to credit institutions | - | 10,000 | 57,000 | - | - | 385 | 67,385 |
| Amounts owed to other customers | 6,665 | 22,917 | - | - | - | - | 29,582 |
| Derivative financial instruments | - | - | - | 1,563 | - | - | 1,563 |
| Other liabilities | - | - | - | | - | 11,294 | 11,294 |
| Reserves | - | - | 16 | 78 | - | 116,037 | 116,131 |
| | 1,208,922 | 167,690 | 93,791 | 49,414 | - | 129,254 | 1,649,071 |
| Net Liquidity gap | (953,156) | (160,040) | (76,603) | 54,958 | 1,254,043 | (119,202) | - |

The following is an analysis of gross contractual cash flows payable under financial liabilities:

| | Repayable 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 |
|---|---|---|---|---|---|---|
| **31 October 2025** | | | | | | |
| Shares | 1,226,340 | 155,043 | 90,573 | 56,198 | - | 1,528,154 |
| Amounts owed to credit institutions | - | - | 40,366 | - | - | 40,366 |
| Amounts owed to other customers | 6,768 | 16,619 | - | - | - | 23,387 |
| Derivative financial instruments | - | - | - | 5,685 | - | 5,685 |
| | 1,233,108 | 171,662 | 130,939 | 61,883 | - | 1,597,592 |
| **31 October 2024** | | | | | | |
| Shares | 1,202,258 | 135,040 | 37,119 | 53,575 | - | 1,427,992 |
| Amounts owed to credit institutions | - | - | - | 50,758 | - | 50,758 |
| Amounts owed to other customers | 6,665 | 22,925 | - | - | - | 29,590 |
| Derivative financial instruments | - | - | - | 1,563 | - | 1,563 |
| | 1,208,923 | 157,965 | 37,119 | 105,896 | - | 1,509,903 |

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.

## 27. 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. The principal element of market risk to which the Society is exposed is interest rate risk as a retailer of financial instruments, mainly in the form of mortgage and savings products and the holder of both liquid assets and wholesale borrowing. The risk can arise as a result of actual or market anticipation of changes in general interest rates, changes in the relationship between short and long term interest rates and divergence of rates on different bases across assets and liabilities (basis risk).

The Board has set a risk appetite for each element of interest rate risk. The Society ensures compliance with this risk appetite through the monitoring of interest rate risk exposure by the ALCO. In addition to this the Society undertakes a number of interest rate stresses, covering movements in SONIA and the Base Rate. Balance sheet composition is also monitored to determine the extent to which the Society maintains control over the level of interest rates across the balance sheet through administered rate mortgages and savings balances.

The following is the Society's sensitivity to an increase or decrease in market rates at 31 October 2025 assuming a parallel movement of 200bps in yield curves and a constant financial position. 200bps is considered to be an industry standard and therefore appropriate.

| | +200bps Parallel | |
|---|---|---|
| 2025 | Increase £000 | Decrease £000 |
| Net interest income impact | (260) | 280 |

| | +200bps Parallel | |
|---|---|---|
| 2024 | Increase £000 | Decrease £000 |
| Net interest income impact | (556) | 615 |

### Financial instruments

The Society does not have any financial assets or liabilities that are offset, with the net amount presented in the Statement of Financial Position as FRS 102.11.38A requires both an enforceable right to set off and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Neither of these conditions are met by the Society, therefore all financial assets and liabilities are presented on a gross basis in the Statement of Financial Position.

The Society has entered into Credit Support Annexes (CSAs) for its derivative instruments which typically provide for the exchange of collateral to mitigate mark to market credit exposure. The CSAs are subject to a minimum transfer threshold. Collateral is only posted once the threshold is reached at which point the whole amount would be posted.

In September 2024 the Society amended its CSA agreement with NatWest. This required the Society to provide NatWest with a £1.3m 'Independent Amount' (IA) to allow for an increased limit to conduct swaps with NatWest. The IA functions in the same way as posted collateral except it cannot be recalled without an agreement from both parties. This does not have any other impact on the existing CSA agreement.

The fair value of derivatives designated as fair value hedges is set out in note 12 above.

## 28. Pension scheme

The Society operates a stakeholder defined contribution pension scheme and contributes to some other individual personal pension arrangements. The assets are held separately from those of the Society in independently administered funds. In addition the Society provides death in service cover for its employees. This is fully insured under the Newbury Building Society Death In Service Scheme. The pension cost charge represents contributions payable by the Society to the individual employee funds and death in service premiums and amounted to £1,137,000 (2024: £1,015,000). There were pension contributions payable at the year end of £85,000 (2024: £75,000). There was a prepayment at the year end of £28,000 (2024: £33,000) for the Society Death In Service Scheme.

## 29. Capital structure

The Society's policy is to maintain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The formal annual ICAAP process (Internal Capital Adequacy Assessment Process) assists the Society with its management of capital. Through its regular updates the Board monitors the Society's capital position to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position are reviewed against a stated risk appetite which aims to maintain capital at a minimum level above the Total Capital Requirement (TCR) provided by the PRA.

The Board manages the Society's capital and risk exposures to maintain capital in excess of regulatory requirements which includes monitoring of:

a) Lending decisions - The Society's lending policy is closely monitored by the Credit Committee to ensure it aligns with the Society's risk appetite.

b) Pricing - Pricing models are utilised for all residential mortgage products. The model includes expected return and capital utilisation enabling the calculation of a return on capital.

c) Concentration risk - The design of both retail and mortgage products takes into account the overall mix of products to ensure that concentration levels are maintained within the Society's risk appetite.

d) Counterparty risk - Deposits are only placed with approved counterparties in line with the Society's treasury policy and are subject to a range of limits. The limits are monitored daily to ensure the Society remains within risk appetite.

There were no breaches of capital requirements during the year. There have been no material changes in the Society's management of capital during the year.

| **Common equity tier 1 capital** | 2025 £000 | 2024 £000 |
|---|---|---|
| General reserve | 121,127 | 115,311 |
| Revaluation reserve | 726 | 726 |
| Available for sale reserve | 292 | 94 |
| Intangible assets (1) | (45) | (16) |
| Total common equity tier 1 capital (unaudited) | 122,100 | 116,115 |
| **Tier 2 capital** | | |
| Collective provision | 920 | 1,188 |
| Total tier 2 capital | 920 | 1,188 |
| Total regulatory capital (unaudited) | 123,020 | 117,303 |

**Notes:**
(1) Represents amount of intangible assets deducted from regulatory capital in accordance with Capital Requirements Regulation as amended following the European Union (Withdrawal Agreement) Act 2021.

## 30. Country-by-country reporting

The regulations under Article 89 of the CRD IV require the Society to disclose the following information about the source of the Society's income and the location of its operations:

- Name, nature of activities and geographical location: The Society has three dormant subsidiaries and was incorporated and operates only in the United Kingdom. Given the dormant status of these subsidaries they are not required to be consolidated. The Society has no ultimate controlling party or parent. The principal activities of the Society are noted in the Strategic Report on pages 10 and 11.
- Average number of employees: as disclosed in Note 7 to the accounts.
- Annual turnover is equivalent to total operating income and, along with profit before tax, is as disclosed in the Income Statement on page 73.
- Corporation Tax paid: as noted in the Cash Flow Statement on page 76.
- Public subsidies: there were none received in the year.

# Other *information*

## Annual business statement as at 31 October 2025

| 1. Statutory percentages | 2025 % | Statutory limit % |
|---|---|---|
| Lending limit | 0.93 | 25 |
| Funding limit | 5.6 | 50 |

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986.

The lending limit measures the proportion of business assets not in the form of loans secured on residential property. Business assets are the total assets of the Society plus provisions for bad and doubtful debts less liquid assets and tangible fixed assets as shown in the Society balance sheet.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

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.

| | 2025 % | 2024 % |
|---|---|---|
| **2. Other percentages** | | |
| Gross capital as a percentage of shares and borrowings | 7.56 | 7.64 |
| Free capital as a percentage of shares and borrowings | 7.10 | 7.16 |
| Liquid assets as a percentage of shares and borrowings | 15.66 | 17.69 |
| Profit after tax as a percentage of mean total assets | 0.34 | 0.50 |
| Management expenses as a percentage of mean total assets | 1.04 | 1.01 |

The above percentages have been prepared from the Society accounts:

- 'Shares and borrowings' represents the aggregate of shares, amounts owed to credit institutions and amounts owed to other customers;
- 'Gross capital' represents the aggregate of general reserves and revaluation reserve;
- 'Free capital' represents the aggregate of gross capital and collective impairment for losses on loans and advances less intangible and tangible fixed assets;
- 'Mean total assets' represents the average of the total assets at the beginning and end of the financial year;
- 'Liquid assets' has the same meaning ascribed in the balance sheet;
- 'Management expenses' represents the aggregate of administrative expenses and depreciation and amortisation shown in the income and expenditure account.

## 3. Directors and other officers as at 31 October 2025

| Name | Year of birth | Business occupation | Date first appointed | Other directorships |
|---|---|---|---|---|
| **Debbie Beaven**<br>FCMA, CGMA | 1963 | Non-Executive Director | 01/02/22 | Motoring and Leisure Services Ltd<br>The Civil Service Motoring Association Ltd (Boundless)<br>Southern Co-Op |
| **Chris Brown**<br>BA (Hons), Eng, Oxon | 1961 | Group IT Director | 01/06/19 | |
| **Phillippa Cardno**<br>PGCert, CeMap | 1969 | Building Society Chief Executive Officer | 19/02/15 | Temptings Ltd; Newbury Mortgage Services Ltd; Newbury Insurance Services Ltd; Newbury Financial Services Ltd |
| **Darren Garner**<br>FCCA | 1971 | Building Society Chief Financial Officer | 03/08/20 | |
| **Nailesh Rambhai**<br>MA Oxon | 1974 | Lawyer and Non-Executive Director | 26/09/22 | UCL Hospitals NHS Foundation Trust; Birmingham Womens and Children's Hospital NHS Foundation Trust; United Way UK Charitable Trust; Cholmeley Court Limited; Whittington Health NHS Trust |
| **Dean Scott** | 1985 | Building Society Chief Operating Officer | 01/09/25 | |
| **Alistair Welham** | 1963 | Director of Marketing and Communications | 24/02/20 | Trustee University of Brighton Student Union<br>MVW Property Management Ltd |
| **John Piers Williamson**<br>BA (Hons), FCT, ACIB | 1961 | Non-Executive Director | 01/01/18 | Sustainability for Housing Ltd |
| **Ian Workman** | 1971 | Chief Customer Officer | 27/01/25 | |

Phillippa Cardno has a service contract with the Society, signed on 30 July 2018, terminable by either party giving 12 months' notice. Darren Garner has a service contract with the Society, signed on 5 April 2022, terminable by either party giving 12 months' notice. Dean Scott has a service contract with the Society, signed on 19 August 2025, terminable by either party giving 12 months' notice.

**Other officers**

**Michael Goddard** - Chief Risk Officer (appointed January 2025)

**Emma Jones** - Director of People

**Melanie Mildenhall** - Director of Customer Service

**Erika Neves** - Director of Data and Governance and Company Secretary

**Auditor**
Deloitte LLP
Four Brindley Place
Birmingham
B1 2HZ

**Bankers**
National Westminster Bank Plc
30 Market Place, Newbury, Berkshire RG14 5AJ

# Glossary of *terms*

Set out below are the definitions of the terms used within the Annual Report and Accounts to assist the reader and to facilitate comparison with other financial institutions:

**Arrears**
A customer is in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan commitment is overdue. Such a customer can also be said to be in a state of delinquency.

**Basis *point***
One hundredth of a percent (0.01%), so 100 basis points is 1%. Used in quoting movements in interest rates or yields on securities.

**Contractual *maturity***
The final payment date of a loan or other financial instrument.

**Effective interest rate *method (EIR)***
The method used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense to produce a level yield over the relevant period.

**Fair *value***
Fair value is the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.

**Forbearance *strategies***
Strategies to assist borrowers in financial difficulty, such as interest only concessions, payment plans and reduced payment concessions.

**General *reserves***
The accumulation of the Society's post-tax profit since inception. It is the Society's main component of Tier 1 capital which is a measure of strength and stability.

**Impaired *loans***
Loans where there is objective evidence that an impairment event has occurred, meaning that the Society does not expect to collect all the contractual cash flows or expect to collect them when they are contractually due.

**Individually/collectively *assessed***
Individual assessments are made of all mortgage loans where objective evidence indicates losses are likely or the property is in possession. A collective impairment provision is made against the remaining group of loans and advances where objective evidence indicates that it is likely that losses may be realised.

**Interest *margin***
Represents net interest income divided by mean total assets.

**Internal capital adequacy assessment *process (ICAAP)***
The Group's own assessment of the level of capital that it needs to hold for risks it faces under a business-as-usual scenario and a variety of stress scenarios.

**Liquid *assets***
Total of cash in hand and balances with the Bank of England, loans and advances to credit institutions, and investment securities.

**Liquidity coverage *ratio***
The liquidity coverage ratio (LCR) refers to the proportion of highly liquid assets held by financial institutions, to ensure their ongoing ability to meet short-term obligations.

**Liquidity *risk***
The risk that the Group is not able to meet its financial obligations as they fall due, or will have to do so at an excessive cost. This risk arises from timing mismatches of cash inflows and outflows.

**Loan to value ratio *(LTV)***
A ratio which expresses the amount of a mortgage as a percentage of the value of the property. The Society calculates residential mortgage LTV on an indexed basis (the value of the property is updated on a quarterly basis to reflect changes in the house price index).

**Loans past due/past due *loans***
Loans are past due when a counterparty has failed to make a payment when contractually due.

**Management *expenses***
Management expenses represent the aggregate of administrative expenses, depreciation and amortisation. The management expense ratio is management expenses expressed as a percentage of total mean assets.

**Market *risk***
The risk that movements in market risk factors, including interest rates, credit spreads and customer-driven factors will create losses or decrease portfolio values.

**Mean total *assets***
Represents the average of the total assets at the beginning and end of the financial year.

**Member**
A person who has a share investment or a mortgage loan with the Society.

**Net interest *income***
The difference between interest receivable on assets and similar income and interest payable on liabilities and similar charges.

**Replacement *cost***
The amount the Society would need to replace derivative contracts that are favourable to the Society, if the counterparty with whom the contract was held, were unable to honour their obligation.

**Residential *loans***
Residential mortgage loans secured against residential property.

**Risk *appetite***
The articulation of the level of risk that the Society is willing to take (or not take) in order to safeguard the interests of the Society's members whilst achieving business objectives.

**Risk weighted *assets***
The Society's assets or off balance sheet exposures, weighted according to risk.

**Shares**
Money deposited by a person in a savings account with the Society. Such funds are recorded as liabilities for the Society.

**Shares and *borrowings***
Represents the total of shares, amounts owed to credit institutions and amounts owed to other customers.

**Total capital *ratio***
Measures the Society's reserves (after required adjustments) and collective impairment provisions as a proportion of its risk weighted assets.

**Tier 1 *capital***
A measure of financial strength as defined by the PRA. Tier 1 capital is divided into Common Equity Tier 1 and other Tier 1 capital. Common Equity Tier 1 capital comprises general reserves from retained profits. The book value of intangible assets is deducted from Common Equity Tier 1 capital and other regulatory adjustments may be made for the purposes of capital adequacy.

**Abingdon**
34 Bury Street
Abingdon
Oxfordshire OX14 3QY
01235 527750
abingdon@newbury.co.uk

**Alton**
47 High Street
Alton
Hampshire GU34 1AW
01420 84275
alton@newbury.co.uk

**Andover**
35 High Street
Andover
Hampshire SP10 1LJ
01264 361455
andover@newbury.co.uk

**Basingstoke**
5-6 Chelsea House
Festival Place, Basingstoke
Hampshire RG21 7JR
01256 816813
basingstoke@newbury.co.uk

**Didcot**
25 The Orchard Centre,
Didcot
Oxfordshire OX11 7LG
01235 813431
didcot@newbury.co.uk

**Hungerford**
127 High Street
Hungerford
Berkshire RG17 0DL
01488 684705
hungerford@newbury.co.uk

**Newbury**
105b Northbrook Street
Newbury
Berkshire RG14 1AA
01635 522588
newbury@newbury.co.uk

**Thatcham**
4 High Street
Thatcham
Berkshire RG19 3JD
01635 864996
thatcham@newbury.co.uk

**Winchester**
143 High Street
Winchester
Hampshire SO23 9AY
01962 852716
winchester@newbury.co.uk

**Wokingham**
19 Broad Street
Wokingham
Berkshire RG40 1AU
0118 978 5945
wokingham@newbury.co.uk

**Head Office**
90 Bartholomew Street
Newbury
Berkshire RG14 5EE
01635 555700
enquiries@newbury.co.uk



Newbury
Building Society