



# Annual Report & Accounts

2025



# Celebrating **162 years** of Leek Building Society



Under the motto of 'firm and lasting',  
Standing proud in 1863,  
Leek's own building society,  
Finally came to be



See the pyramid in our logo,  
Still standing proud today,  
Helping borrowers and savers more so,  
By doing things the right way

With more than 80,000 members,  
And a billion pounds of loans,  
We're a safe place for savers,  
And helping people buying their homes

Twelve branches where you can meet,  
Still firmly at our heart,  
While banks desert the high street,  
We're still playing our part

Old-fashioned values you may see,  
But increasingly modern we've now grown,  
Our investment in digital technology,  
So you can access 24/7 from home

A commitment to customer service,  
Always going the extra mile,  
Even at a moment's notice,  
Old fashioned values but with a modern style

Helping to positively impact our members,  
Offering the best rates we can afford,  
A culture of doing the right thing as a lender,  
At all levels through to the Board

Our colleagues offer a friendly face,  
Thanks to a safe place in which to work and thrive,  
An inspiring and supportive workplace,  
Making customer experiences come alive

Our commitment to the community,  
Goes way beyond our four walls,  
By taking the opportunity,  
To support charities, partners and schools

160 years – and still growing strong,  
Helping our communities grow and belong  
When we stand together, just as we should  
We become a force for good.



Scan to watch  
our story

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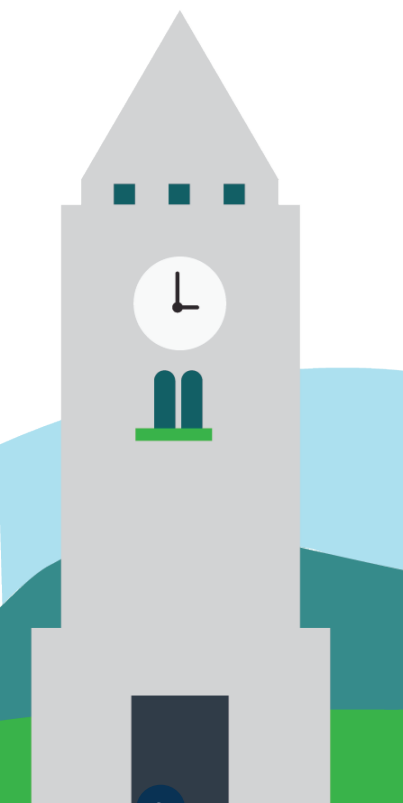
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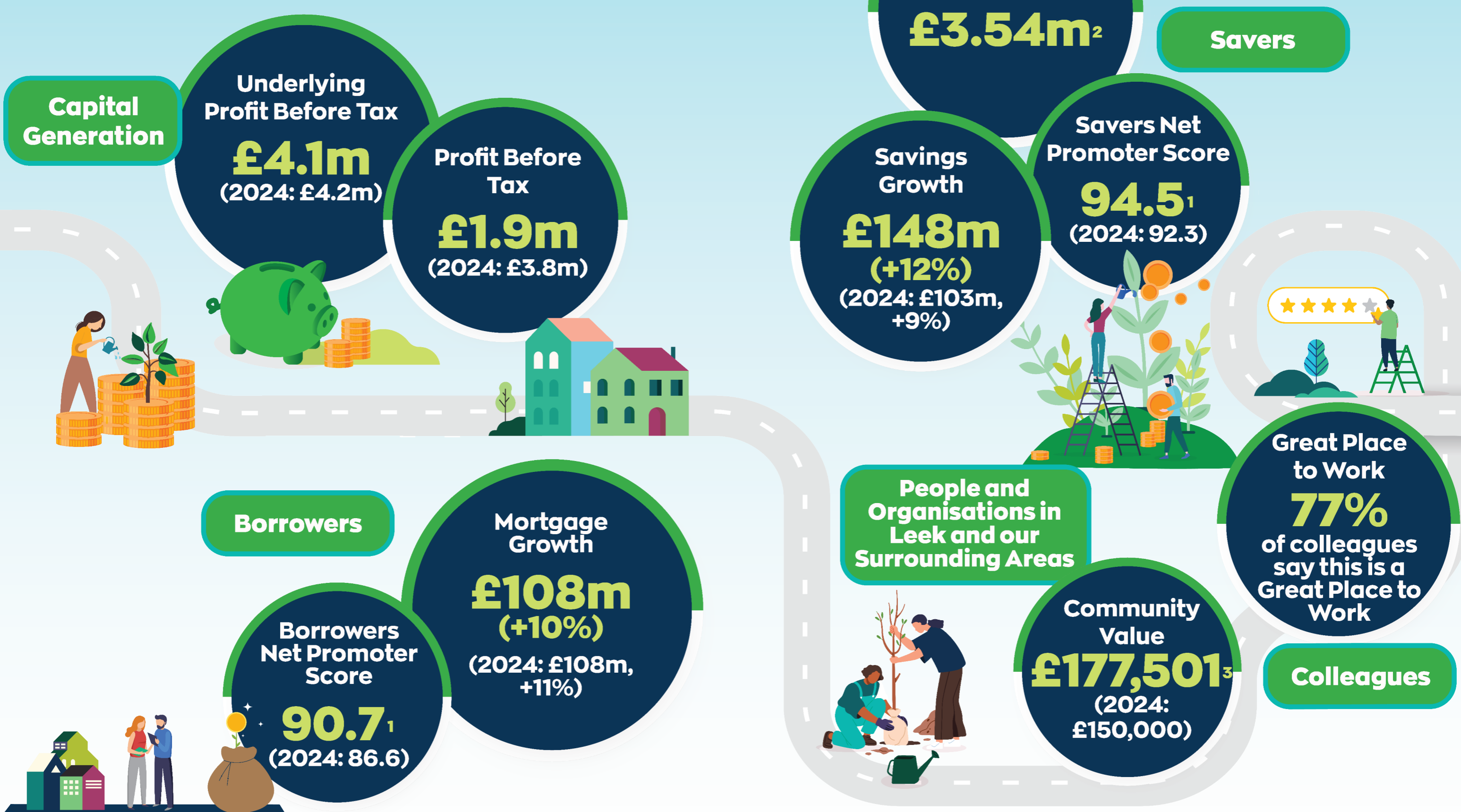
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Leek Building Society is a trading name of Leek United Building Society, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority with firm reference number 100014. Our details can be found on the Financial Services Register at <https://register.fca.org.uk/s/>. Leek United Building Society's address for service is 50 St. Edward Street, Leek, Staffordshire ST13 5DL.

Established 1863  
Registered Number 323B



# Our Performance Highlights



Explanations for the above terms can be found in the glossary on page 94

<sup>1</sup>Rating from 1 January 2025 – 31 December 2025 Smart Money People  
<sup>2</sup>CACI January 2025 to December 2025. CACI is an independent company that provides financial benchmarking data of the retail cash savings market. This is the first time CACI data has been used by the Society. 3.32% compared to the rest of the market average of 3.04%.  
<sup>3</sup>Includes donations to local charities and community groups, and funding through affinity accounts

# Strategic Report

Chair's Welcome

Chief Executive's Report

Our Purpose, Our Communities and Our Values

Our Strategy

Our Business Model

Chief Financial Officer's Report

Environmental, Social & Governance (ESG) Report



## Chair's Welcome John Gibson



### Welcome from the Chair

It is my pleasure to present this year's Annual Report and Accounts, and my first as Chair of the Board. I am also pleased to report that 2025 was another successful year and one in which we have delivered strong performance while staying true to our commitment of supporting and providing value for our members, investing in our colleagues, and having meaningful impact in Leek and our surrounding areas.

The Board met regularly with the Executive team throughout the year and in November 2025, we agreed our strategy for the next five years. This sets out our ambition to grow our balance sheet size significantly in order to help more people into homes, increase our membership and continue to grow the positive impact we make on our communities.

### Our Key Performance Indicators (KPIs)

Our Strategic Plan sets clear KPIs focused on financial strength, member value, colleague engagement, and community impact—measuring success through profit, growth in savings and mortgages, member satisfaction, and community value to Leek and surrounding areas. Our Chief Executive's Report and Chief Financial Officer's Report covers these in more detail. These reports are included in the Strategic Report which was approved by the Board on 26th February 2026.

### Our Key Risk Indicators (KRIs)

Our risk management framework sets KRIs which are measurable metrics used to signal increasing risk exposure in key areas of the Society allowing it to respond in a timely manner, if considered appropriate. The detail of the Society's principal risks can be found in the Risk Management Report on page 28.

### Board Changes

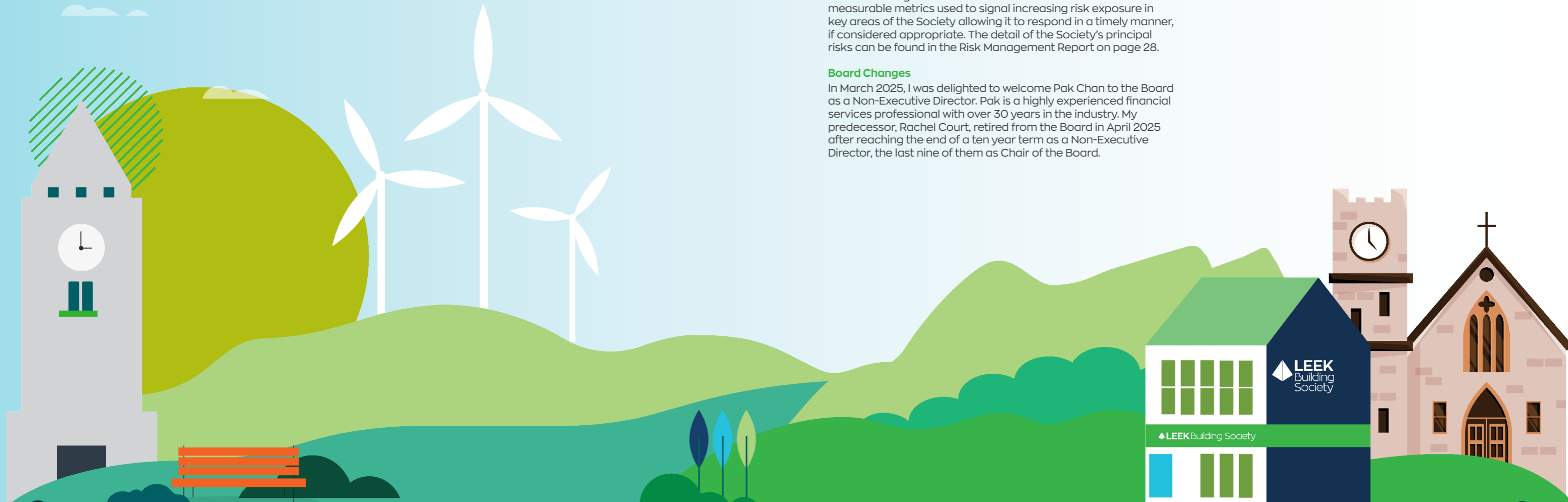
In March 2025, I was delighted to welcome Pak Chan to the Board as a Non-Executive Director. Pak is a highly experienced financial services professional with over 30 years in the industry. My predecessor, Rachel Court, retired from the Board in April 2025 after reaching the end of a ten year term as a Non-Executive Director, the last nine of them as Chair of the Board.

### Future Outlook

I am pleased to say that the Society is in great shape, performing well, financially strong and committed to delivering our ambitious, but achievable, strategic plan. We are committed to the mutual building society model, and committed to being a force for good in the communities we operate.

Thank you for your trust and support as we continue to build a Society that helps our communities grow, so that they can do great things today – and even better things tomorrow.

John Gibson  
Chair  
26 February 2026





# Chief Executive's Report

## Andrew Deeks



### Leading a purpose-led organisation

Mutual building societies play a hugely important role for their members in the UK and, as Chief Executive of Leek Building Society, I'm proud to report on a strong year delivering an ambitious purpose to our clearly-defined communities, delivered in line with our values.

### Performance in 2025

In 2025, we launched our new purpose:

'We're a force for good. We exist to help our communities grow, so they can do great things today - and even better things tomorrow.'

For over 160 years, we've been helping savers, borrowers, colleagues and our local communities grow. I'm both proud of what we delivered for these communities in 2025 and excited about the next chapter.

### Our Purpose, our Communities and our Values

#### Savers

A compelling proposition for savers, keeping their money safe, giving fantastic customer service and making their money work harder for them.

#### Borrowers

A compelling proposition for borrowers, whether they use us directly or through a broker, helping people buy homes supported by great service and rates.

**We're a force for good.**  
**We exist to help our communities grow, so they can do great things today - and even better things tomorrow**

#### Colleagues

An inclusive, engaging hybrid workplace with room for colleagues to be themselves and grow.

#### People and Organisations in Leek and our Surrounding Areas

A champion for the people and organisations in Leek and our surrounding areas.

#### Savers

Savers are at the heart of our organisation, where we help them make their money work harder, backed by excellent customer service and, of course, a commitment to keeping their money safe.

Our growth in savings balances of £148m (2024: £103m) - or 12% - to £1.34bn (2024: £1.20bn) is testament to our offer to both new customers and existing members.

I'm really proud to report that we delivered a benefit of £3.54m to our savings members through rates above the savings market average<sup>2</sup>.

Our savings customer Net Promoter Score, as measured by independent organisation Smart Money People, was 94.5, demonstrating our commitment to offering the best possible service, whether face-to-face, by telephone or online.



#### Borrowers

Borrowers are the original reason why the first building society was formed over 250 years ago. Whether borrowers choose us through a broker or directly, we want to help more onto the housing ladder through great rates and service, backed by a robust lending policy. Our mortgage customer Net Promoter Score was 90.7, demonstrating our commitment to offering borrowers the best possible service.

Our growth in mortgage balances of £108m (2024: £108m) - or 10% - to £1.20bn (2024: £1.09bn) demonstrates the quality of our offer to borrowers and brokers alike.

Arrears were very low - and significantly below the market overall - demonstrating that we're growing our mortgage balances in a way that is sustainable for all our members and, of course, our borrowers themselves.

#### Colleagues

We can only deliver for savers, borrowers and the people and organisations in Leek and our surrounding areas through the talent and dedication of our colleagues.

I was extremely proud that the Society was certified as a 'Great Place to Work' in 2025, achieving a Trust Index score of 77%, well above the 65% benchmark needed for certification.



As a major employer with over 200 Full Time Equivalent colleagues, we're determined to keep working hard to improve our Colleague Value Proposition and both retain and attract the talent we need to deliver our purpose.



#### Members First

We continually innovate to raise the bar on member experience, proposition and value.

#### Responsibility

We initiate and own opportunities and challenges.

#### Collaboration

We're one team, working together to realise opportunities and solve challenges through the eyes of our communities.

#### Integrity

We're ethical and we're objective in how we measure performance and risk.

LEEK Building Society

Leek Building Society

Annual Report & Accounts 2025

### People and Organisations in Leek and our Surrounding Areas

Our Society is not just an employer and a provider of competitive savings accounts and mortgages: it is a force for good for the people and organisations in Leek and our surrounding areas.

In 2025, we continued our longstanding work to support local community groups, charities and other organisations. In the Great Place to Work survey, we scored especially strongly with scores of over 90% in terms of how we support our colleagues to give back to our local communities.

I'm proud to report that we donated £177,501 (2024: £150,000) to local charities and community groups, including funds generated through affinity savings accounts. Our Charitable Foundation has continued to provide funding to local charities and community groups and donated £52,439 during 2025 (2024: £36,715).



Our focus on our local community is not just about money. Our colleagues provided 216 days of local community volunteering across a range of good causes and we have now installed 61 life-saving defibrillators of our target of 100 through our partnership with AEDdonate.

Our partnership with Staffordshire Football Association has continued to support their mission of growth in women and girls' football which has continued to go from strength to strength. Female participation has increased to over 5,000 female players, 347 teams and 268 female coaches.

This support is in addition to our headline sponsorship of the Port Vale Foundation in 2022, which continues to have a hugely positive impact in Stoke-on-Trent and North Staffordshire.

Our collaboration with Young Enterprise has also supported 720 students through financial education workshops in local secondary schools during 2025, taking the total to over 1,000 children supported since we started our partnership in 2024.

### Investing in the Society

My job as Chief Executive of this organisation is to ensure that we thrive long into the future, building upon the fantastic foundations of the last 162 years.

We continue to invest in improving our proposition for savers and borrowers, whether they choose to interact with us face-to-face or digitally, and are proud that our twelve branches continue to play such an important role in their communities.

Delivering our purpose is only possible through a really strong risk philosophy and framework, another area where we continue to invest.

Finally, we will continue to raise the bar even higher on what is already a Great Place to Work for our colleagues, who our members rely on to help them save for the future and get on the housing ladder.

### Strength of the Society

I reflect proudly upon the strength of our building society in 2025:

- Significant growth in both mortgage and savings balances, demonstrating the strength of our offer to both borrowers and savers
- We delivered a benefit of £3.54m to our savings members through rates above the savings market average<sup>2</sup>
- Extremely high levels of member satisfaction, as measured by Smart Money People for savings and Net Promoter Score for mortgages
- Officially a 'Great Place to Work' for our fantastic colleagues
- A culture of 'giving back' to the people and organisations in Leek and our surrounding areas with £177,501 donated to local charities and community groups in addition to the £52,439 by the Charitable Foundation
- Strong Underlying Profit before Tax of £4.1m (2024: £4.2m) demonstrating the ability of our organisation to generate enough capital to both stay safe and invest for now - and the future.

### Our Strategy

Our purpose - 'Force for Good' - drives everything in our strategy to serve our communities.

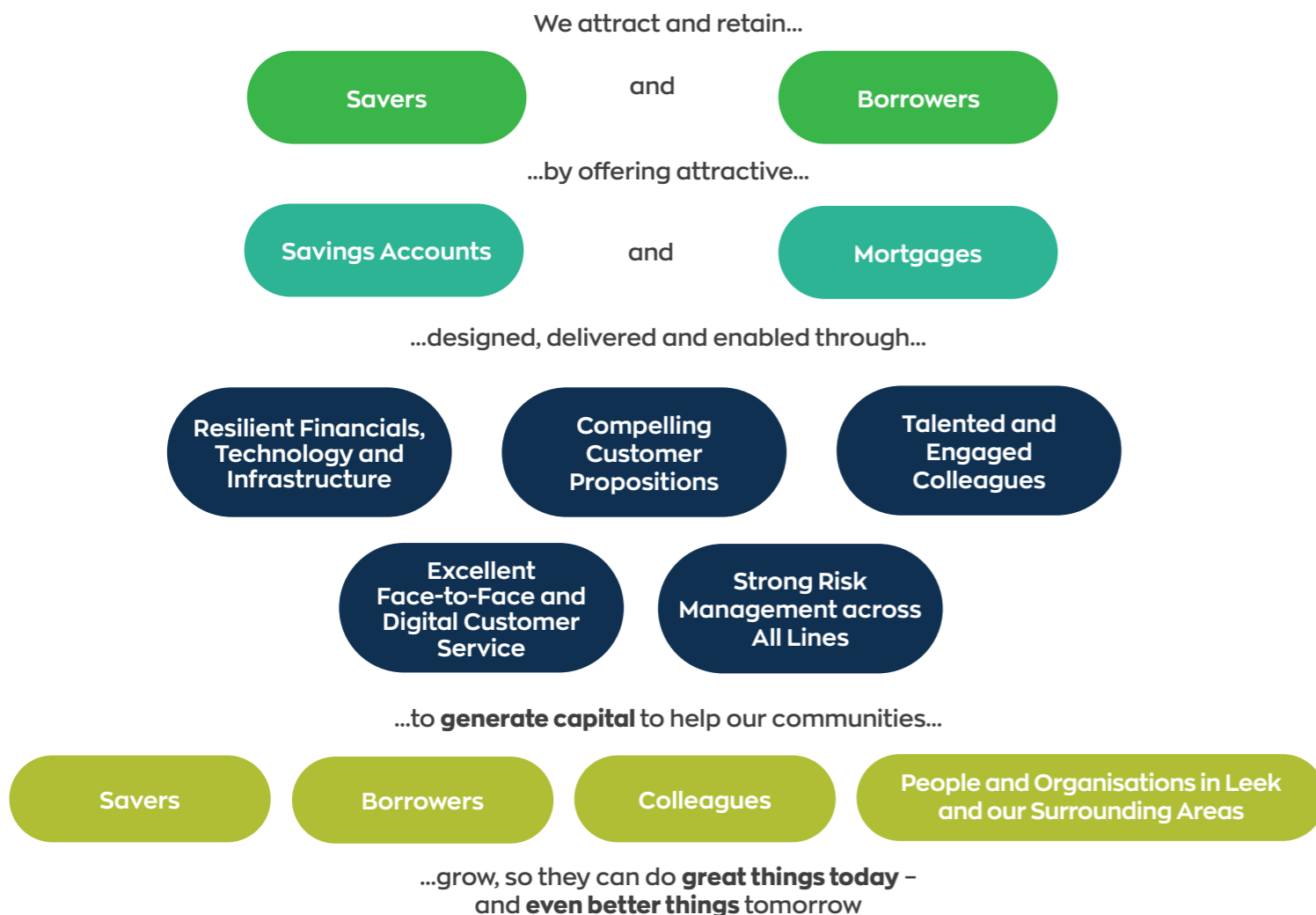
In November 2025, the Board approved our new strategy which sets the direction for the future of the Society, 2026 - 2030. We have established ten strategic objectives for 2026 - 2030:



<sup>2</sup>CACI January 2025 to December 2025. CACI is an independent company that provides financial benchmarking data of the retail cash savings market. This is the first time CACI data has been used by the Society. 3.32% compared to the rest of the market average of 3.04%.

## Our Business Model

Our model is simple: generating capital from mortgages/savings to help our communities grow.



## Future of the Society

I firmly believe that we have the right purpose and strategy for now and the future.

I would like to thank all my colleagues for their contribution to everything we have achieved in 2025, consistently living our values, delivering great service, retaining and attracting large numbers of members and for holding high standards of risk management.

I would also like to thank all members for their continued support. We will never take it for granted.

I am excited about 2026 and beyond with last year starting to demonstrate what can be achieved. Society needs organisations that are prepared to step up and we are determined to be amongst the forerunners in being a force for good for our communities, helping them grow, so that they can do great things today - and even better things tomorrow.

Andrew Deeks  
Chief Executive  
26 February 2026



## Chief Financial Officer's Report Steven Clarke

### Key Performance Indicators

The Society delivered robust financial performance in 2025 despite challenging economic and market conditions. The Board uses Key Performance Indicators (KPIs) to monitor the performance and development of the Society, which are outlined below:

		2025	2024
Balance Sheet	Total Assets	£1.45bn	£1.37bn
	Mortgage Balances	£1.20bn	£1.09bn
	Shares and Deposits	£1.34bn	£1.20bn
Operating Performance	Underlying Profit before Tax*	£4.1m	£4.2m
	Profit before Tax	£1.9m	£3.8m
	Net Interest Margin	1.59%	1.52%
	Management Expenses Ratio	1.27%	1.19%
	Mortgage Arrears	0.21%	0.20%
Financial Strength	Regulatory Capital	£82.2m	£80.5m
	Total Capital Ratio	16.5%	17.4%
	Liquid Assets	£240m	£249m

\* Underlying Profit before Tax is defined as the surplus profit before tax achieved from trading activity during the financial year excluding fair value movements resulting from hedging risk management activity. Please see the glossary on page 94 for a full explanation of the KPIs.

The Society prepares its results under Financial Reporting Standard (FRS) 102, "The Financial Reporting Standard applicable in the UK and Ireland" and elects to apply the measurement and recognition provisions of IAS39, "Financial Instruments: Recognition and Measurement".

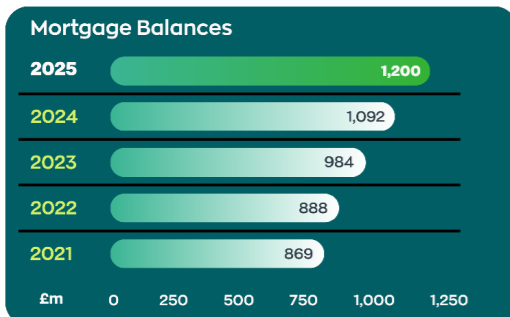
During the year, the Society completed the orderly wind-up of its remaining subsidiary Leek United Home Loans Limited, simplifying the Group structure. The Society now operates solely as a standalone mutual organisation.

## Business Review

### Mortgage Balances

We continued to expand our support to the Borrower community through growing our mortgage book, which increased by £108m in 2025 (2024: £108m) net of provisions, interest rate and fair value adjustments. This growth was fuelled by higher levels of new business, as we leveraged our investment in mortgage platform technology to deliver a stronger mortgage proposition for customers and intermediaries.

Mortgage redemptions were £122m in 2025, significantly higher than the previous year (£83m). Our retention performance remained relatively consistent year on year, and so the increase was more a function of mortgage maturity timing, which fluctuates depending on a number of factors.



### Total Assets

Total Assets increased from £1.37bn at the end of 2024 to £1.45bn at the end of 2025, driven by growth in the mortgage book as outlined above, with liquidity levels remaining relatively static across the year.



### Shares and Deposits

We also continued to expand our support to the Saver community through growing our retail savings balances, which increased by £148m in 2025 (2024: £103m).

We saw strong performance across the range, but particularly in ISAs, where we were able to generate strong growth in and out of the traditional ISA season in spring. The growth was through new balances and also a higher retention of maturing fixed rate products, achieved through preferential member pricing. Our branch network played a critical role in this growth, and we have seen our Leek Online proposition continue to grow, complementing our branch network by providing online access both in and out of the geographic areas we operate.

Total balances at the end of 2025 were £1.34bn (2024: £1.20bn), a growth of 12%. We are, and will continue to be, primarily funded by individual retail savings (shares) via a range of competitive savings and ISA products.

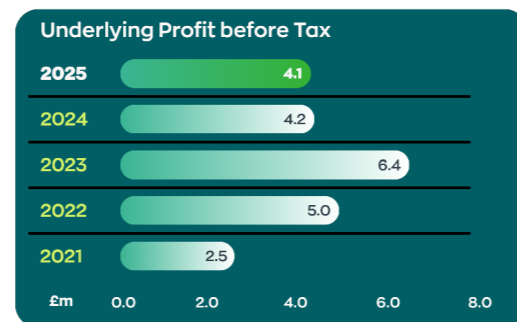


### Underlying Profit before Tax

Our Underlying Profit before Tax was £4.1m, broadly in line with the prior year performance (£4.2m). Net Interest Margin increased on 2024, with income from the balance sheet growth offsetting the adverse impacts of the base rate falling from 4.75% to 3.75% in the year.

We continued to invest in the Society, building capability across the operating model to modernise and support our growth ambitions, whilst continuing to leverage our prior investment in online savings and our new mortgage platform.

The Society uses derivative instruments that are designed to hedge the financial risk associated with fixed rate mortgage and savings products. Gains and losses arising from fair value movements reflect changes in market rates of interest which, in the view of the Society's directors, are unrelated to the underlying performance of the Group and Society and are therefore excluded from Underlying Profit before Tax.

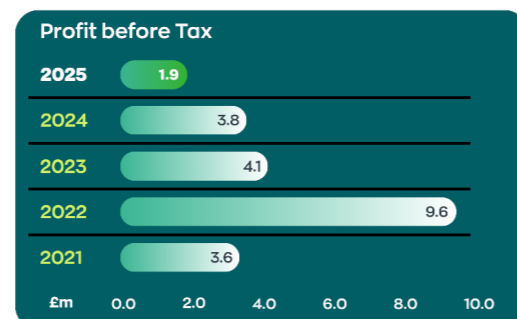


### Profit before Tax

Profit before Tax was £1.9m (2024: £3.8m) after accounting for fair value movements (2025 charge of £2.1m; 2024 charge of £0.4m) on derivatives that are designed to hedge the financial risk associated with fixed rate mortgage lending and fixed rate deposits, and which could be a gain or loss in any given accounting period.

The loss from fair value movements arises from how we reflect in any given year's financial accounts the approach to hedging risk management that we adopt relating to interest rate derivatives that have not been matched against mortgages due to timing differences between the interest rate derivatives being transacted and the associated mortgages completing.

This is an industry practice which we have historically used and will continue to use. The charge in both 2025 and 2024 will reverse over the next few years as the relevant mortgages mature.



### Net Interest Margin

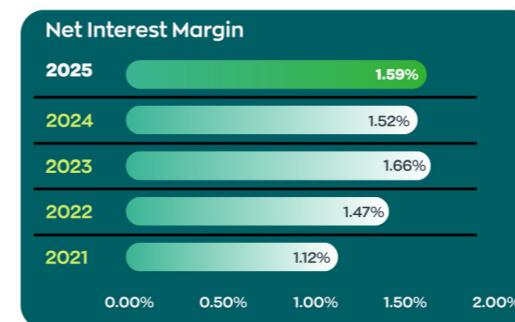
The Society's Net Interest Margin increased during the year to 1.59% (2024: 1.52%).

The Bank of England Base rate fell from 4.75% to 3.75% in the year, which reduced the yield generated on our liquid asset and derivative portfolios and also impacted margin due to the timing requirements when variable savings rates were reduced, in line with market pricing.

Offsetting the adverse impacts of base rate, we increased our investment in Covered Bonds (which are secured on residential loans) as part of the liquid asset investment strategy. In 2025 we wrote higher levels of BTL mortgages, which return a higher yield than owner occupied residential loans, whilst we also

launched notice account variable savings, to widen the savings proposition available to both new and existing members.

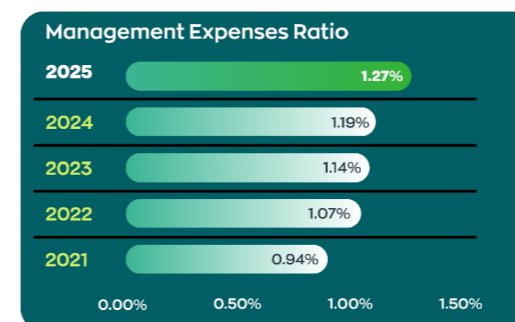
Our ability to generate sufficient Net Interest Margin is our only way of generating capital, and we are continually balancing the need to generate sufficient returns, whilst also ensuring our products are competitively positioned to benefit our members.



### Management Expenses Ratio (%)

The Management Expenses Ratio increased in 2025 to 1.27% (2024: 1.19%), with total costs increasing by £1.9m (12%) reflecting our continued investment in technology systems, infrastructure and people capability.

We continue to invest in digital capability across the operating model, cyber security, product development and people capability to ensure the Society remains able to adapt to the fast changing markets it operates in. Our investment programme is balanced with the need to ensure efficiency of the use of resources and maintaining sufficient capital generation to ensure the long term viability of the Society.



### Mortgage Arrears

Our mortgage book demonstrated strong credit quality, as evidenced by the low level of arrears despite the ongoing challenging economic conditions. The number of mortgages in arrears by the equivalent of three or more monthly repayments totalled 17 accounts at 31 December 2025, representing 0.21% of mortgage accounts (2024: 15 accounts, 0.20%). There was 1 case in arrears of 12 months or more at 31 December 2025 (2024: 3 cases).

In certain circumstances, we offer forbearance measures to support customers who are experiencing financial difficulty to help them to get back on their feet. On the Society's website, there are a range of helpful resources including who to speak to if they are struggling with their mortgage repayments, tips on ways to reduce bills and details of external agencies which offer free help and support.

### Capital Strength

The Society continually focuses on ensuring its balance sheet is strong, secure and sustainable for the long term. The level of profit generated in 2025 has ensured that our capital position remains robust, with regulatory capital at 31 December 2025 of £82.2m (2024: £80.5m).

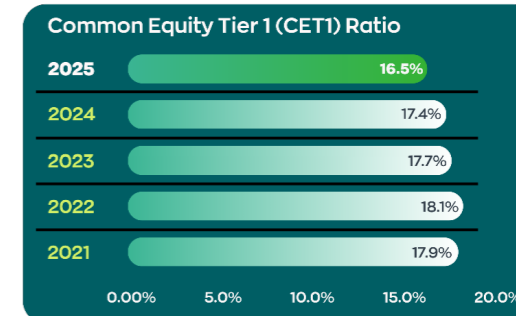
This outturn predominantly reflects the impact of our profit for the year. Risk weighted assets increased to £495m from £461m, driven by increased mortgage growth in the year. The Common Equity Tier 1 ratio at year end stood at 16.5% (2024: 17.4%) and the leverage ratio stood at 6.0% (2024: 6.3%). Our strong capital position provides confidence that the Society can continue to grow and invest in the manner projected within our strategic plan.

The Society's policy is to maintain a strong capital base to sustain member, creditor and market confidence and to support the future development of the business. The Board manages the capital and risk exposure to ensure capital is maintained in line with regulatory requirements. Capital levels are subject to regular stress tests to ensure sufficient levels are held to protect against possible future events.

The Society complied with its Total Capital Requirement (TCR) plus capital buffers, as notified by the Prudential Regulation Authority, throughout the financial year and remained significantly above this required level at all times.

In 2026, the final rules for small for Small Domestic Deposit Taker firms (SDDT) were published, which is based on Basel 3.1 with some amendments for simpler firms.

Due to the Society's size, complexity and product strategy, the Society qualifies as a SDDT firm under the PRA's definition, and work is currently ongoing to ensure adherence to the new regulatory framework when it goes live in January 2027.

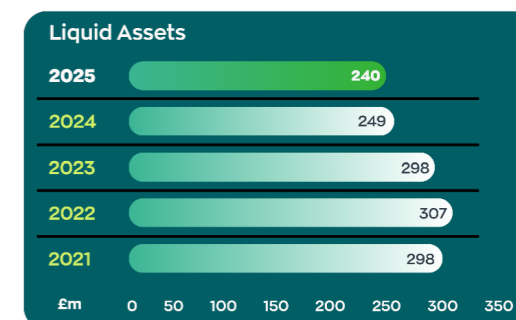


### Liquid Assets

The Society continues to maintain strong and readily available levels of liquidity and such levels were well in excess of regulatory requirements throughout 2025. The final repayments of TFSME were made in October 2025, and whilst the Society continues to access Bank of England liquidity schemes as part of normal business practice, the levels are significantly lower than previous TFSME drawdowns, increasing the Society's proportion of funding by retail savers.

As at the year end, total liquid assets stood at £240m (2024: £249m). A key regulatory measure of liquidity is the Liquidity Coverage Ratio (LCR). At 31 December 2025, the Society reported an LCR of 241% (2024: 257%), significantly in excess of minimum regulatory requirements.

Through both 2025 and the prior year, there has been a conscious effort to manage down the high levels of liquidity, through repaying TFSME and supporting mortgage growth. The Society anticipate running at these lower levels of liquidity as part of the transition to a market where lower levels of central bank funding are available, which still remains well above regulatory minimums.



Steven Clarke  
Chief Financial Officer  
26 February 2026

# Environmental, Social & Governance (ESG) Report



As a mutual building society, it's important for us to have a positive impact on the people and organisations in Leek and our surrounding areas. Our strategy reflects our commitment to sustainable growth, responsible governance, and positive social impact.

It is embedded in our purpose: We're a force for good. We exist to help our communities grow, so they can do great things today – and even better things tomorrow.

## Good Business Charter

For the fourth consecutive year, the Society has been awarded the Good Business Charter Accreditation which recognises us as a responsible business. The Good Business Charter sets a clear benchmark for responsible businesses in the UK to raise the standards of business behaviour in ten components: Real Living Wage, Employee Well-being, Equality, Diversity and Inclusion, Pay Fair Tax, Ethical Sourcing, Fairer Hours and Contracts, Employee Representation, Environmental Responsibility, Commitment to Customers and Prompt Payment to Suppliers.



## Environmental

We are committed to achieving net zero emissions by 2050. We continue to work towards our net zero ambition, focusing on operational emissions. All our branches have modern, efficient LED lighting and the energy required to light these buildings reduced by approximately 90%. We encourage more sustainable methods to commute to our head office, including offering shower facilities, bicycle racks, electric vehicle charging points at our head office and a salary sacrifice scheme to purchase an electric vehicle. We continue to use a specialist waste management company to recycle waste from our head office and branch network as well as an electricity supplier which provides 100% renewable energy.

Works to improve the energy efficiency of our buildings during 2025 include an upgrade to the flat roof of our Macclesfield branch and part of the roof of our Leek Derby Street branch was upgraded with solid insulation to achieve a better U-Value, which measures how effectively the building is insulated. A further part of the Leek Derby Street branch roof will be upgraded during 2026 in addition to the installation of solar panels at this branch. Part of our head office roof will also be upgraded during 2026 in addition to the installation of solar panels.

We have worked with a third party specialist to look at how we measure our emissions going forward. We will also be completing a thorough review of our approach to managing climate-related risks during 2026.

## Social

In line with our purpose, we are passionate about making a positive impact on Leek and our surrounding areas.

Our Community Strategy has two pillars, Wellbeing and Community Engagement, with six impact areas to create lasting, positive impact.

During 2025, the Society donated £177,501 (2024: £150,000) to local charities and community groups. This included funds donated by members through our affinity savings account range. In addition, our colleagues provided 216 days (2024: 200 days) of local community volunteering. As noted in the Chief Executive's Report, we are over two years into our partnership with AEDdonate and at the end of 2025, 61 defibrillators have been installed, including one in each of our branches to support local communities. We continued our partnerships with Staffordshire Football Association and Port Vale Foundation, in addition to a number of local sports clubs in Leek and our surrounding areas. Our continued collaboration with Young Enterprise has supported 720 students through workshops in local secondary schools during 2025 (2024: 432). To date 1,152 students have benefitted from financial education.

Our Inclusion Strategy is focused on areas we believe are important. During 2025, we were certified as a 'Great Place to Work' by our colleagues, achieving a score of 77%. We're also incredibly proud to have achieved Disability Confident Leader (Level 3) status – the highest level of accreditation in the UK Government's Disability Confident Scheme. We also remain a signatory of HM Treasury's Women in Finance Charter.



We are delighted that the Society achieved Silver accredited membership as part of the 5% Club's highly respected 2025-2026 Employer Audit Scheme. This prestigious recognition celebrates our ongoing dedication to nurturing talent through 'earn and learn' opportunities – including apprenticeships, graduate programmes, and sponsored student placements.



Our Charitable Foundation has also continued to provide funding to local charities and community groups and donated £52,439 during 2025 (2024: £36,715).

## Governance

Environmental, Social and Governance is part of strategic risk and is overseen by the Executive Risk Committee. Further details on the Society's governance is set out within the Corporate Governance report on page 19.

Steven Clarke  
Chief Financial Officer  
26 February 2026

# Governance

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- Statement of Directors' Responsibilities
- Independent Auditor's Report



## Corporate Governance Report

### John Gibson

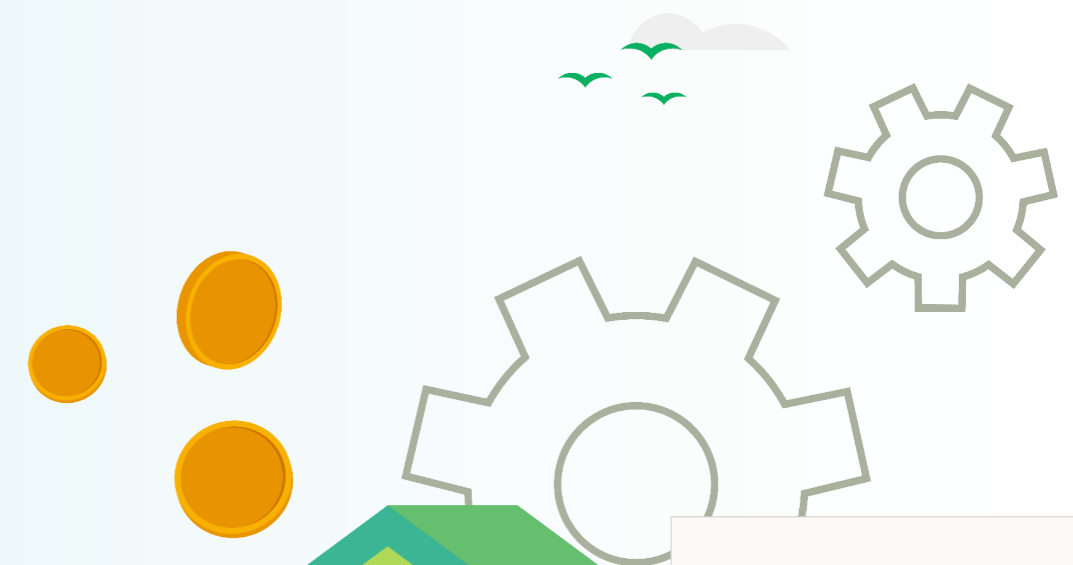


The UK Corporate Governance Code is a set of principles of good corporate governance predominately aimed at listed companies. Whilst Leek Building Society is not strictly required to comply with the Code, as it is not a listed company, the Prudential Regulation Authority requires the Society to have regard to the Code in establishing and reviewing its corporate governance arrangements. The Code does not set out a rigid set of rules, rather it asks organisations to either comply or to explain non-compliance with its provisions. There are departures from the Code as a result of the business being structured as a mutual, rather than a limited company, and being owned by you, our members, rather than shareholders.

As the Code was not designed for mutual organisations, it contains sections which the Society cannot comply with. The areas of non-compliance during the year were:

- Provision 3, which requires the Chair to disclose governance matters with major shareholders in order to understand their views on governance and performance against the strategy, in addition to formal general meetings. As a mutual organisation, owned by its members, with each voting member having one vote, there are no major shareholders therefore this requirement is not relevant to the Society.
- Provision 36, which requires remuneration schemes to promote long-term shareholdings by its Executive Directors. This is not possible due to our mutual status.

During 2025, other than the points listed above, the Board believes that the Society complied with all other aspects of the Code.



## Board Leadership and Company Purpose

### Board of Directors



#### John Gibson BSc Chair

Joined the Board in January 2024, Chair from April 2025

#### Skills and Experience

John has spent over 35 years in the building society sector with most of that time with the Skipton Building Society Group. He finished his executive career there in 2023 as Chief Conduct Risk Officer and Secretary where he was responsible for regulatory matters, a range of risk areas and Board governance. During his time at Skipton he held a range of other roles including Director of Group Risk, Group Commercial Director and General Manager Customer Services.

He served as an independent director on the boards of a range of Skipton subsidiaries including its IFA businesses, its international bank on the Channel Islands and chaired the boards of its Mortgage Packaging firms and Internal Audit and IT outsourcing businesses.

John is Chair of the Board Nominations Committee and is a member of the Board Remuneration Committee.

#### Current External Positions

None



#### Andrew Deeks BA, MBA Chief Executive

Joined the Board in August 2024

#### Skills and Experience

Andrew has twenty years' experience in financial services across mutual, small plc and consultancy organisations. Prior to joining Leek Building Society as Chief Executive Officer, he was Chief Strategy Officer at LSL Property Services plc and spent a significant part of his career at Coventry Building Society, where he served on the main Board as Product, Marketing and Strategy Director for several years.

As Chief Executive Officer, Andrew sets the Society's purpose and strategy and leads the organisation to deliver these, including setting the right culture, and ensuring the needs of members are considered at all times.

Andrew attends the Board Risk Committee, Board Audit Committee, Board Nominations Committee and Board Remuneration Committee. In terms of management committees, Andrew chairs the Strategy and Performance Committee and Change Committee. He also attends Asset Liability Committee, Executive Risk Committee and Retail Credit Risk Committee.

#### Current External Positions

Andrew currently holds the following external appointments:

- Council Member at Staffordshire Chambers of Commerce



#### Felicity Bambery BA Non-Executive Director

Joined the Board in July 2022

#### Skills and Experience

Felicity is an audit and assurance professional who has specialised in financial services for over 25 years. She is a chartered accountant and accredited controls assurance provider who during her executive career has worked with building societies, banks, investment managers, custodians, administrators and pension schemes.

Immediately prior to taking up her role with the Society, Felicity was a partner in a global professional services firm and led numerous external and internal audit and controls assurance engagements, governance and regulatory reviews. Felicity led a national team and her responsibilities included business and people development, risk and quality and relationship management. She has also acted as the Head of Internal Audit for various organisations and held a number of roles on committees for industry bodies.

Felicity is Chair of the Board Audit Committee and is a member of the Board Risk Committee and Board Remuneration Committee.

#### Current External Positions

Felicity currently holds the following external appointments:

- Co-opted Committee Member of the Audit, Risk and Compliance Committee for TPT Retirement Solutions Limited
- Co-opted Committee Member of the Audit, Risk and Compliance Committee for Verity Trustees Limited
- Non-Executive Director and Chair of Audit Committee at Border to Coast Pensions Partnership



#### Pak Chan BSc Non-Executive Director

Joined the Board in March 2025

#### Skills and Experience

Pak is a highly experienced financial services professional with over 30 years in the industry. During his executive career, he has worked in Retail and SME banking, Wealth and Asset Management and FinTech. He has extensive experience in board-level leadership, having served on regulated boards for seven years as a CEO and as a board attendee. He also has considerable experience in managing Regulator engagement and in digital technology.

Most recently and immediately prior to taking up his role with the Society, Pak was the CEO of Santander Asset Management UK. As the CEO he was accountable for all aspects of the firm from customer, commercial and asset management to finance, operations, risk management, regulatory, audit and people. He was a member of the Board and Board Risk Committee and Chair of the Board Authorised Corporate Director Committee and the Executive Committee. Pak is a firm believer in fostering a strong culture of integrity, values, and customer-centric decision-making.

Pak was co-opted to the Board in March 2025 and is a member of the Board Audit Committee and Board Remuneration Committee.

#### Current External Positions

None



#### David Cheeseman BSc Non-Executive Director

Joined the Board in April 2021

#### Skills and Experience

David is an actuary with over 30 years' experience in financial services within the UK and overseas including life insurance, pensions and investment platforms. He has served as a Director of various regulated companies in the sector over the last 14 years, including Phoenix Life, Abbey Life, SunLife, AXA Isle Of Man and AXA Wealth.

During his executive career, David held a wide range of roles including Finance Director, Strategy Director and Chief Operations Officer. He was responsible for running large finance and operational teams and for driving commercial growth and strategic change across organisations.

David chairs the Board Risk Committee and is a member of the Board Audit Committee and the Board Nominations Committee.

#### Current External Positions

David currently holds the following external appointments:

- Independent Non-Executive Director at Holloway Friendly Society Limited since 2020 where he chairs the Audit and Risk Committee
- Independent Non-Executive Director at Amber River Group since September 2021, where he chairs the Audit and Risk Committee



**Steven Clarke**  
BA, ACMA  
Chief Financial Officer  
Joined the Board in November 2022

**Skills and Experience**

A Chartered Accountant for almost 20 years, Steven has more than 14 years of experience in the Building Society sector as well as significant experience in broader financial services. He joined the Society in November 2022 as Finance Director and moved to the role of Chief Financial Officer in December 2024.

Steven's current responsibilities include IT, Change, Mortgage Operations and managing the Society's capital, funding and liquidity positions through leading the Finance & Treasury functions.

His mandate extends to ensuring the integrity of financial and regulatory reporting whilst ensuring the Society operates an effective stress testing framework. He is also responsible for formulating IT & Operations strategies that align and support the Society's strategic plan, as well as executive responsibility for managing the Society's exposure to the financial risks associated with climate change and for championing the overall ESG agenda.

Steven attends the Board Risk Committee and Board Audit Committee. In terms of management committees, Steven chairs the Asset and Liability Committee and Operational Risk Committee. He is also a member of the Strategy and Performance Committee, Executive Risk Committee and Change Committee.

**Current External Positions**

None



**Jane Kimberlin**  
BA  
Non-Executive Director  
Joined the Board in November 2016 and Senior Independent Director since March 2022

**Skills and Experience**

Jane is an internationally experienced Board Chief Information Officer / Information Technology Director with over 30 years of delivering significant transformation across a wide range of companies including financial services, retail and utilities. She led the successful merger of IT for several major companies following acquisitions.

With her experience in retail, Jane is a strong advocate of the customer at the heart of the business. Having managed large teams who were responsible for the development and performance of various major digital platforms, Jane is able to leverage her change and technical skills. Jane is passionate about the appropriate use and development of technology and works voluntarily encouraging children and adults to have a successful career in IT.

Jane is a former IT Director of BNP Paribas, a former IT Director of Domino's Pizza, a former IT Director of Scottish and Newcastle/Spirit Group and a former IT Director of PowerGen (now E.ON). Jane is a former Fellow of the Institute of Directors.

Jane is Chair of the Board Remuneration Committee and is a member of the Board Risk Committee and Board Nominations Committee.

**Current External Positions**

Jane currently holds the following external appointments:

- Director and Society Secretary, Creaton Community Benefit Society
- Court Assistant, Worshipful Company of Information Technologists

**Role of the Board**

The Board is responsible for setting the strategic direction, approving the business plan, and ensuring compliance with regulatory obligations. It oversees performance, risk management, and internal controls, maintaining accountability to members and upholding the Society's values of integrity, transparency, and member focus.

To enable the Board to use its time effectively, a forward-looking programme of meetings and a standing Board agenda is maintained. There is sufficient flexibility within the Board's agenda to address any emerging matters in a timely manner. Examples of principal decisions made by the Board during 2025 are set out below:

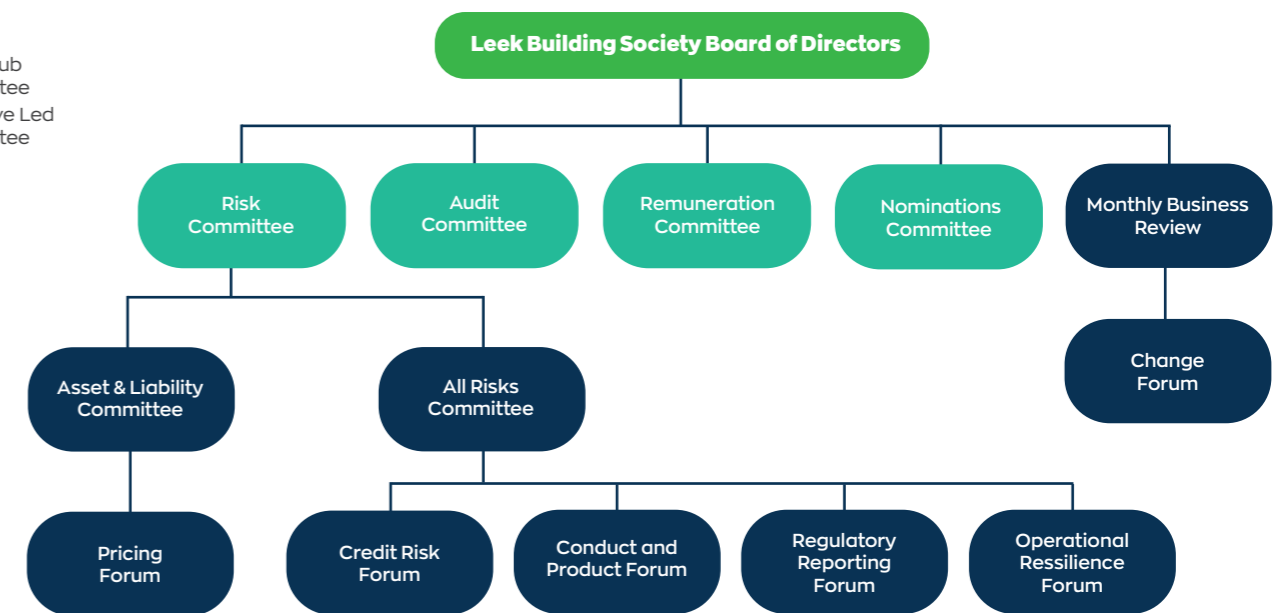
- Approval of the Strategic Plan
- Review of business performance
- Approval of the Annual Report and Accounts
- Approval of the Operational Resilience Self-Assessment

- Approval of key policies, such as Whistleblowing Policy
- Approval of Risk Management Framework and Risk Appetites
- Approval of the Consumer Duty Report
- Approval of the Internal Capital Adequacy Assessment Process (ICAAP) and the Internal Liquidity Adequacy Assessment Process (ILAAP)

**Governance Committee Structure**

**Key**

- Board Sub Committee
- Executive Led Committee



The Society's governance structure includes both Non-Executive and Executive led committees. The Non-Executive led committees comprise the Board Risk Committee, Board Audit Committee, Board Remuneration Committee and Board Nominations Committee. The Non-Executive Directors who chair the aforementioned committees provide feedback to the main Board following each meeting. The Executive led committees comprise the Monthly Business Review, All Risks Committee, Asset & Liability Committee, Change Forum, Conduct and Product Forum, Pricing Forum, Credit Risk Forum, Regulatory Reporting Forum and Operational Resilience Forum. Executives attend Board meetings to provide updates from each business area and to discuss any pertinent matters which provides the Board with visibility of all areas of the business as well as the external environment. Proceedings of all committees are formally minuted.

On 1st January 2026, the governance structure was updated, with a number of committees renamed, mandates expanded, and forums rationalised, as follows:

- Monthly Business Review was renamed Strategy and Performance Committee
- Change Forum was renamed to Change Committee
- All Risks Committee was renamed to Executive Risk Committee
- Credit Risk Forum was renamed to Retail Credit Risk Committee
- Conduct and Product Forum was renamed to Conduct and Regulatory Compliance Committee
- Operational Resilience Forum was renamed to Operational Risk Committee
- Pricing Forum and Regulatory Reporting Forum were dissolved

### Culture

The Board has defined the Society's purpose, values and strategy and reviews the Society's culture to ensure its alignment with these. The Board approved a new purpose statement during 2025 which is shown within the Chief Executive's Report. The Chair is responsible for leading the development of the Society's culture, while the Chief Executive is responsible for overseeing the adoption of the Society's culture in the day-to-day management of the Society. The management information reviewed by the Board includes reporting on the Society's culture. A culture update is provided to the Board under the Society's four core values on a quarterly basis by way of a culture dashboard and supporting commentary.

### Stakeholder Engagement

As a mutual organisation, the Society has members rather than shareholders. The Board recognises the importance of maintaining strong relationships with its stakeholders. This includes understanding the views and/or concerns of key stakeholders when it comes to decision making.

### Members

Member involvement is encouraged by inviting savers and borrowers to engage with the Society in various ways. That is not to say that every member must be an active participant, but they should be able to if they so wish. The Society uses a range of methods to promote active participation and engagement with members including:

- Regular real-time member feedback via the independent Smart Money People platform
- Annual governance survey
- Member forums
- Member newsletters

### Colleagues

Jane Kimberlin, Senior Independent Director, is the Board member with responsibility for bringing the voice of the Society's colleagues to the Board. The Board engages with colleagues in a number of ways including through the hosting by Non-Executive Directors of regular colleague forums where a cross-section of colleagues are invited to share their views on a range of matters relating to the Society's culture and

management. A number of branch visits were also conducted by Board members which provided additional opportunities for valuable two-way feedback. A colleague survey was also completed in 2025 through Great Place to Work. Colleague feedback gained through these mechanisms was shared with the wider Board and considered when making decisions. In addition, Board members observed a number of internal committee and operational meetings.

### Regulators

A key priority of the Board and Executives is having a positive relationship with our regulators. Regular updates are provided to the regulator on key matters such as strategic, operational developments and business performance.

### Suppliers

The Society monitors its relationships with third party suppliers on a regular basis to assess any risk of adverse impact on our members. Third party suppliers are monitored through regular performance reviews, ongoing risk and control testing, due diligence checks and periodic assurance by Risk and Compliance to ensure compliance with contractual, regulatory and risk appetite requirements.

### Annual General Meeting (AGM)

As a mutual organisation, the Board is accountable to the Society's members. The Society encourages all eligible members to participate in the AGM, either by attending in person and/or by voting. The AGM provides members with the opportunity to hold the Board to account through questions and voting either for or against any of the resolutions at the meeting. The voting is overseen by independent scrutineers, who also attend the meeting to count votes cast by members. Minutes of the AGM, which includes voting details as well as questions raised by members with answers provided, were published on the Society's website following the meeting.

### Whistleblowing

The Society maintains robust whistleblowing arrangements, providing confidential channels for employees to raise concerns. The Society has a Board approved Whistleblowing Policy and the Society's whistleblowing champion is Jane Kimberlin, Senior Independent Director. In support of Jane's responsibilities, an annual whistleblowing report is provided to the Board to set out the whistleblowing disclosures during the reporting period. No whistleblowing cases arose during 2025, and the Board continues to monitor the effectiveness of these arrangements.

### Division of Responsibilities

The Board is comprised of the Chair, four other Non-Executive Directors and two Executive Directors. To ensure an effective working relationship, it is important that there is a clear division of responsibilities. The roles of the Chair and Chief Executive are separately held, and their responsibilities are well defined and set out in writing. Each of the roles has a detailed role profile, and Statement of Responsibility, which identifies areas of accountability to the Board.

### Changes to the Board, including appointments

- Pak Chan - Appointed as a Non-Executive Director in March 2025.
- Rachel Court - Resigned as a Non-Executive Director in April 2025 as she had come to the end of her agreed term.

### Board Independence

Independence of Non-Executive Directors is an important part of Board governance and is vital in ensuring that Executive Directors and management are appropriately challenged and held to account. The independence of our Non-Executive Directors is considered annually by the Board Nominations Committee. In line with criteria set out in the Code, the Board Nominations Committee consider that all Non-Executive Directors remain independent. The Board approved a proposal from the Board Nominations Committee to extend the tenure of the Senior Independent Director, Jane Kimberlin, by one year. Jane's nine year tenure was due to end in November

2025, and the Board approved an extension to her end date to November 2026 with her formally leaving the Society in April 2027 following the AGM. The relevant criteria in the Code was reviewed and fully complied with. The Board is satisfied that Jane continues to remain independent.

### Time Commitment

On appointment, Non-Executive Directors receive a formal letter clearly setting out the Society's expectations in terms of time commitment, committee service and other activities other than Board and/or its committees. Any additional roles that a Non-Executive Director wishes to take following appointment requires approval of the Board. Where Directors have significant other commitments outside the Society, these are set out in the information relating to Directors on page 93.

### Conflicts of Interest

All Directors have a duty to disclose and notify the Board of any potential or actual conflicts of interest which should then be considered, and if appropriate, approved by the Board. The Company Secretary maintains a Directors' Interest Register, which is a record of actual and potential conflicts. Where a matter under discussion concerns an individual Director, that Director would excuse themselves from the discussions and will not be part of any decision taken.

### Board and Board Committee Attendance

In 2025, there were 9 scheduled meetings of the Board. The attendance record of Board Directors at Board and Board subcommittee meetings in 2025 is set out below. In accordance with good practice, Executive Directors do not have membership rights at Board subcommittee meetings.

	Board	Audit Committee	Risk Committee	Nominations Committee	Remuneration Committee
<b>Number of meetings held in 2025</b>	<b>9</b>	<b>3</b>	<b>6</b>	<b>5</b>	<b>5</b>
<b>Felicity Bambery</b>	9	3	6	-	5
<b>Pak Chan (from March 2025)</b>	6/6	2/2	-	-	-
<b>David Cheeseman</b>	9	3	6	5	-
<b>Rachel Court (to April 2025)</b>	4/4	-	-	2/2	1/1
<b>Steven Clarke</b>	9	3	6	-	-
<b>Andrew Deeks</b>	9	3	6	5	5
<b>John Gibson</b>	9	1/1	-	5	5
<b>Jane Kimberlin</b>	9	-	6	5	5



## Composition, Succession and Evaluation

### Board of Directors Composition

The Board comprises a balanced mix of Executive and Non-Executive Directors, ensuring independence, diversity of thought, and robust oversight. The Board operates through a formal schedule of matters reserved for its decision and delegates specific responsibilities to its committees. Each Committee has clearly defined terms of reference and reports regularly to the Board. The Terms of Reference for the Board and Board subcommittees are available on the Society's website. The Board is supported by the Chief of Staff & Company Secretary who ensures that all Directors have appropriate access to information, resources and support services. Should it be required, the Directors can take independent legal advice at the Society's expense.

### Succession Planning

The Board delegates the responsibility for succession planning to the Board Nominations Committee which reviews Board and senior executive succession planning on a regular basis, ensuring that the skills and experience required are taken into account when recruiting. Succession plans for Board and Executive roles were reviewed and updated during the year as was the Skills Matrix identifying the skill sets and experience the Board believes it needs to maintain its effectiveness. The role of Board Nominations Committee is set out within the Board Nominations Committee Report on page 33.

### Board Effectiveness Review

The Society completes an internal Board effectiveness review on an annual basis and external Board effectiveness review every five years. The external effectiveness review was completed in 2025 by an independent external firm, Praesta, after a formal evaluation process. Praesta concluded that "the Board is an effective, well run Board which has the experience and knowledge to oversee the Society and successfully guide its future growth". There are opportunities to further develop the Board including:

- Having a deeper understanding of member drivers currently and in the future
- Board MI to be enhanced with greater use of Key Performance Indicators
- Success criteria for the Community Strategy to be identified

### Audit, Risk and Internal Control

The role of the Board Risk Committee is set out within the Board Risk Committee Report on page 32 and the role of the Board Audit Committee is set out within the Board Audit Committee Report on page 31.

The responsibilities of the Board Audit Committee include to monitor the effectiveness of the suppliers of the internal and external audit services as well as to ensure the integrity of financial and narrative statements.

The Board and Board Audit Committee believe that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information to members to assess performance, strategy and business model of the Society.

### Remuneration

The role of the Board Remuneration Committee is set out within the Board Remuneration Committee Report on page 35.

### Conclusion

In summary, I believe that except for the matters explained at the beginning of this report, the governance arrangements operated by the Society align with the Code's requirements and have enabled the Board to exercise effective oversight of the Society's performance and regulatory requirements.



John Gibson  
Chair  
26 February 2026

# Directors' Report



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

This Directors' Report should be read in conjunction with the Chair's Welcome, Chief Executive's Report, Our Strategy, Chief Financial Officer's Report and Risk Management Report.

### Board of Directors

The names of the Directors who have served on the Board during 2025 can be found within the Corporate Governance Report on page 19.

### Business Objectives, Future Developments and Performance Indicators

Information on the Society's business objectives and future developments can be found within Our Strategy on page 11 and performance indicators can be found within the Chief Financial Officer's Report on page 13.

### Creditor Payment Policy

It is the Society's policy to pay suppliers within agreed terms providing the supplier performs according to the terms of their contract with the Society. The number of creditor days at 31 December 2025 was 5 (2024: 12).

### Political Donations and Gifts

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

### Events since the Year-End

The Directors do not consider that any event since the year-end has had a material effect on the financial position of the Society as disclosed in the Annual Accounts.

### Provision of Information to Auditors

Each person who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Society's auditors is unaware; and
- Each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

### Independent Auditor

A formal resolution to reappoint PricewaterhouseCoopers L.L.P as external auditors for the financial year ending December 2025 was agreed by the Society's members at the Annual General Meeting on 30 April 2025. The Board is recommending that PricewaterhouseCoopers L.L.P be reappointed as external auditors of the Society for the financial year ending 31 December 2026. A resolution for their appointment will be proposed at the forthcoming Annual General Meeting.

### Going Concern

The Directors confirm that they believe their assessment of the principal risks facing the Society to be robust.

The Society conducts an annual Internal Capital Adequacy Assessment Process (ICAAP) and an Internal Liquidity Adequacy Assessment Process (ILAAP) review to assess and stress test its capital and liquidity positions respectively, in line with Prudential Regulation Authority (PRA) requirements. These include the need to model the impact on the Society of a range of severe but plausible stresses to residential house prices,

unemployment, interest rates and funding outflows. Supported by these reviews, the Directors have prepared forecasts for a period of at least twelve months from the date of approval of the accounts of profitability, capital, funding and liquidity which take account of the Society's current position and its principal risks as set out in the Risk Management Report, including a severe but plausible stress scenario. The severe but plausible stress is established and defined in detail during the annual ICAAP and ILAAP reviews, in line with PRA requirements. Consideration is given to a range of factors, including but not limited to HPI fluctuations, changes in customer propensity of default, unemployment, interest rate changes, inflation and circumstances that may give rise to funding outflows either on an idiosyncratic level or sector wide. Based on these forecasts, the Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future from the date of approval of the accounts.

The Directors consider it appropriate to prepare the annual accounts on the going concern basis, as explained in the Basis of Preparation in Note 1 to the accounts.



John Gibson  
Chair  
26 February 2026



# Risk Management Report

## David Cheeseman



### Overview

Our business is exposed to a range of financial and non-financial risks in executing our strategy and delivering day-to-day activities. Our risk philosophy reflects a clear awareness of the current and emerging risk landscape and how this may impact the delivery of our strategy and our ability to continue supporting members. We take risks where they are aligned with our purpose, deliver appropriate reward, and can be effectively managed within our capabilities.

We manage risks by:

- Operating a business model underpinned by strong Board oversight, clear accountability and effective risk governance
- Maintaining an Enterprise Risk Management Framework covering all material risks, supported by a clearly defined Three Lines of Defence model
- Monitoring and managing risks within Board-approved risk appetite, supported by robust metrics, indicators and reporting
- Ensuring the Society maintains strong capital and liquidity to remain resilient under a range of severe but plausible conditions
- Continuously enhancing our risk capabilities, culture and resilience to protect members' interests and support long-term sustainability

### Enterprise Risk Management Framework

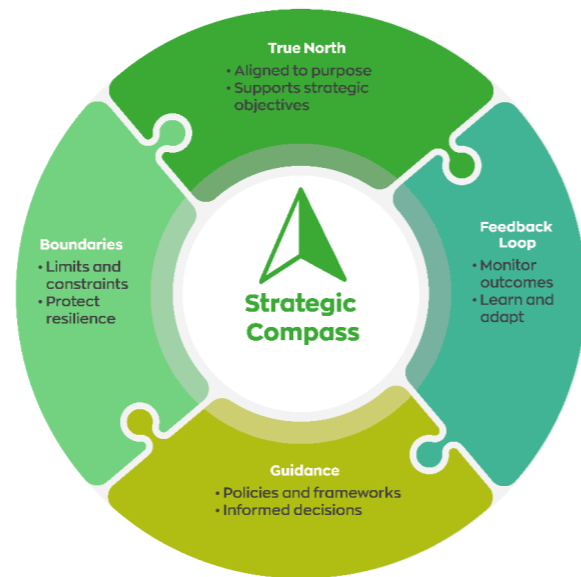
The Society operates an established Enterprise Risk Management Framework designed to identify, assess, monitor and manage risks in a proactive and disciplined manner. The Framework is embedded across the business and is supported by the Three Lines of Defence model, which ensures clear accountability for risk ownership, independent oversight and assurance.

The Chief Risk Officer is accountable for maintaining and enhancing the framework, supported by strong risk reporting, independent challenge and continuous improvement. Independent assurance is provided by Internal Audit, with additional specialist assurance obtained where appropriate.

The Risk Management Framework was updated in 2025 to align with the Society's strategic objectives.

The framework and underlying risk philosophy is underpinned by four main components:

- **True North (Strategic Alignment):** all risk-taking is aligned with the organisation's strategic objectives and values
- **Boundaries:** clear limits and constraints are defined to balance ambition with prudence. This ensures financial strength, operational resilience, and stakeholder trust
- **Guidance:** policies, frameworks, and governance structures provide the tools to support consistent, informed decision-making
- **Feedback loop:** risk insights and outcomes are actively monitored and fed back into frameworks and processes to drive improvement



### Risk Governance

Strong governance helps keep our members safe. The Board is responsible for how the Society manages risk and for setting the overall risk appetite. It is supported by the Board Risk Committee, made up entirely of independent Non-Executive Directors, which provides oversight and challenge to ensure risks are well managed in members' best interests. Further details are provided in the Board Risk Committee Report (page 32) and the Corporate Governance Report (page 19).

### Risk Appetite

The Board sets the Society's risk appetite, which defines the level and types of risk the Society is willing to accept in pursuing its strategic objectives. Risk appetite is reviewed at least annually, and more frequently if conditions change, to ensure it remains appropriate to the external environment, regulatory expectations and the Society's mutual purpose.

Risk appetite is expressed through qualitative statements and quantitative limits linked to key metrics for each principal risk type (for example, capital ratios, liquidity buffers, credit quality indicators, operational resilience measures and conduct outcomes). Performance against appetite is monitored through regular reporting to the Board and its Committees, with defined escalation thresholds and management actions where measures approach or breach appetite.

### Principal Risks

The Society's principal risks represent those which could have a material impact on financial strength, member outcomes or achievement of strategic objectives.

Risk	Definition	Key Mitigants
<b>Strategy</b>	The risk that the Society is not sustainable in the long-term, no longer meeting the needs of its communities	
<b>Solvency</b>	The risk of insufficient capital to absorb losses and continue to meet financial obligations, maintain regulatory requirements, or sustain operations	
<b>Market</b>	The risk to net interest income and economic value arising from changes in market interest rates	
<b>Liquidity &amp; Funding</b>	The risk that LBS will not be able to meet its financial obligations as they fall due to an imbalance between its liquid assets and liabilities	
<b>Retail Credit</b>	The risk that a borrower will fail to meet their loan obligations in accordance with agreed terms	
<b>Conduct</b>	The risk of inappropriate, unethical, or unlawful behaviour, which can lead to financial loss, reputational damage, regulatory penalties, or harm to members and other stakeholders	
<b>Regulatory &amp; Legal Compliance</b>	The risk of legal or regulatory sanctions, or reputational damage, due to failure to comply with legal and regulatory requirements	
<b>Operational</b>	The risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events  This risk is further structured into six internal categories: operational resilience, cyber and technology, data and information risk, third-party risk, people risk and model risk	

**Other Material Risks**

The Society actively monitors emerging risks that could affect its long-term sustainability, strategy and risk profile. These are considered regularly by management, the Board Risk Committee and the Board, and are reflected where appropriate in scenario and stress testing.

Key emerging risks currently include the following:

**Geo-political Risk**

Increasing geo-political tensions, regional conflicts, changes in trade relationships and sanctions regimes may impact economic stability, inflation, interest rates, supply chains and market confidence. This can indirectly influence member affordability, funding conditions and the broader credit environment.

Management response includes:

- Ongoing macro-economic monitoring and horizon scanning
- Close monitoring of early warning indicators to flag the potential of an economic downturn
- Close regulatory and industry engagement to understand emerging impacts

**Climate Change**

Climate change presents both physical risks (e.g. increased flooding, storms and other weather-related events) and transition risks (e.g. changes in policy, regulation, technology and customer preferences) for the Society and its members. For mortgage lending, this may affect property values, insurability and affordability; for the broader business, it may influence reputation, costs and regulatory expectations.

The Society's response includes:

- A more clearly defined its Environmental, Social & Governance (ESG) strategy, see page 16
- Continuous monitoring of the regulatory and political landscape to assess the impacts of any changes.
- Full consideration has been given to the Society's own carbon footprint and it has made a commitment to be carbon neutral by 2050
- The Society's annual ICAAP continues to capture the financial impacts of climate change, underpinned by appropriate stress testing

Taking into account the principal and emerging risks, stress-testing results, the Society's strong capital and liquidity position and the effectiveness of its governance and controls, the Board is satisfied that the Society's risk profile is well managed and remains within risk appetite. The Society is well placed to continue supporting members, fulfilling its purpose and sustaining its mutual business model over the long term.

*DR Cheeseman*

**David Cheeseman**  
Chair of Board Risk Committee  
26 February 2026



**Board Audit Committee Report**  
**Felicity Bambery**

The main purpose of the Board Audit Committee is to review the Society's financial reporting arrangements, the effectiveness of its internal controls and its risk management framework and exercise oversight of the internal and external audit processes.

Through the Committee, the Board has established formal policies and procedures to ensure the independence and effectiveness of the internal and external audit functions and satisfy itself on the integrity of the financial statements.

The Committee met three times during the financial year. The Committee reports to the Board on its activities and makes recommendations to the Board. The key responsibilities of the Committee are set out below, together with examples of how it discharges these duties.

**Committee Membership**

**Committee Chair:** Felicity Bambery

**Committee Members:** David Cheeseman, John Gibson (until to March 2025), Pak Chan (from March 2025)

**Committee responsibilities**

The Committee acts independently of the executive to ensure that the interests of members are properly protected in relation to financial reporting and internal control. The Committee's main responsibilities include:

- Monitoring the integrity of the Society's financial statements, including key accounting judgements, estimates and policies
- Reviewing and recommending to the Board the Annual Report and Accounts and assessing the appropriateness of the going concern basis of accounting
- Overseeing the external audit, including auditor appointment, performance, independence, scope, findings and effectiveness
- Reviewing the adequacy and effectiveness of internal controls and the Society's risk management framework, including related disclosures in the Annual Report
- Approving the internal audit plan, reviewing internal audit findings and management's responses, and assessing the effectiveness of the internal audit function

**Key matters considered by the Committee**

During the year, the Committee's work included:

**Financial Reporting**

- The Committee considered the following significant accounting judgements and estimates, giving due consideration to reports received from external auditors and discussion with management. Further information on the principal judgements and accounting estimates is provided in Note 1 to the financial statements
- Considered key assumptions relating to loan loss provisioning, effective interest rate methodology and retirement benefit obligations, approved updates to forced-sale discount assumptions to align with industry standards
- Reviewed and challenged the assumptions, estimates, risks and sensitivities for each accounting estimate. Assumptions and related provisions were deemed appropriate and within an acceptable range

**Accounting Policies and Annual Report Assurance**

The Committee:

- Reviewed the appropriateness of accounting policies and the going concern assessment, and concluded that both were appropriate and supported by robust analysis and reasonable assumptions;
- Recommended approval of the 2025 Annual Report and Accounts to the Board, having considered their completeness, consistency and clarity
- Considered emerging expectations around climate-related financial disclosures and potential implications for financial reporting
- Reviewed the implications of the revised UK Corporate Governance Code, with particular focus on forthcoming

Section 29 requirements, material controls expectations and their impact on the Society's control universe.

**External Audit**

- The Committee oversaw the effectiveness, independence and objectivity of the external auditor, reviewing the audit plan, scope and outcomes. Auditor independence was monitored throughout the year, with appropriate safeguards in place
- Considered key themes arising from the external auditor's report and monitored management's response where relevant
- The Society operates a policy on the use of the external auditor for non-audit services and will not approve any engagement that could, or could reasonably be perceived to, impair independence
- The Committee was satisfied that the external audit process remained effective and that independence and objectivity were maintained

**Internal Audit**

- Internal audit services are provided by Deloitte LLP. During the year, the Committee monitored delivery of the Internal Audit Plan and assessed the effectiveness of the Internal Audit function, gaining assurance that appropriate capability and resource were in place to support delivery
- Internal Audit completed a range of reviews during the year, with findings reported to the Committee. The Committee considered the adequacy of management responses and the timely completion of agreed actions, and, where relevant, assessed the wider implications of significant findings for the effectiveness of the Society's internal control environment and risk management framework

**Control Environment Effectiveness**

- Received reports from Risk & Compliance and Internal Audit on the effectiveness of the Society's internal control and risk management frameworks
- Considered findings, remediation activity and progress against agreed actions
- Concluded that the internal control environment operated effectively during the year

Further detail on the Society's Risk Management Framework is provided in the Risk Management Report (pages 28-30).

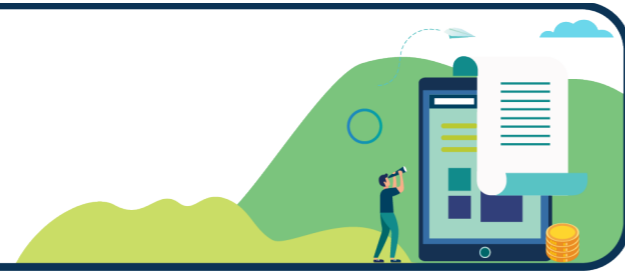
**Board Audit Committee Effectiveness**

In November 2025, the Board Audit Committee was subject to an independent review of its effectiveness by an external specialist firm, Praesta. This review concluded that the Committee continued to operate effectively during the year.

*Felicity Bambery*

**Felicity Bambery**  
Chair of Board Audit Committee  
26 February 2026

# Board Risk Committee Report



The purpose of the Board Risk Committee (BRC) is to consider all risk related matters, in particular, to oversee that the Society has an effective risk management framework, has a clearly defined risk culture, an effective control environment and that risk is being managed robustly. The Committee met five times during the financial year.

The Committee reports to the Board on its activities and makes recommendations on proposed changes to the Risk Management Framework, Risk Appetite, and other risk-related matters.

The key responsibilities of the Committee are set out below, together with examples of how it discharges these duties.

## Committee Membership

The Committee is comprised entirely of independent Non-Executive Directors, demonstrating the Board's commitment to strong, independent risk oversight. Executives and senior management regularly attend to present papers, provide insight and support discussion.

**Committee Chair:** David Cheeseman

**Committee Members:** Jane Kimberlin, Felicity Bambery

## Key Roles and Responsibilities

The BRC is responsible for providing oversight, challenge and assurance in respect of:

- The Enterprise Risk Management Framework and overall effectiveness of risk management
- The Society's risk appetite statements, limits and supporting metrics
- Principal and emerging risks, including conduct, operational, credit, market, liquidity and solvency risks
- Capital and liquidity adequacy assessments (ICAAP and ILAAP)
- Operational resilience, cyber risk, third-party risk and data/information risk
- Risk culture and the effectiveness of the Three Lines of Defence model
- Regulatory developments relevant to risk management

The Committee reports regularly to the Board, highlighting key risks, themes, areas of concern and assurance gained.

## Key areas of focus during the year

During the year, the Committee's work included:

### Risk Management Framework, Appetite and Culture

- Oversight and challenge of a comprehensive review and enhancement of the Risk Management Framework, undertaken following the appointment of the new Chief Risk Officer
- Review and consideration of a new Risk Appetite Framework, introducing clearer and more streamlined qualitative and quantitative risk appetite statements for each of the Society's principal risks
- Continued focus on strengthening risk reporting, insight and early-warning indicators
- Ongoing monitoring of the effectiveness of the Three Lines of Defence model and the maturity of the Society's risk culture

### Risk Oversight

- Oversight of liquidity resilience and funding profile, including review of the Society's ILAAP
- Oversight of mortgage portfolio performance and arrears trends
- Approval of a new policy framework for managing retail credit risk to support the Society's strategic objectives
- Consideration of retail credit risk stress tests including payment shock
- Ongoing oversight of conduct risk via MI and thematic second-line reviews, alongside Board review and approval of the Society's second annual Consumer Duty Report

## Risk Governance, Systems and Controls

- Continued assurance over the effectiveness of risk governance arrangements and decision-making structures. This included the approval and oversight over the Risk and Compliance Assurance Plan
- Consideration of the annual CRO report providing an independent second line opinion regarding embeddedness, further supported by Internal Audit's opinion through their Annual Conclusion
- The Committee maintained strong oversight of the internal control environment through Risk Control Self Assessments, thematic deep dives, control testing and risk event monitoring, concluding it remained effective

## Regulatory Developments, Emerging Risks and External Environment

- Consideration of macro-economic developments and potential impacts on capital strength, member affordability and credit risk
- Horizon scanning including consideration of the implications of the removal of SS20/15, ensuring the Society remains aligned to evolving regulatory expectations
- Continued monitoring of regulatory priorities and policy direction, ensuring preparedness and appropriate alignment to supervisory expectations

## Board Risk Committee Effectiveness

In November 2025, the Board Risk Committee was subject to an independent review of its effectiveness by an external specialist firm, Praesta. This review concluded that the Committee continued to operate effectively during the year.

**David Cheeseman**  
Chair of Board Risk Committee  
26 February 2026

# Board Nominations Committee Report



The purpose of the Board Nominations Committee is to ensure the Society has appropriately skilled individuals to carry out Board and senior executive management roles.

The Committee met five times during 2025.

## Committee Membership

**Committee Chair:** John Gibson

**Committee Members:** David Cheeseman, Jane Kimberlin

## Committee composition, skills and experience

The Committee are all independent Non-Executive Directors.

The Committee's Chair, Rachel Court stepped down in April 2025 after reaching the end of her tenure. John Gibson was appointed Chair of the Board and Chair of Nominations Committee in April. He has extensive experience within the sector and is well placed to lead the Committee. Alongside David Cheeseman and Jane Kimberlin, these members provide a wide range of experience to fulfil the Committee's purpose.

During 2025, the Chief Executive, HR Director and HR Business Partner have also attended meetings (except for items relating to them) but are not members.

## Board Nominations Committee key responsibilities

### Board Composition

- Lead the process for appointments to Board and executive management, ensuring a formal and rigorous approach to recruitment
- Ensure the Board and its committees have the capabilities to be effective, including an appropriate range of skills, experience, independence, knowledge and behaviours. This includes ensuring all individuals meet the fitness and propriety standards of the Prudential Regulation Authority and Financial Conduct Authority and that they have the capabilities and experience to discharge their responsibilities under the Senior Managers and Certification Regime
- Put in place processes for the recruitment of suitably qualified persons to act as Directors of the Society
- Recommend to the Board whether to nominate Directors for re-election
- Review and act on the results of the annual Board performance evaluation process regarding the Board composition

### Equality, Diversity & Inclusion

- Ensure the Board has a diverse mix of individuals to ensure effective decision-making and robust challenge
- Review and approve the Society's policies on and approach to inclusion

### Succession Planning

- Ensure robust succession plans are in place for Board and executive management roles, considering both shorter term contingencies, and longer term permanent replacements

## Board Composition

The Board Nominations Committee ensures that the Board has sufficient breadth and depth of experience to meet the requirements of the business. To assist this process it uses a skills matrix to evaluate the balance and range of skills, experience, independence, knowledge and behaviours required. This matrix was reviewed and updated by the Committee during the year to ensure it remained an accurate and reliable reflection of the Society's needs of the Board. All Board members undertake an annual self-evaluation against this matrix to ensure any skill gaps are identified and acted upon, for example through training.

Annual assessments of fitness and propriety standards ensure that Directors, executives and Material Risk Takers continue to have the required capabilities and experience to discharge their responsibilities.

The Board made one appointment during the year with the process being led by the Board Nominations Committee in accordance with its terms of reference. This saw the appointment of Pak Chan as a Non-Executive Director in March.

The Society has adopted the 'best practice' approach of putting all Non-Executive Directors forward for re-election by members annually; all existing Non-Executive Directors were duly elected or re-elected in April 2025.

## Inclusion

The Board recognises the importance of having diversity at all levels within the Society, including, but not limited to, their skills, knowledge, education, profession, race, age and gender. Having an inclusive culture is a core consideration in both the appointment and development of Board members.

The Society is a signatory to HM Treasury's Women in Finance Charter, and a Disability Confident Leader. Information has recently been published about progress against the associated commitments for both, on our website.

## Succession Planning

The Committee has reviewed the succession plan for the Board and senior executives and is satisfied that it is suitably robust. The Committee continues to oversee the development of potential internal candidates for Executive Director positions

as well as planning for the succession of NED positions and associated Committee Chair roles, in line with anticipated NED term coming to an end.

### Board Evaluation

The Board appointed an external specialist firm, Praesta, which has no connections with the Society to undertake a formal and rigorous annual evaluation of its performance and that of its committees. This evaluation encompassed Board composition, Board and committee structure, dynamics, administration, agenda, development and performance. It is the Board Nominations Committee's responsibility to review the results of the Board performance evaluation process that relate specifically to the composition of the Board. All other aspects of the Praesta report were considered by the Board as a whole in January 2026 (see Corporate Governance Report).

Through the internal annual Board evaluation process, feedback is sought as to whether each Director continues to contribute effectively in their role. This feedback is incorporated into each Director's annual performance appraisal. The performance evaluation of the Chair is conducted by the Non-Executive Directors, led by the Senior Independent Director, and takes into account the views of the Executive Directors.

### Board Nominations Committee Effectiveness

In January 2026, the Board Nominations Committee conducted an internal review of its own effectiveness. This involved collective consideration by Committee members of how effectively the Committee had discharged its responsibilities. This review concluded that the Committee continued to operate effectively during the year.



**John Gibson**  
Chair of Board Nominations Committee  
26 February 2026



# Board Remuneration Committee Report

## Jane Kimberlin

The purpose of the Board Remuneration Committee is to consider, review and recommend to the Board the overarching Remuneration Policy that aligns with the Society's purpose, values and long-term sustainability.

In carrying out its duties, the Committee is cognisant of remuneration regulation, and the UK Corporate Governance Code.

The committee met five times in 2025.

### Committee Membership

**Committee Chair:** Jane Kimberlin

**Committee Members:** John Gibson, Felicity Bambery

### Committee composition, skills and experience

The Committee are all independent Non-Executive Directors.

The Committee's Chair, Jane Kimberlin, has significant experience in remuneration governance having served on the Committee for 7 years before commencing as Chair in April 2024. John Gibson and Felicity Bambery also bring considerable experience in remuneration and human resources matters.

During 2025, the Chief Executive, HR Director and HR Business Partner have also attended all meetings (except for items relating to their remuneration) but are not members.

Board Remuneration Committee key responsibilities	
<b>Remuneration Policy</b>	<ul style="list-style-type: none"> <li>Conduct an annual review of the overarching Remuneration Policy for the Society, and recommend this to the Board</li> </ul>
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>Determine the remuneration of the Board Chair, all Executive Directors and other members of executive management, including pension rights and any compensation payments</li> <li>Approve the salary of the Chief Risk Officer based on a recommendation from the Chair of the Board Risk Committee</li> <li>Recommend to the Board Chair and Executive Directors' fees for Non-Executive Directors as well as travel and other expenses payable</li> <li>Conduct an annual review to determine the remuneration of executives, taking account of factors such as the Society's financial position, inflation and the economic outlook</li> <li>Conduct an annual review to determine if a financial bonus should be paid to colleagues and/or if colleague salaries warrant being adjusted, taking account of factors such as the Society's financial position, inflation and the economic outlook</li> </ul>
<b>Remuneration Reporting</b>	<ul style="list-style-type: none"> <li>Report to members annually in the Society's Annual Report &amp; Accounts on the activities of the Board Remuneration Committee and also provide the Directors' Remuneration Report. The latter report will be subject to an advisory vote at the Annual General Meeting</li> </ul>
<b>Engagement with Members and Regulators</b>	<ul style="list-style-type: none"> <li>Consider member interests through regular reporting on performance, risk, and culture</li> <li>Have regard to relevant regulatory guidance and supervisory expectations in relation to remuneration and governance</li> </ul>
<b>Engagement with the Workforce</b>	<ul style="list-style-type: none"> <li>Consider workforce pay and conditions when reviewing executive remuneration, including cost-of-living pressures and annual pay review outcomes</li> <li>Ensure management communicates its remuneration principles internally to ensure transparency and understanding of how executive pay aligns with wider workforce pay policy</li> </ul>

### Remuneration Policy

The Society's Remuneration Policy aims to align remuneration with the delivery of the Society's strategy as set out in its strategic plan, in order to promote long-term sustainable success. The Committee is satisfied that the policy operated as intended during the year. It was subject to review by the Board Remuneration Committee with no material changes and subsequently approved by the Board.

Provision 38 of the UK Corporate Governance Code requires that companies include arrangements for malus and clawback for variable remuneration in their Remuneration Policy. As the Society does not operate variable remuneration for Executive Directors and the wider Executive team, these provisions are not applicable.

### Remuneration

The Committee reviews the remuneration of both Executive Directors and Non-Executive Directors and approves any significant changes to the pay structure of the wider workforce. No Director is involved in reviews or decisions regarding their own remuneration.

During 2025, the Committee addressed the following key matters:

- Approved a Society-wide salary increase following a detailed review which considered Society performance, cost of living pressures and the economic situation. A 3.5% salary increase for colleagues earning less than £50k pa, and 2.5% for those earning more than £50k pa, was applied.
- All Executives, with the exception of the CEO, were excluded from the above pay rise. They were newly appointed in their roles at the time the pay rise was applied, and so were not eligible.
- Approved a pay increase of 2.5% for the CEO, who had their remuneration adjusted following a detailed benchmarking exercise, and was aligned with the increase provided to all colleagues. The CEO was not involved in reviews or decisions regarding their own remuneration.
- Determined that a limited colleague bonus scheme would operate in 2025, which would recognise colleague contribution to the Society's performance. All colleagues could receive up to £750 based on their end of year ratings.
- The Society operates a fixed pay remuneration model for Executive Directors and wider members of the Executive team, who were not eligible for the bonus payment noted above. The fixed remuneration structure supported effective leadership, continuity and stability, while avoiding incentives that could encourage inappropriate risk taking.
- Following detailed external benchmarking, recommended for approval a 2.5% increase to fees for the Non-Executive Directors and approved a revised fee for the Chair as set out in the separate Directors' Remuneration report. No Director was involved in reviews or decisions regarding their own remuneration.
- As the Society operated a very limited variable remuneration scheme, the Committee did not exercise discretion in relation to incentive outcomes during the year.
- Reviewed and identified Material Risk Takers in accordance with the PRA Remuneration Rules. All Material Risk Taker remuneration was appropriately capped in line with the remuneration policy, and in line with the Society's risk appetite.

### Remuneration Reporting

As a smaller, non-listed building society operating under the strong and simple framework, the Society is no longer required to publish full pillar 3 disclosures. This report, published on our website, provides the primary source of information on how the Society complies with the PRA Remuneration rules.

Page 37 of this Annual Report and Accounts contains the Directors' Remuneration Report for the year ended 31 December 2025. This report includes the key disclosure requirements of the UK Corporate Governance Code and complies with the regulation. It will be the subject of an advisory vote at this year's Annual General Meeting.

### Board Remuneration Committee Effectiveness

In December 2025, the Board Remuneration Committee was subject to an independent review of its effectiveness by an external specialist firm, Praesta. This review concluded that the Committee continued to operate effectively during the year.



**Jane Kimberlin**  
Chair of Board Remuneration Committee  
26 February 2026



# Directors' Remuneration Report



The purpose of the Directors' Remuneration Report is to provide details of the basic salary, variable pay and benefits earned by Directors. It includes the key disclosure requirements of the UK Corporate Governance Code and complies with the regulation. The Board is committed to best practice in its Remuneration Policy for Directors and in the interests of transparency, this report will be the subject of an advisory vote at this year's Annual General Meeting.

### Executive Directors' Remuneration

Remuneration to the executives included in the 'Benefits/Other' column above relates to the provision of a car allowance, partner health screening and private medical insurance.

2025		Salary/Fee	Benefits/Other	Sub Total	Pensions	Total
All figures are in £000's						
Executive Directors	Andrew Deeks	323	16	339	19	358
	Steven Clarke	200	10	210	15	225

2024		Salary/Fee	Benefits/Other	Sub Total	Pensions	Total
All figures are in £000's						
Executive Directors	Andrew Deeks (from 26/09/2024)	83	4	87	6	93
	Steven Clarke	190	12	202	14	216
	Andrew Davies (to 31/12/2024)	163	12	175	24	199
	Darren Ditchburn (to 06/12/2024)	179	10	189	13	202
	Andrew Healy (to 31/07/2024)	173	11	184	26	210

### Non-Executive Directors' Remuneration

The remuneration for the Non-Executive Directors included in the 'Benefits/Other' column above relates to travelling expenses.

2025		Salary/Fee	Benefits/Other	Sub Total	Pensions	Total
All figures are in £000's						
Non-Executive Directors	John Gibson (Chair from 26/04/2025)	51	2	53	-	53
	Felicity Bambery	41	2	43	-	43
	Pak Chan (from 27/03/2025)	25	2	27	-	27
	David Cheeseman	41	2	43	-	43
	Rachel Court (to 25/04/2025)	19	-	19	-	19
	Jane Kimberlin	43	1	44	-	44

	Salary/Fee	Benefits/Other	Sub Total	Pensions	Total
<b>Non-Executive Directors</b>					
John Gibson (from 25/01/2024)	31	1	32	-	32
Felicity Bambery	40	2	42	-	42
David Cheeseman	40	2	42	-	42
Rachel Court	57	1	58	-	58
Jane Kimberlin (Chair of Board Remuneration Committee from 01/04/2024)	41	1	42	-	42
John Leveson (to 24/04/2024)	12	1	13	-	13

**Loans to Directors**

A register containing details of loans and transactions between the Society and its Directors, or persons connected with Directors, is available for inspection by members at the Society's principal office in the period of fifteen days prior to the Society's Annual General Meeting on 22 April 2026. There were no loans outstanding on 31 December 2025 (2024: nil).

**Chair and Non-Executive Fees**

Non-Executive Directors receive fees for the provision of their services, including additional fees for chairing the Board and committees. They do not receive any other benefits, bonus or pension entitlement. Relevant expenses are reimbursed and are included within the 'Benefits/Other' column shown above.

Fees are set to reflect the time commitment and responsibilities of the roles. The fees payable to the Chair of the Board are determined by the Board Remuneration Committee. The Chair does not take part in discussions about their own fees and is not present when this is decided.

The fees and expenses payable to all other Non-Executive Directors, including additional fees for chairing committees and acting as Senior Independent Director, are recommended by the Board Remuneration Committee for approval by the Chair of the Board and Executive Directors.

Fees are reviewed annually and if any recommended increase is more than the annual percentage increase payable to all colleagues, a clear rationale for the additional increase together with supporting market data must be provided. This review also considers the principles of the all-colleague salary review.

As reported in the Board Remuneration Committee Report, the fees of the Society's Non-Executive Directors were increased by 2.5% during the year.

**Executive Directors' Remuneration**

**a) Strategic Rationale for Executive Remuneration Policy and Structure**

The Society operates a fixed-pay remuneration model for Executive Directors and does not use variable remuneration, bonuses or long-term incentive arrangements. This approach reflects the Society's mutual status, purpose-led strategy, and risk profile.

Executive remuneration comprises base salary and pension, together with standard benefits. Performance objectives are managed through appraisal, accountability, and governance mechanisms rather than financial incentives.

**b) Appropriateness of Remuneration**

The Board Remuneration Committee considers executive remuneration to be appropriate and proportionate, taking into account:

- The Society's size, complexity, and mutual ownership structure;

- The absence of external shareholders and the focus on member value;
- Internal relativities across the workforce; and
- External benchmarking against comparable building societies and regulated financial services organisations.

The Committee reviews pay and workforce pay trends annually to ensure executive remuneration remains aligned with pay and conditions across the Society.

The policy for Executive Director remuneration is included in the overarching Remuneration Policy. Executive remuneration is aligned to the Society's purpose and values and is clearly linked to the successful delivery of the Society's long-term strategy. The main elements of each Executive Director's remuneration package are basic salary, pension benefits, private medical insurance, and car allowance. No executive bonus scheme operated in 2025.

With effect from January 2025, as part of the annual salary review, the salary for the Chief Executive Officer increased by 2.5% in line with pay increases given to all colleagues. The salary of the Chief Financial Officer did not increase in 2025 as he had commenced in role in December 2024, and was not eligible for an increase due to the time in role.

Of the Executive Directors' remuneration packages, only basic salary is pensionable. As at 31 December 2025, the Chief Executive and Chief Financial Officer are members of the Society's defined contribution pension scheme which is offered to all colleagues. They also receive the same percentage pension contribution as all other colleagues.

The Corporate Governance Code recommends that an Executive Director's notice period should be one year or less. All Executive Directors have a service contract with the Society which is terminable by either party giving six months' notice.

**Reward and Incentives**

The Society's remuneration schemes and policies enable the Board Remuneration Committee to override formulaic outcomes to any element of performance-related pay. However, as was the case in 2024, no formulaic schemes were in place during 2025.

Given the relative simplicity of the Society's Remuneration Structures, the Board Remuneration Committee did not appoint any external consultants during 2025.

*J. Kimberlin*

**Jane Kimberlin**  
Chair of Board Remuneration Committee  
26 February 2026

# Statement of Directors' Responsibilities



The following Statement, which should be read in conjunction with the Independent Auditor's Report on pages 65 to 71, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Accounts, Annual Business Statement, Strategic Report and Directors' Report.

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

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

The Society's financial statements 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 each of the Society's financial statements, 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 financial statements;
- Assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

In addition to the financial statements, 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:

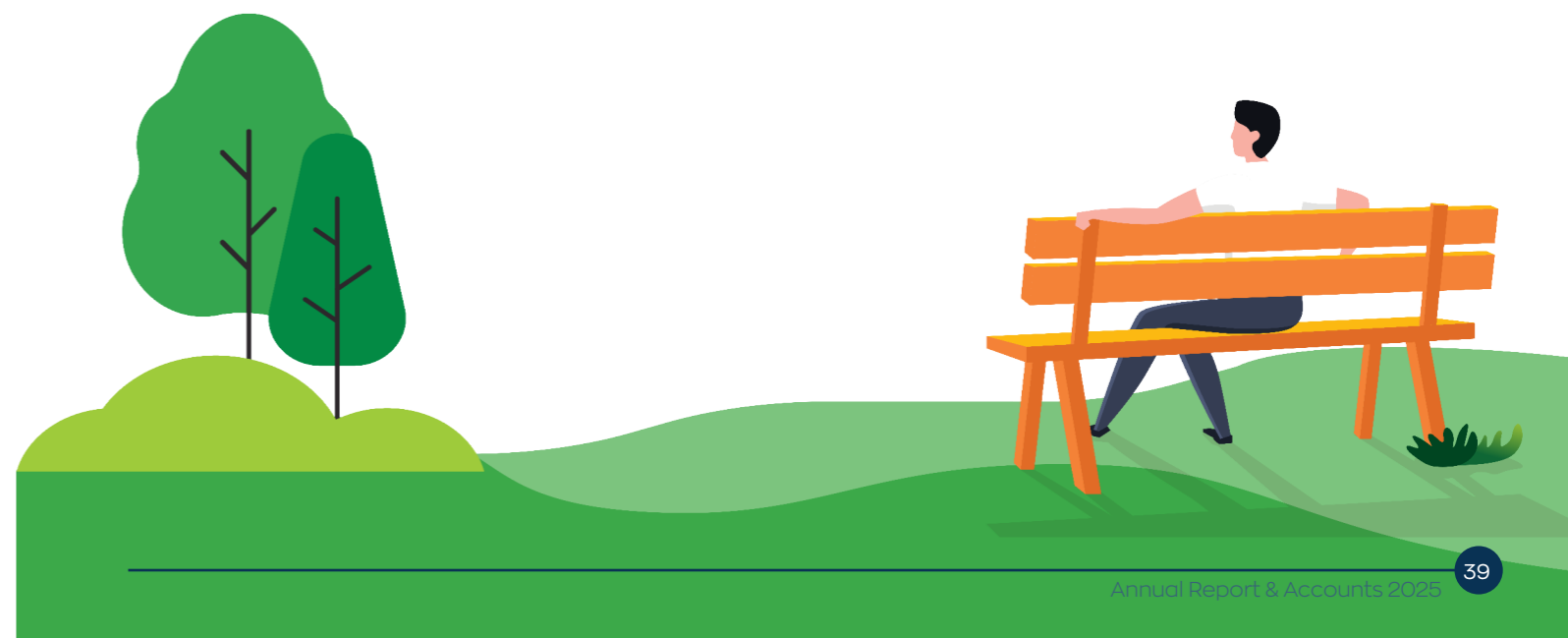
- Keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Group and Society, in accordance with the Act;
- Takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance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

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

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

*John Gibson*

**John Gibson**  
Chair  
26 February 2026



# Independent auditors' report to the members of Leek United Building Society

## Report on the audit of the annual accounts

### Opinion

In our opinion:

- Leek United Building Society's annual accounts (the "annual accounts") give a true and fair view of the state of the society's affairs as at 31 December 2025 and of the society's income and expenditure and cash flows for the year then ended;
- the annual accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the annual accounts have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the annual accounts, included within the Annual Report and Accounts (the "Annual Report"), which comprise:

- the statement of financial position as at 31 December 2025;
- the income statement and statement of comprehensive income, the statement of cash flows, and the statement of Changes in Members' Interest for the year then ended;
- and the notes to the annual accounts, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the society in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7, we have provided no non-audit services to the society in the period under audit.

### Our audit approach

#### Overview

##### Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and other qualitative factors.
- We conducted our audit using a team from Manchester; and
- We performed audit procedures over all material account balances and financial information of the Society

### Key audit matters

- The application of hedge accounting in accordance with accounting standards;
- Impairment of loans and advances to customers; and
- The appropriateness of assumptions used to measure defined benefit pension obligations.

### Materiality

- Overall society materiality of £840,000 (2024: £770,000). Based on 1% of total reserves attributable to members of the Society (1% of total reserves attributable to members of the Society)
- Performance materiality of £630,000 (2024: £577,500)

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the annual accounts. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

### Capability of the audit in 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.

Based on our understanding of the society/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles such as those governed by the Prudential Regulation Authority ('PRA'), Financial Conduct Authority ('FCA') and UK tax law, and we considered the extent to which non-compliance might have a material effect on the annual accounts. We also considered those laws and regulations that have a direct impact on the annual accounts such as the Building Societies Act 1986. We evaluated management's incentives and opportunities for fraudulent manipulation of the annual accounts (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries that could be used to manipulate financial performance and management bias in accounting estimates. Audit procedures performed included:

- Review of correspondence with the FCA and PRA;
- Testing of significant accounting estimates (See key audit matters below);
- Testing of journal entries which contained unusual account combinations and other specific risk-based criteria back to corroborating evidence;
- Discussion with management in relation to known or suspected incidents of non-compliance with laws and regulations and fraud; and
- Review of internal audit reports in so far as they related to the annual accounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

### Key audit matters

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

The key audit matters below are consistent with last year.

**Key audit matter****How our audit addressed the key audit matter****The application of hedge accounting in accordance with accounting standards.**

The Society has designated hedge accounting relationships linked to its mitigation of interest rate risk. The Society is exposed to interest rate risk as a result of the mismatch between fixed and floating rate cash flows on mortgage and savings contracts with its customers.

The risk of future movements in market rates of interest affecting the profitability of the Society is mitigated by using derivative financial instruments in the form of interest rate swap contracts. These are designated in fair value hedge accounting relationships so that the underlying hedged items are recorded at fair value, as long as the Society can demonstrate that the hedge accounting arrangements are effective in accordance with accounting standards.

At 31 December 2025 the fair value of all mortgage asset hedged items in designated hedging relationships was £3,004,000 more than (2024: £9,908,000 less than) their carrying value and the fair value of savings liability hedged items in designated hedging relationships was £1,695,000 more than (2024: £56,000 more than) their carrying value. Management of interest rate risk using derivatives in the year also gave rise to a loss of £2,130,000 (2024: loss of £404,000) being recognised in the income statement.

We focussed our work on the manual adjustments that are required to be posted to system outputs to achieve compliance with accounting standards in respect of mortgage assets. We focussed our work on this area as the hedge accounting rules are complex and the nature of manual adjustments required can give rise to an increased risk of error application.

The Society's disclosures are given in Note 6. Management's associated accounting policies are detailed in Note 1.

We evaluated the design and implementation of controls relating to management's hedge accounting program.

We understood the nature of the hedge accounting relationships designated by management in the context of the risk management strategy.

We obtained and reviewed the hedge accounting documentation to evaluate and assess whether the Society's hedging programme was compliant with the requirements of accounting standards.

We independently re-performed a sample of hedge effectiveness tests performed by management during the year. We re-performed both a sample of prospective and retrospective effectiveness tests.

We re-performed the valuation of a sample of derivatives and underlying hedged items throughout the year using valuation specialists where appropriate.

We assessed the completeness and accuracy of the mortgage, deposit and swap data flowing into hedging calculations.

We tested the completeness and accuracy of income statement ineffectiveness recorded in the income statement in the year and challenged management on the completeness of manual adjustments made to achieve compliance with accounting standards.

We reconciled the output of hedging calculations to the general ledger to ensure that the amounts recorded in the annual accounts are accurate.

We tested the disclosures in respect of hedge accounting and confirmed that they were compliant with accounting standards.

**Impairment of loans and advances to customers**

The Society held £738,000 of loan loss reserves (2024: £573,000) against total loans and advances to customers of £1,196,236,000 (2024: £1,101,476,000). Total loan loss reserves are split between an individual impairment allowance of £164,000 (2024: £178,000) where specific identifiers of impairment have been identified and a collective impairment allowance of £573,000 (2024: £395,000) to cover losses that are incurred but not reported.

The determination of loan loss reserves is inherently judgemental and involves setting assumptions relating to the likelihood of borrower default based on past events and the value of collateral realisation. The Society has limited experience of loan losses which gives rise to increased estimation uncertainty.

We evaluated the design and implementation of controls relating to management's process for deriving loan loss reserves.

We understood and critically assessed the methodology applied in loan loss models and considered whether they were compliant with accounting standards.

We examined the historical loss experience of the Society and read credit risk management information produced by management during the year to inform our views about the credit environment which the Society's borrowers face.

We challenged management's assumptions regarding the likelihood of borrower default used in the collective provision calculation by considering the Society's own loss experience and industry data.

**Key audit matter****How our audit addressed the key audit matter**

Furthermore, there is uncertainty in calculating loan loss reserves due to the potential impacts on customer behaviour due to the macroeconomic environment.

Our work focussed on the risk of understatement of loan loss reserves due to the small size of the reserves held relative to the size of total loans and advances to customers.

The Society's disclosures are given in Note 8. Management's associated accounting policies are detailed in Note 1. The Audit Committees' consideration of the matter is set out in the Board Audit Committee Report.

**The appropriateness of assumptions used to measure defined benefit pension obligations**

The Society operates a defined benefit pension scheme for retirement benefits of former members of staff. The present value of the scheme was in a deficit position of £1,994,000 at 31 December 2025 (2024: deficit of £2,364,000). This is made up of assets carried at fair value of £20,596,000 (2024: £20,643,000) and obligations of £22,590,000 (2024: £23,007,000).

The present value of the scheme obligation is materially sensitive to a number of actuarial assumptions, principally the discount rate. Changes in this assumption can have a significant impact on the valuation of scheme obligations. Management performs a review of the valuation methodology for accounting purposes each year using third party actuaries. The assumptions are updated to reflect changing market practice and management's future outlook.

We focussed on the discount rate because of the inherently judgemental nature of setting assumptions relevant to the valuation of scheme obligations.

The Society's disclosures are given in Note 24. Management's associated accounting policies are disclosed in Note 1. The Audit Committees' consideration of the matter is set out in the Board Audit Committee Report.

We performed sample testing to obtain evidence over the complete identification of customer accounts that may have suffered an impairment event.

We performed sample testing to obtain evidence over the valuation of mortgage collateral and customer account repayment history to assess whether there is any evidence of understatement of loss reserves. We also evaluated management's internal credit risk management information to challenge whether there are any cohorts of customers being monitored that are not adequately being captured by loan loss reserves.

We evaluated the adequacy of the disclosure of estimation uncertainty relating to impairment of loans and advances to customers.

We evaluated the design and implementation of controls relating to management's process for accounting for the defined benefit pension scheme.

We independently assessed, using our actuarial experts, the discount rate and other demographic and financial assumptions and compared them to external market rates at 31 December 2025 for schemes of a similar duration and to management's estimates derived by their experts.

We confirmed our understanding of the Society's third-party actuary's methodology used in determining the valuation of the defined benefit pension obligation.

We considered the independence, objectivity and competence of the third-party actuarial experts engaged by management to perform their valuation.

We engaged our actuarial experts to evaluate the judgements and estimates made by management in determining the key financial and demographic assumptions used in calculating the defined benefit obligation.

We reviewed the Society's third-party actuarial report and obtained an understanding of how key assumptions are set and the methodologies adopted in calculating the defined benefit obligation. We assessed the reasonableness of the assumptions and methodologies adopted using our knowledge of current market practice, our own developed benchmarks and external market data.

We evaluated the disclosures made in the annual accounts, including the disclosures of actuarial assumptions used and found them to be appropriate.

**How we tailored the audit scope**

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the annual accounts as a whole, taking into account the structure of the society, the accounting processes and controls, and the industry in which it operates.

All the Society's activities take place in the United Kingdom. The principal activity of the Society is the provision of savings products to individuals to fund secured mortgage lending on residential property to support home ownership. All of the Society's mortgage book is secured on UK residential owner-occupied and buy-to-let property. Audit procedures were

performed over all material account balances and financial information of the Society by an audit team from Manchester. The audit procedures performed provided us with sufficient audit evidence as a basis for our opinion on the annual accounts as a whole.

### *The impact of climate risk on our audit*

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Society's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Society's financial statements.

### *Materiality*

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

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

<b>Overall materiality</b>	£840,000 (2024: £770,000).
<b>How we determined it</b>	1% of total reserves attributable to members of the Society
<b>Rationale for benchmark applied</b>	The Society's principal activity is to provide residential mortgage loans financed by retail savings products. The strategy is not one purely of profit maximisation but to provide a secure place for customer savings in a mutual environment. The soundness of the Society is based on its regulatory capital, which is closely aligned to total reserves attributable to members of the Society (accounting net assets).

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £630,000 (2024: £577,500) for the society annual accounts.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £84,000 (2024: £38,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### **Conclusions relating to going concern**

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

- A risk assessment to identify critical factors that could impact the going concern basis of preparation, including the current and forecast financial performance and regulatory metrics. As part of our risk assessment, we reviewed and considered the Society's strategic plan, ICAAP and ILAAP, regulatory correspondence and management reports provided to key governance forums.
- Evaluating the reasonableness of the Society's strategic plan, including evaluating the reasonableness of key scenarios and performing sensitivity analysis using our understanding of the Society and its financial performance obtained during the course of our audit. We also considered management's ability to accurately forecast financial performance by comparing past forecasts to actual results;
- Critically evaluating the directors' conclusions in their own going concern assessment. This included the impact of stress testing results. We considered whether the Society would continue to operate above required regulatory capital and liquidity minima during times of stress; and
- Evaluating management's disclosures in the Annual Report and checking the consistency of the disclosures with our knowledge of the Society based on our audit.

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the society's ability to continue as a going concern.

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

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the annual accounts and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Annual Business Statement and Directors' Report we also considered whether the disclosures required by the Building Societies Act 1986 have been included.

Based on our work undertaken in the course of the audit, the Building Societies Act 1986 requires us also to report certain opinions and matters as described below.

### *Annual Business Statement and Directors' Report*

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

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the Directors' Report for the year ended 31 December 2025 is consistent with the accounting records and the annual accounts; 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 light of the knowledge and understanding of the society and its environment obtained in the course of the audit, we did not identify any material misstatements in the Annual Business Statement and the Directors' Report.

### **Responsibilities for the annual accounts and the audit**

#### *Responsibilities of the directors for the annual accounts*

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

#### *Auditors' responsibilities for the audit of the annual accounts*

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the annual accounts is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the society's members as a body in accordance with Section 78 of the Building Societies Act 1986 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Building Societies Act 1986 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

### Appointment

We were first appointed by the society for the financial year ended 31 December 2023. Our uninterrupted engagement covers 3 financial years, covering the years ended 31 December 2023 to 31 December 2025.



David Ashworth (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
26 February 2026

## Income Statement for the year ended 31 December 2025

Notes	2025 £000's	2024 £000's	
Interest receivable and similar income	2	66,079	68,860
Interest payable and similar charges	3	(43,690)	(48,488)
Net interest receivable		22,389	20,372
Income from Investments	4	-	48
Fees and commissions receivable	5	356	319
Fees and commissions payable		(601)	(393)
Net (loss) from derivative financial instruments	6	(2,130)	(404)
Total net income		20,014	19,942
Administrative expenses	7	(16,676)	(14,755)
Depreciation and amortisation	15	(1,240)	(1,120)
Operating profit before impairment and other provisions		2,098	4,067
Net finance change on pension scheme	24	(114)	(114)
Impairment charge on loans and advances to customers	8	(164)	(67)
Profit on Sale of fixed assets	15	119	-
Profit before tax		1,939	3,886
Taxation on profit	9	(504)	(909)
<b>Profit for the financial year</b>	<b>26</b>	<b>1,435</b>	<b>2,977</b>

The notes on pages 52 to 87 form part of these accounts.

Statement of Comprehensive Income for the year ended 31 December 2025

Notes	2025 £000's	2024 £000's
<b>Profit for the financial year</b>	1,435	2,977
<b>Items that will not be reclassified to the Income Statement</b>		
Actuarial (loss)/gain recognised in pension scheme	24 (16)	21
Taxation on items that will not be reclassified to the Income Statement	21 4	(5)
<b>Items that may subsequently be reclassified to the Income Statement</b>		
Available for sale reserve	28 196	(158)
Tax on revaluation reserve from changes in land and buildings	27 (3)	5
<b>Other comprehensive income/(expense) for the year net of income tax</b>	181	(137)
<b>Total comprehensive income for the financial year</b>	<b>1,616</b>	<b>2,840</b>

The notes on pages 52 to 87 form part of these accounts.

Statement of Financial Position as at 31 December 2025

Notes	2025 £000's	2024 £000's
<b>ASSETS</b>		
Liquid assets:		
Cash in hand and balances with the Bank of England	10 118,516	113,668
Loans and advances to credit institutions	11 4,310	9,876
Debt securities	12 116,683	125,943
	239,509	249,487
Derivative financial instruments	13 4,743	14,462
Loans and advances to customers	14 1,200,130	1,092,308
Tangible fixed assets	15 3,125	3,593
Intangible fixed assets	15 2,346	2,175
Other assets	16 307	225
Prepayments and accrued income	17 1,042	883
Accrued Interest on Derivatives	600	1,545
<b>Total assets</b>	<b>1,451,802</b>	<b>1,364,678</b>
<b>LIABILITIES</b>		
Shares	18 1,332,284	1,183,502
Amounts owed to credit institutions	19 10,700	76,280
Amounts owed to other customers	20 15,465	16,494
Derivative financial instruments	13 5,701	2,018
Other liabilities	21 444	597
Other liabilities - deferred taxation	21 169	120
Accruals and deferred income	22 986	778
Accrued Interest on Derivatives	10	92
Retirement benefit obligations	24 1,994	2,364
<b>Total liabilities</b>	<b>1,367,753</b>	<b>1,282,245</b>
<b>RESERVES</b>		
General reserve	26 82,879	81,456
Revaluation reserve	27 994	997
Available for sale reserve	28 176	(20)
Total reserves attributable to members of the Society	84,049	82,433
<b>Total reserves and liabilities</b>	<b>1,451,802</b>	<b>1,364,678</b>

The notes on pages 52 to 87 form part of these accounts.

The financial statements on pages 47 to 92 were approved by the Board of Directors on 26 February 2026 and were signed on its behalf by:



John Gibson  
Chair



Andrew Deeks  
Chief Executive



Steven Clarke  
Chief Financial Officer

**Statement of Changes in Members' Interest for the ending 31 December 2025**

		General reserve	Revaluation reserve	Available for sale reserve	Total reserves attributable to members of the Society
		£000's	£000's	£000's	£000's
<b>Society for year ending 31 December 2025</b>	Notes				
<b>Balance as at 1 January 2025</b>		81,456	997	(20)	82,433
Profit for the financial year		1,435	-	-	1,435
<b>Other comprehensive (expense)/income for the year (net of tax)</b>					
Re-measurement of defined benefit scheme obligations		(12)	-	-	(12)
Net gain from changes in financial assets		-	-	196	196
Net loss from changes in tax on land and building		-	(3)	-	(3)
Total comprehensive income for the year		1,423	(3)	196	1,616
<b>Balance as at 31 December 2025</b>	26,27,28	82,879	994	176	84,049
<b>Society for year ending 31 December 2024</b>	Notes				
<b>Balance at 1 January 2024</b>		78,463	992	138	79,593
Profit for the financial year		2,977	-	-	2,977
<b>Other comprehensive (income)/expense for the year (net of tax)</b>					
Re-measurement of defined benefit scheme obligations		16	-	-	16
Net loss from changes in financial assets		-	-	(158)	(158)
Net gain from changes in tax on land and buildings		-	5	-	5
Total comprehensive income for the year		2,993	5	(158)	2,840
<b>Balance as at 31 December 2024</b>	26,27,28	81,456	997	(20)	82,433

**Statement of Cash Flows  
For the year ended 31 December 2025**

	Notes	2025 £000's	2024* £000's
<b>Cash flows from operating activities</b>			
Profit before tax		1,939	3,886
Depreciation and amortisation		1,240	1,120
Decrease in fair value of derivative financial instruments and hedged items		2,129	404
Increase in effective interest rate adjustment		(314)	(115)
Increase in impairment on loans and advances		164	67
Amounts recovered in respect of loans previously written off		1	1
(Profit)/Loss on sale of tangible fixed assets		(119)	1
Non-cash pension charges		114	114
<b>Total cash flow from operating activities</b>		<b>5,154</b>	<b>5,478</b>
<b>Changes in operating assets and liabilities</b>			
Increase in loans and advances to customers		(94,761)	(105,393)
Increase/ (Decrease) in accruals and deferred income		126	(48)
Increase in prepayments and accrued income		(1,067)	(3,733)
Decrease in amounts owed to credit institutions and other customers		(68,643)	(48,891)
Increase in wholesale funding		2,034	5,117
(Increase)/Decrease in other assets		(82)	1,317
Increase in other liabilities		15	173
Increase in shares		147,143	95,636
Pension Contributions paid		(500)	(500)
Taxation paid		(622)	(1,068)
<b>Net cash used in operating activities</b>		<b>(11,203)</b>	<b>(51,912)</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		250	1
Tangible fixed asset additions		(235)	(68)
Intangible fixed asset additions		(839)	(618)
Purchase of debt securities		(146,720)	(144,311)
Maturities and disposal of debt securities		158,029	131,755
<b>Net cash generated/ (used in) from investing activities</b>		<b>10,485</b>	<b>(13,241)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(718)</b>	<b>65,153</b>
Cash and cash equivalents at 1 January		123,544	188,697
Cash and cash equivalents at 31 December	25	122,826	123,544
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(718)</b>	<b>65,153</b>

\*Change in presentation of savings portfolio hedging impact on the cash flow statement - see note 1

The notes on pages 52 to 87 form part of these accounts.

## 1. Principal accounting policies

### Basis of preparation

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and with the Building Societies (Accounts and Related Provisions) Regulations 1998. The Society has previously had two subsidiaries Leek United Financial Services (dissolved 26 September 2023) and Leek United Home Loans Limited (dissolved 4 March 2025). As both subsidiaries are now dissolved the accounts are prepared on a non-consolidated basis.

### Basis of accounting

The Society annual accounts have been prepared in accordance with Financial Reporting Standard 102 in conjunction with IAS39 Financial Instruments: Recognition and Measurement and the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended).

The accounts have been prepared on a going concern basis under the historical cost convention with the exception of the following:

- Land and buildings are included at valuation under the transitional rules of FRS 102. They were revalued in 1999 and that revalued amount has remained as cost since then. Depreciation has been calculated accordingly based on this revalued amount.
- Available for sale assets are held at fair value.
- Derivatives and underlying hedged items are held at amortised cost, adjusted for the fair value attributable to the hedged risk.

The accounts are presented in Sterling (£). There are no foreign currency transactions.

The Society have chosen to adopt the recognition and measurement provisions of IAS39 - Financial Instruments: Recognition and Measurement, and disclosure requirements of section 11 and 12 of FRS 102 in respect of Financial Instruments.

### Change in accounting policy

Comparative cash flow information has been restated to reflect an optional reclassification of the movement in the fair value of hedged items for the savings portfolio hedge within operating activities from the 'increase in shares' line item to the 'decrease in fair value of derivative financial instruments and hedged items' line item. As a result, the subtotals "Total cash flow from operating activities" and "Net cash used in operating activities" for the year ended 31 December 2024 have changed by £1,249k. This reclassification has no impact on net movement in cash and cash equivalents.

### Going Concern

The Society conducts Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) reviews to assess, and stress test its capital and liquidity positions respectively, in line with Prudential Regulation Authority (PRA) requirements. These include the need to model the impact on the Society of a range of severe but plausible stresses to residential house prices, unemployment, interest rates and funding outflows. Supported by these reviews, the Directors have prepared forecasts for the foreseeable future, included within the Society's 5-year strategic plan. These forecasts of the Society's profitability, capital, funding and liquidity positions take account of the Society's current position and principal risks as set out in the Risk Management Report, including severe but plausible stress scenarios. These severe but plausible stresses are established and defined in detail during the annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), in line with PRA requirements. Considerations are given to a range of factors, including but not limited to House Price Index (HPI) fluctuations, changes in customer propensity of default, unemployment, interest rate changes and circumstances that may give rise to funding outflows either on an idiosyncratic level or sector wide. Based on these forecasts, the Directors are satisfied that the Society have adequate resources to continue in business for a period of at least twelve months from the date of approval of the accounts. For this reason, the accounts of the Society continue to be prepared on the going concern basis of preparation.

### Interest income and expense

Interest receivable and interest payable, for all interest bearing financial instruments held at amortised cost, are recognised in the Income Statement using the Effective Interest Rate (EIR) method. This method calculates the amortised cost of a financial instrument and allocates the interest income or expense over the expected average life. The EIR method includes all fees received and costs borne by the Society that are an integral part of the yield of the financial instrument. The main impact for the Society relates to mortgages where fees are incorporated in the calculation. Interest income on available-for-sale instruments, derivatives and other financial assets accounted for at fair value is included in interest receivable and similar income.

### Fees and commissions

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.

### Financial assets

#### a) Loans and receivables

Loans and receivables are predominantly mortgage loans to customers and money market advances held for liquidity purposes. They are initially recorded at fair value and subsequently at amortised cost, including any effective interest rate adjustment, less any impairment losses other than where an adjustment is made as part of a fair value hedging arrangement.

#### b) Financial instruments at fair value through profit and loss

The Society uses derivatives only for interest rate risk management purposes. It does not use derivatives for trading purposes. A fair value hedging programme is used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate mortgages.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at their fair value. Fair values of derivative financial instruments are calculated by discounted cash flow models using yield curves that are based on observable market data.

## 1. Principal accounting policies (continued)

All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are recognised immediately in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk within net gain/(losses) from derivative financial instruments.

All derivatives entered into by the Society are for the purposes of providing an economic hedge and form part of a macro-hedging programme. Hedge accounting is an optional treatment but the specific rules and conditions in IAS39 have to be complied with before it can be applied. When transactions meet the criteria specified in IAS39, the Society applies fair value hedge accounting so that changes in the fair value of the underlying asset or liability that are attributable to the hedged risk are recorded in the Income Statement to offset the fair value movement of the related derivative. The Society has classified all of its derivatives as fair value hedges, other than some forward starting swaps that will be treated as unmatched until the hedged mortgages complete. For that period, all fair value changes are recorded in the Income Statement. When fixed rate mortgages are matched with those swaps, the fair value of those mortgages is amortised over the life of the swap. To qualify for hedge accounting at inception, the hedge relationship must be clearly documented. At inception, the derivative must be expected to be highly effective in offsetting the hedged risk and effectiveness must be tested throughout the life of the hedge relationship.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. If the underlying instrument is sold or repaid, the unamortised fair value adjustment is immediately recognised in the Income Statement and, therefore, as a consequence within the statement of changes in members' interests. In some instances, the hedged item may exit the hedge, only to re-enter linked to another hedging instrument. In these scenarios, an inception and termination adjustment are posted to recognise the fair value of those instruments and amortise them over the remaining life of the hedged item. A summary of the effects of hedging and the associated fair value adjustments can be found in notes 13 and 24.

### c) Available for sale assets – debt securities

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 profit or loss.

Further information regarding how fair values are determined can be found in note 23 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.

### d) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the accounts when there is a legally enforceable right to set off the recognised amounts and there is an 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.

### Impairment of loans and advances to customers

Individual assessments are made of all mortgage loans that are three months or greater in arrears, in possession, or where there is specific concern about the realisation of the underlying collateral and where there is objective evidence that all cash flows will not be received. Based upon these assessments, an individual impairment allowance for these assets is made. In addition, a collective impairment allowance is made against those loans and advances to customers where objective evidence, including forbearance measures, indicates that it is likely that losses may ultimately be realised. The impairment allowance is calculated by applying various factors to each loan. These factors take into account the Society's expectation of default and delinquency rate, loss emergence periods, regional house price movements, any discount which may be needed against the value of the property thought necessary to achieve a sale, selling costs and any potential recovery of Mortgage Indemnity Guarantee.

Any increases or decreases in projected impairment provisions are recognised through the Income Statement. If a loan is ultimately uncollectable, then any loss incurred by the Society on extinguishing the debt is written off against the allowance for loan impairment. Any subsequent recoveries of amounts previously written off are recognised through the Income Statement.

### Forbearance strategy

A range of forbearance options are available to support customers who are in financial difficulty, the purpose of which is to support customers who have temporary difficulties. The main options offered are:

- Reduced monthly payment including interest only concession
- An arrangement to clear outstanding arrears
- Payment holiday
- Extension of mortgage term
- Transfer to a new product which could help to reduce monthly payments and, as a last resort
- Capitalisation of arrears

Customers requesting a forbearance option will need to provide information to support the request which is likely to include the completion of an Income and Expenditure Questionnaire, bank statements and payslips in order that the request can be properly assessed. If the forbearance request is granted, the account is monitored in accordance with our policy and procedures.

**1. Principal accounting policies (continued)****Impairment losses on debt securities**

At each statement of financial position date, the Society assesses whether or not there is objective evidence that individual debt instruments are impaired. In determining whether there is any objective evidence of impairment, the Society considers a number of factors including:

- Significant financial difficulties of the issuer or obligor
- Any breach of contract or covenants
- The granting of any concession or rearrangement of terms
- The disappearance of an active market
- Any significant downgrade of ratings of the issuer or obligor
- Any significant reduction in market value of the instrument

In some cases, a significant adverse change in one of the above factors will cause the Society to determine that there is objective evidence of impairment. In other cases, it may not be possible to identify a single event that identifies impairment. The Society may additionally determine that there is impairment where there are a number of factors contributing to that view.

Where the Society determines that there is objective evidence of impairment or that trigger events exist at the statement of financial position date, then, in the case of available for sale instruments, the cumulative loss that had been recognised directly in reserves is removed from reserves and recognised in the Income Statement. In the case of held to maturity instruments, an appropriate charge is made to the Income Statement.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be related to an event occurring after the impairment loss was recognised through the Income Statement, the impairment loss is reversed, with the amount of the reversal recognised through the Income Statement.

**Pension costs**

The Society operates two pension schemes, a defined contribution scheme and a defined benefit scheme. A defined contribution scheme is one into which the Society and the employee pay fixed contributions, without any obligations to pay future contributions. Payments into the defined contribution scheme are charged to the Income Statement as they become payable in accordance with the rules of the scheme. A defined benefit scheme is one that defines the benefit the employee will receive on retirement, depending on factors such as age and length of service.

On 24 April 2013, the Society closed its externally funded final salary (defined benefit) scheme to further accrual. Contributions payable to the scheme are determined by a qualified actuary on the basis of a triennial valuation using the projected unit credit method and are charged to the income statement over the periods benefiting from the employees' services. A full actuarial valuation has been prepared dated 24 April 2024. The valuation stated that the scheme carried a deficit of £2,545k. During 2023, 2024, and 2025 the Society has made additional monthly payments to reduce the deficit. These deficit reduction payments will continue in 2026. The charge to the income statement over the financial year in relation to the defined benefit scheme is shown in note 24.

The pension scheme deficit on the scheme at 31 December 2025 has been recognised as a liability on the statement of financial position (2024: liability and recognised as a liability).

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality sterling bonds of comparable term to the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited each year to the Statement of Other Comprehensive Income. Past and current service costs are recognised immediately in administrative expenses.

Net interest income, comprising expected interest income on scheme assets less interest costs on scheme liabilities, is calculated by applying the discount rate to the net balance of the fair value of scheme assets less the defined benefit obligation. This result is recognised in the Income Statement as the net finance credit on pension scheme.

**1. Principal accounting policies (continued)****Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and other eligible bills and loans and advances to credit institutions.

**Taxation**

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised providing for temporary differences between the carrying amount of certain assets and liabilities for accounting purposes and for taxation purposes. Deferred tax is provided using tax rates enacted or substantively enacted at the statement of financial position date, depending on the date at which they are expected to reverse. Deferred tax has been recognised in respect of all timing differences at the reporting date.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation with the exception of freehold land and buildings which are stated at their previously revalued amount. Freehold buildings are depreciated on a straight-line basis over 50 years. Freehold land is not depreciated. Equipment and fixtures and fittings are depreciated on a straight-line basis over their estimated useful lives of between three and fifteen years.

**Intangible fixed assets and amortisation**

The costs of computer software acquired where the Society will derive future economic benefit are capitalised at the acquisition date. Amortisation is charged to the Income Statement on a straight line basis over the estimated useful life of the intangible asset. Current capitalised intangible assets are amortised over four or five years dependent upon the nature of the asset, as an approximation of its useful economic life.

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 regular impairment reviews in accordance with section 27 of FRS 102.

**Research and development**

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

**Assets under construction**

Assets under construction represent expenditure on development activities where the product or process is technically and commercially feasible. The asset is capitalised where the directly associated external and internal costs of developing the asset are identifiable and where it is expected that it will yield future economic benefits. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired. Assets under construction are not amortised until the date they are available for use.

**Provisions for liabilities and charges**

A provision is recognised in the balance sheet if the Society has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

**Critical accounting judgements and estimates**

In preparing these financial statements, the directors are required to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities. These judgements and estimates are based on historical experience and other relevant factors, including expectations of future events that are considered reasonable in the circumstances. Actual results may differ from these estimates. The key areas involving significant judgement or estimation are set out below.

**a) Impairment losses on loans and advances**

The Society reviews its mortgage portfolio to assess impairment on a regular basis, in determining whether an impairment loss should be recorded in the Income Statement. In undertaking this review, management makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows on an individual loan basis. This evidence includes observable data indicating that there has been an adverse change in the payment's status or borrower's local economic conditions, including forbearance measures such as a transfer to interest only products and term extensions that correlate with defaults on assets in the Society.

Management also assesses the loss on loans and advances as a result of the expected movement in house prices and the forced sale discount on properties in possession as well as the likely time taken to recover a loan. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimise any differences between loss estimates and actual loss experience.

The principal estimates are the likelihood that a loan will become impaired/default, known as the Probability of Default (PD) and, on these cases, how much will be lost, known as Loss Given Default (LGD). This is principally driven by house prices at the point of realisation of collateral. The impact of a 1% increase in PD would increase the collective provision at 31 December 2025 by £868k (2024: £678k). The impact of a 5% increase in the forced sale discount affecting the LGD would increase the collective provision at 31 December 2025 by £280k (2024: £261k).

**1. Principal accounting policies (continued)****b) Employee benefits and recognition of pension deficit**

The Society operates a defined benefit pension scheme and has an obligation to pay pension benefits to certain employees including directors. Judgement is exercised in estimating the value of the assets and liabilities of the scheme, and hence its net surplus or deficit. The Society have estimated the assumptions, set out in note 24, after taking advice from qualified independent actuaries. Sensitivities relating to the key estimates are set out below:

Assumption	Sensitivity (increase)	Impact on liabilities
Discount rate	0.50%	c. £1.3m reduction
Inflation (RPI/CPI) <sup>(1)</sup>	0.50%	c. £0.4m increase
Mortality <sup>(2)</sup>	0.25%	c. £0.1m increase

(1) The Inflation sensitivity sets out the impact on inflation linked liabilities only.

(2) The mortality sensitivity considers the impact of an increase in the long-term trend rate to 1.25% p.a. from 1.00% p.a.

**Adoption of Amendments to FRS 102**

In September 2024 the Financial Reporting Council announced forthcoming amendments to FRS 102, incorporating principles from IFRS 15 Revenue from Contracts with Customers, and IFRS 16 Leases. These amendments are expected to be effective for accounting periods beginning on or after 1 January 2026, with early adoption permitted.

Revenue recognition: The amendments introduce a five-step model for recognition of revenue, focusing on performance obligations and transfer of control. This replaces the existing revenue recognition criteria under FRS 102 section 23.

Lease Accounting: The amendments significantly change lessee accounting, requiring most leases to be recognised on the balance sheet as a right-of-use asset and a corresponding lease liability, replacing the current distinction between operating and finance leases.

The Society has undertaken a detailed assessment of the impact of these amendments on its financial statements. It is expected that the impact of changes to revenue recognition are likely to be limited due to the Society's business model, however changes to lease accounting may give rise to additional assets and liabilities being recognised in future accounting periods.

**Post Balance Sheet Events**

There are no material events occurring after the reporting period end that require disclosure in the financial statements.

**2. Interest receivable and similar income**

	2025 £000's	2024 £000's
On loans fully secured on residential property	45,968	39,099
On other loans	1	1
On debt securities - interest and other income	6,308	6,003
On other liquid assets - interest and other income	4,894	8,393
Net interest income on derivative financial instruments	8,908	15,364
	<b>66,079</b>	<b>68,860</b>

**3. Interest payable and similar charges**

	2025 £000's	2024 £000's
On shares held by individuals	41,239	41,799
On deposits and other borrowings	2,241	5,570
Net interest expense on derivative financial instruments	210	1,119
	<b>43,690</b>	<b>48,488</b>

**4. Income from Investment**

	2025 £000's	2024 £000's
Dividends Received	-	48
	<b>-</b>	<b>48</b>

**5. Fees and commissions receivable**

	2025 £000's	2024 £000's
Insurance commission	146	224
Other fees	210	95
	<b>356</b>	<b>319</b>

**6. Net loss from derivative financial instruments**

	2025 £000's	2024 £000's
Losses on hedging instruments	(12,674)	(4,474)
Gains on hedged items attributable to the hedged risk	11,272	3,655
<b>Net matched position</b>	<b>(1,402)</b>	<b>(819)</b>
(Losses)/gains on derivatives not in designated fair value Relationships	(728)	415
<b>Total net loss on derivatives</b>	<b>(2,130)</b>	<b>(404)</b>

The net Fair Value loss from matched derivative financial instruments of £1,402k (2024: loss of £819k) represents the net fair value movement on derivative instruments that are matching risk exposure on an economic basis at the balance sheet date, offset by the net fair value movement on the hedged item (fixed rate mortgages and savings). The loss this year is attributable to the exposure of these swaps to the volatile interest rate environment during the year in the period after being transacted but before being matched in a hedge relationship. The Society adopts macro fair value hedge accounting for its fixed rate mortgages and savings products. Where the relationship between the hedging instruments (derivatives) held does not perfectly match the interest rate risk in the underlying mortgage and savings products issued by the Society this gives rise to hedge ineffectiveness.

Hedge accounting has not been achieved yet on certain derivatives, given they are unmatched as at the balance sheet date, resulting in a net fair value loss of £728k (2024: fair value gain of £415k). This reflects timing differences between the execution of the derivatives and the completion of the associated hedged item, or where the hedge has become ineffective due to the early redemption of the hedged item.

	2025 £000's	2024 £000's
<b>7. Administrative expenses</b>		
Staff costs (including Executive Directors):		
Wages and salaries	8,133	7,078
Social security costs	979	748
Other pension costs	590	571
	<b>9,702</b>	<b>8,397</b>
Other expenses:		
<b>Remuneration of auditors (excluding VAT)</b>		
Audit of Society accounts	340	403
Other services – audit related assurance services	5	7
Other services – other assurance services	-	-
<b>Total auditors' remuneration</b>	<b>345</b>	<b>410</b>
Other administrative expenses	6,629	5,948
<b>Total administrative expenses</b>	<b>16,676</b>	<b>14,755</b>

The average number of persons (including Executive Directors) employed during the year was:

	2025 £000's	2024 £000's
(i) At principal office:		
Full-time staff	116	103
Part-time staff	38	36
(ii) At branch offices:		
Full-time staff	32	30
Part-time staff	35	36
<b>Total staff</b>	<b>221</b>	<b>205</b>
(iii) Total full-time equivalents	198	182

#### Directors' loans and transactions

A register of loans and transactions with Directors and connected persons is maintained and is available for inspection by members at the Society's principal office up to and including 22nd April 2026 and at the Annual General Meeting. There are no loans outstanding at 31 December 2025 (2024: no loans). As at 31 December 2025 a total of £16,838 (2024: £239,452) was held in Society savings by the Directors.

The analysis of Directors' remuneration can be found in the Directors' Remuneration Report.

#### 8. Impairment charge on loans and advances to customers

##### Loans fully secured on residential property

	Individual Impairment £000's	Collective Impairment £000's	Total £000's
At 1 January 2025	178	395	573
Amounts utilised in the year	-	-	-
(Release)/charge in the year	(14)	178	165
At 31 December 2025	<b>164</b>	<b>573</b>	<b>738</b>

##### Loans fully secured on residential property

	Individual Impairment £000's	Collective Impairment £000's	Total £000's
At 1 January 2024	17	488	505
Amounts utilised in the year	-	-	-
Charge/(release) in the year	161	(93)	68
At 31 December 2024	<b>178</b>	<b>395</b>	<b>573</b>

The change in the Income Statement is as follows:

	2025 £000's	2024 £000's
Change in loan impairment allowance	165	68
Amounts recovered in respect of loans previously written off	(1)	(1)
Amounts written off during the year	-	-
Charge to the income statement	<b>164</b>	<b>67</b>

The impairment allowance as at 31 December 2025 and 2024 has been deducted from loans fully secured on residential property in the Statement of Financial Position. No impairment allowance is held for loans fully secured on land.

Notes to the Accounts for the year ended 31 December 2025 (continued)

	2025 £000's	2024 £000's
<b>9. Taxation on profit</b>		
(a) UK corporation tax at 25% (2024: 25%): Current tax	454	758
UK deferred tax at 25% (2024: 25%):	50	151
Deferred tax – current year (see note 16 and 21)		
<b>Total</b>	<b>504</b>	<b>909</b>

The tax assessed for the year is higher (2024: lower) than the standard rate of corporation tax in the UK of 25% (2024: 25%). The differences are explained below.

	2025 £000's	2024 £000's
(b) Factors affecting current tax charge in year:	1,939	3,886
Profit before tax		
Tax on profit before tax at UK standard rate of 25% (2024: 25%)	485	971
Expenses not deductible for tax purposes	2	2
Adjustment in respect of prior year	(44)	(145)
Group relief claimed	-	(12)
Fixed asset timing difference	61	93
Chargeable gains	3	(4)
Deferred tax not recognised	(3)	4
<b>Total tax charge</b>	<b>504</b>	<b>909</b>

**10. Cash in hand and balances with the Bank of England**

Note	2025 £000's	2024 £000's
Cash in hand	759	625
Balances at the Bank of England	117,757	113,043
Included in cash and cash equivalents	<b>25</b>	<b>113,668</b>

**11. Loans and advances to credit institutions**

	2025 £000's	2024 £000's
Maturity analysis:	4,310	9,876
Repayable on demand		
	<b>4,310</b>	<b>9,876</b>

Notes to the Accounts for the year ended 31 December 2025 (continued)

	2025 £000's	2024 £000's
<b>12. Debt securities</b>		
Available for sale securities:		
Issued by UK Government	45,929	49,749
Issued by other borrowers – listed	70,754	55,409
Issued by other borrowers – unlisted	-	20,785
	<b>116,683</b>	<b>125,943</b>
Available for sale securities:		
Maturity analysis:		
In not more than one year	61,090	110,893
In more than one year	55,593	15,050
	<b>116,683</b>	<b>125,943</b>

The Directors of the Society consider that the primary purpose of holding securities is prudential. The securities held as liquid assets are held with the intention of use on a continuing basis in the Society's activities. Movements in debt securities during the year may be analysed as follows:

	2025 £000's	2024 £000's
At 1 January	125,943	109,458
Additions	146,720	144,311
Maturities and disposals	(158,029)	(131,755)
Movement in premium and accrued interest	1,853	4,087
Gains/(Loss) in fair value recognised in Other Comprehensive Income	196	(158)
At 31 December	<b>116,683</b>	<b>125,943</b>

Additions and disposals include premium and accrued interest on acquisition/sale, therefore the movement in premium and accrued interest in the table above reflects movements on assets held during the year.

## 13. Derivative financial instruments

Society At 31 December 2025	Contract Notional Amount £000's	Fair Value Assets £000's	Fair Value Liabilities £000's	Fair Value Net (Liability)/ Asset £000's
Unmatched derivatives - interest rate swaps	272,251	82	(605)	(523)
Derivatives designated in fair value hedges - interest rate swaps	1,161,338	4,661	(5,096)	(435)
<b>Total recognised derivative assets/(liabilities)</b>	<b>1,433,589</b>	<b>4,743</b>	<b>(5,701)</b>	<b>(958)</b>
<b>At 31 December 2024</b>				
Unmatched derivatives - interest rate swaps	123,900	338	(133)	205
Derivatives designated in fair value hedges - interest rate swaps	873,255	14,124	(1,885)	12,239
<b>Total recognised derivative assets/(liabilities)</b>	<b>997,155</b>	<b>14,462</b>	<b>(2,018)</b>	<b>12,444</b>

Unmatched derivatives relate to swaps which have not been matched against mortgages or savings bonds for hedge accounting purposes as at the relevant balance sheet date. This reflects timing differences between the swaps being transacted and the associated mortgages or savings bonds completing, or in some cases where the swap has become ineffective due to the early redemption of associated mortgages.

## 14. Loans and advances to customers

	2025 £000's	2024 £000's
Loans and advances to customers comprise:		
Loans fully secured on residential property	1,197,081	1,102,169
Loans fully secured on land	45	47
Fair value adjustment for hedged risk	3,004	(9,908)
	<b>1,200,130</b>	<b>1,092,308</b>

Loans and advances to customers are held at amortised cost (with the exception of loans in a hedged relationship described below), with interest and associated costs being recognised in the interest receivable and similar income line of the Income Statement on an effective interest rate basis.

Fair value hedging adjustments of £3,004k (2024: (£9,908k)) have been made to certain fixed rate mortgages that are in fair value hedging relationships.

The contractual repayment profile of loans fully secured on residential property, loans fully secured on land and unsecured loans from the balance sheet date is as follows:

14. Loans and advances to customers (continued)	2025 £000's	2024 £000's
Repayable on demand	526	2,427
In not more than three months	8,182	7,530
In more than three months but not more than one year	26,846	25,220
In more than one year but not more than five years	160,628	158,239
In more than five years	1,000,054	908,060
	<b>1,196,236</b>	<b>1,101,476</b>
Loan impairment allowance	(738)	(573)
Fair value adjustment for hedged risk	3,004	(9,908)
Effective interest rate adjustment	1,628	1,313
	<b>1,200,130</b>	<b>1,092,308</b>

It should be noted that the above maturity analysis may not reflect actual experience of repayments since many mortgage loans are repaid early.

## 15. Fixed assets

Tangible Fixed Assets	Freehold land and buildings £000's	Equipment, fixtures and fittings £000's	Assets under Construction £000's	Totals £000's
<b>Cost</b>				
At 1 January 2025	2,547	4,039	-	6,586
Additions	-	178	152	330
Transfer	-	-	(95)	(95)
Disposals	(219)	(1)	-	(220)
At 31 December 2025	2,328	4,216	57	6,601
<b>Accumulated depreciation</b>				
At 1 January 2025	941	2,052	-	2,993
Charge for the year	35	537	-	572
Disposals	(89)	-	-	(89)
At 31 December 2025	887	2,589	-	3,476
<b>Net book value</b>				
At 31 December 2025	1,441	1,627	57	3,125
<b>Tangible Fixed Assets</b>	<b>Freehold land and buildings £000's</b>	<b>Equipment, fixtures and fittings £000's</b>	<b>Assets under Construction £000's</b>	<b>Totals £000's</b>
<b>Cost</b>				
At 1 January 2024	2,547	4,001	-	6,548
Additions	-	68	-	68
Transfer	-	-	-	-
Disposals	-	(30)	-	(30)
At 31 December 2024	2,547	4,039	-	6,586
<b>Accumulated depreciation</b>				
At 1 January 2024	902	1,535	-	2,437
Charge for the year	39	546	-	585
Disposals	-	(29)	-	(29)
At 31 December 2024	941	2,052	-	2,993
<b>Net book value</b>				
At 31 December 2024	1,606	1,987	-	3,593

## 15. Fixed assets (continued)

During the year the Society concluded a sale and leaseback agreement on the Derby branch. Cash proceeds of £250k were received on disposal with the book value of the assets being £130k at the date of disposal, resulting in a Profit on sale of fixed asset of £120k.

The net book value of land and buildings occupied by the Society for its own activities is £1,441k (2024: £1,606k). Under FRS 102, the Society elected to maintain the book value of fixed assets at their revalued amount as at 31 December 2000 and have elected to use this revaluation as deemed cost at the date of the original valuation. If land and buildings had not been revalued, they would have been included at the following amount:

	2025 £000's	2024 £000's
Cost	1,470	1,470
Aggregate depreciation based on cost	(567)	(545)
	903	925

## Intangible Fixed Assets

	Computer Software £000's	Assets Under Construction £000's	Totals £000's
<b>Cost</b>			
At 1 January 2025	4,467	149	4,616
Additions	295	839	1,134
Transfer	-	(295)	(295)
Disposals	(76)	-	(76)
At 31 December 2025	4,686	693	5,379
<b>Accumulated amortisation</b>			
At 1 January 2025	2,441	-	2,441
Charge for the year	668	-	668
Disposals	(76)	-	(76)
At 31 December 2025	3,033	-	3,033
<b>Net book value</b>			
At 31 December 2025	1,653	693	2,346

The remaining balance of intangible assets relates the upgrading of the Societies Core Banking Software and an additional phase to the Mortgage Transformation Programme.

## 15. Fixed assets (continued)

Intangible Fixed Assets	Computer Software £000's	Assets Under Construction £000's	Totals £000's
<b>Cost</b>			
At 1 January 2024	3,185	813	3,998
Additions	1,282	618	1,900
Transfer	-	(1,282)	(1,282)
Disposals	-	-	-
At 31 December 2024	<u>4,467</u>	<u>149</u>	<u>4,616</u>
<b>Accumulated amortisation</b>			
At 1 January 2024	1,906	-	1,906
Charge for the year	535	-	535
Disposals	-	-	-
At 31 December 2024	<u>2,441</u>	<u>-</u>	<u>2,441</u>
<b>Net book value</b>			
At 31 December 2024	<u>2,026</u>	<u>149</u>	<u>2,175</u>

## 16. Other assets

	2025 £000's	2024 £000's
Corporation Tax	89	-
Other	218	225
	<u>307</u>	<u>225</u>

## 17. Prepayments and accrued income

	2025 £000's	2024 £000's
Prepayments	1,037	875
Accrued income	5	8
	<u>1,042</u>	<u>883</u>

## 18. Shares

In the ordinary course of business, shares are repayable from the balance sheet date as follows:

	2025 £000's	2024 £000's
Repayable on demand	723,796	719,394
In not more than three months	81,249	91,221
In more than three months but not more than one year	260,590	240,465
In more than one year but no more than five years	264,954	132,366
Fair Value Adjustment for Hedged Risks	1,695	56
	<u>1,332,284</u>	<u>1,183,502</u>

## 19. Amounts owed to credit institutions

In the ordinary course of business, amounts owed to credit institutions are repayable from the balance sheet date as follows:

	2025 £000's	2024 £000's
Repayable in less than one year	10,700	76,280
	<u>10,700</u>	<u>76,280</u>

Of Amounts payable in less than one year £643k (2024: £14,439k) relate to amounts received as collateral with counterparties in respect of derivative contracts, £5,039k relates to funding from the Bank of England (2024: £61,841k) and the remaining balance of £5,018k is wholesale funding from credit institutions (2024: Nil).

## 20. Amounts owed to other customers

In the ordinary course of business, amounts owed to other customers are repayable from the balance sheet date as follows:

	2025 £000's	2024 £000's
Repayable on demand - Corporate Deposits	8,314	11,377
Repayable within 1 year - Wholesale Funding	7,151	5,117
	<u>15,465</u>	<u>16,494</u>

**21. Other liabilities**

Amounts falling due within one year:

	2025 £000's	2024 £000's
Corporation tax	-	79
Other taxation and social security costs	226	188
Other creditors	218	330
	<b>444</b>	<b>597</b>

**Deferred Tax Liability**The elements of deferred taxation are as follows:  
Difference between accumulated depreciation and Capital allowances

	2025 £000's	2024 £000's
Difference between accumulated depreciation and Capital allowances	548	595
Capital gains on revalued land and building	119	117
Other timing differences	(498)	(592)
	<b>169</b>	<b>120</b>

Deferred taxation asset balance at 1 January

Deferred tax charge

Items in relation to the Statement of Comprehensive Income:

Movements in relation to pension scheme

Movements in relation to revalued land and buildings

At 31 December

**22. Accruals and deferred income**

	2025 £000's	2024 £000's
Accruals	986	772
Deferred income	-	6
	<b>986</b>	<b>778</b>

**23. Financial instruments**

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability of another entity. The Society is a retailer of financial instruments in the form of mortgage and savings products and also uses wholesale financial instruments to invest in liquid asset balances, raise wholesale funding and manage the risks arising from its operations. The Society has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Board, which is charged with the responsibility for managing and controlling the balance sheet exposures and the use of financial instruments for risk management purposes. The Board Risk Committee (BRC) is supported by the All Risks Committee (ARC), Credit Risk Forum (CRF) and the Asset and Liability Committee (ALCO). ARC's main responsibility is to assess the management of operational and conduct risk together with legal and regulatory risk across the Society. Responsibilities of the ARC also include ensuring the detailed application of the Risk Management Framework and the development of key risk policies and indicators.

The CRF exists to oversee and ensure effective credit risk management of the mortgage portfolio, to challenge relevant management information and other credit risk related matters and ensure that the level of risk within the portfolio is within the agreed risk appetite measures.

ALCO supervises the Society's treasury and financial risk management activities and advises and supports the Chief Financial Officer in carrying out his responsibilities, including the identification, management and control of the balance sheet risks and the overview and monitoring of relevant risk control frameworks. Management of market, liquidity and funding, strategic and capital risk and wholesale credit risk has been delegated to the ALCO.

Instruments used for risk management purposes include derivative financial instruments, which are contracts or agreements whose value is derived from one or more underlying price, rate or indexes inherent in the contract or agreement, such as interest rates. Derivatives are only used by the Society in accordance with the Building Societies Act 1986 (as amended by the Building Societies Acts 1997 and 2005), to reduce the risk of loss arising from changes in interest rates or other factors specified in the legislation. The Society does not trade in derivatives or use them for speculative purposes.

**Type of derivatives**

The principal derivatives used in balance sheet risk management are interest rate swaps which are used to hedge Society balance sheet exposures arising from fixed rate mortgage lending and savings products. 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 swap is generally short to medium term (1 to 5 year) and their maturity profile reflects the nature of the exposures arising from the underlying business activities.

The following table describes the significant activities undertaken by the Society, the related risks associated with such activities and the types of derivatives which are typically used in managing such risks. The Society applies fair value macro-hedging techniques to these (as set out in note 1). The fair value of these hedges as at 31 December 2025 is shown in note 12.

Activity	Risk	Type of hedge
Fixed rate savings products	Sensitivity to falls in interest rates	Receive fixed interest rate swaps
Fixed rate mortgage products	Sensitivity to increases in interest rates	Pay fixed interest rate swaps

## 23. Financial instruments (continued)

The following table sets out a summary of the terms and conditions and accounting policies of financial instruments:

Financial Instrument	Terms and Conditions	Accounting Policy
Loans and advances to credit institutions	Variable interest rates Short to medium term maturity	Loans and receivables at amortised cost Accounted for at settlement date
Debt securities	Fixed or variable interest rates Fixed term Short to medium term maturity	Available for sale at fair value through Other Comprehensive Income Accounted for at settlement date
Loans and advances to customers	Secured on residential property or land Standard contractual term between 5 and 40 years Fixed or variable interest rate	Loans and receivables at amortised cost if not in a hedged relationship Loans and advances held at amortised cost, adjusted for the fair value attributable to the hedged risk, where in a hedged relationship Accounted for at settlement date
Shares	Fixed or variable term Fixed or variable interest rates Short to medium term maturity	Financial liabilities at amortised cost Financial liabilities held at fair value where in a hedged relationship Accounted for at settlement date
Amounts owed to credit institutions	Fixed or variable interest rates Short to medium term maturity	Financial liabilities at amortised cost Accounted for at settlement date
Amounts owed to other customers	Variable interest rates Short to medium term maturity	Financial liabilities at amortised cost Accounted for at settlement date
Derivative financial instruments	Fixed interest paid converted to variable interest received Fixed interest received converted to variable interest paid Based on notional value of derivative	Fair value through profit and loss Accounted for at trade date

## 23. Financial instruments (continued)

Financial assets and liabilities are measured on an ongoing basis either at fair value or amortised cost. Note 1 describes how the classes of financial instruments are measured, and how income and expenses, including fair values and gains and losses, are recognised. The tables which follow analyse the Society's assets and liabilities by accounting classification.

Carrying values as at 31 December 2025	Loans and receivables	Financial assets and liabilities at amortised cost	Available for sale	Derivatives designated as fair value hedges	Unmatched derivatives at fair value	Total
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Financial assets</b>						
Cash in hand and balances with the Bank of England	-	118,516	-	-	-	118,516
Loans and advances to credit institutions	4,310	-	-	-	-	4,310
Debt securities	-	-	116,683	-	-	116,683
Derivative financial instruments	-	-	-	4,661	82	4,743
Loans and advances to customers	1,197,126	3,004	-	-	-	1,200,130
<b>Total financial assets</b>	<b>1,201,436</b>	<b>121,520</b>	<b>116,683</b>	<b>4,661</b>	<b>82</b>	<b>1,444,382</b>
Total non-financial assets						7,420
<b>Total Society assets</b>						<b>1,451,802</b>
<b>Financial liabilities</b>						
Shares	-	1,332,284	-	-	-	1,332,284
Amounts owed to credit institutions	-	10,700	-	-	-	10,700
Amounts owed to other customers	-	15,465	-	-	-	15,465
Derivative financial instruments	-	-	-	5,096	605	5,701
<b>Total financial liabilities</b>	<b>-</b>	<b>1,358,449</b>	<b>-</b>	<b>5,096</b>	<b>605</b>	<b>1,364,150</b>
Total non-financial liabilities						3,603
General and other reserves						84,049
<b>Total Society reserves and liabilities</b>						<b>1,451,802</b>

## 23. Financial instruments (continued)

Carrying values as at 31 December 2024	Loans and receivables	Financial assets and liabilities at amortised cost	Available for sale	Derivatives designated as fair value hedges	Unmatched derivatives	Total
	£000's	£000's	£000's	£000's	£000's	£000's
<b>Financial assets</b>						
Cash in hand and balances with the Bank of England	-	113,668	-	-	-	113,668
Loans and advances to credit institutions	9,876	-	-	-	-	9,876
Debt securities	-	-	125,943	-	-	125,943
Derivative financial instruments	-	-	-	14,124	338	14,462
Loans and advances to customers	1,102,216	(9,908)	-	-	-	1,092,308
<b>Total financial assets</b>	<b>1,112,092</b>	<b>103,760</b>	<b>125,943</b>	<b>14,124</b>	<b>338</b>	<b>1,356,257</b>
Total non-financial assets						8,421
						<b>1,364,678</b>
<b>Total Society assets</b>						
<b>Financial liabilities</b>						
Shares	-	1,183,502	-	-	-	1,183,502
Amounts owed to credit institutions	-	76,280	-	-	-	76,280
Amounts owed to other customers	-	16,494	-	-	-	16,494
Derivative financial instruments	-	-	-	1,885	133	2,018
	-	<b>1,276,276</b>	-	<b>1,885</b>	<b>133</b>	<b>1,278,294</b>
<b>Total financial liabilities</b>						
Total non-financial liabilities						3,951
General and other reserves						82,433
<b>Total Society reserves and liabilities</b>						<b>1,364,678</b>

## 23. Financial instruments (continued)

Fair value of financial instrument assets and liabilities carried at fair value

The table below summarises the fair value of the Society's financial assets and liabilities that are accounted for at fair value, analysed by the valuation method used by the Society to derive the financial instrument's fair value:

Notes	Level 1 £000's	Level 2 £000's	Level 3 £000's	Total £000's
<b>As at 31 December 2025</b>				
<b>Financial assets</b>				
Available for sale:				
Debt securities	116,683	-	-	<b>116,683</b>
Derivative financial instruments:				
Interest rate swaps	-	4,743	-	<b>4,743</b>
	<b>116,683</b>	<b>4,743</b>	-	<b>121,426</b>
<b>Financial liabilities</b>				
Derivative financial instruments:				
Interest rate swaps	-	5,701	-	<b>5,701</b>
<b>As at 31 December 2024</b>				
<b>Financial assets</b>				
Available for sale:				
Debt securities	105,158	20,785	-	<b>125,943</b>
Derivative financial instruments:				
Interest rate swaps	-	14,462	-	<b>14,462</b>
	<b>105,158</b>	<b>35,247</b>	-	<b>140,405</b>
<b>Financial liabilities</b>				
Derivative financial instruments:				
Interest rate swaps	-	2,018	-	<b>2,018</b>

## Valuation techniques

The following is a description of the determination of fair value for financial instruments which are accounted for at fair value using valuation techniques.

Level 1 - Quoted Prices (unadjusted) based on independent third party valuations 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.

Level 3 - Inputs for the asset or liability that are not based on observable market data.

**23. Financial instruments (continued)**

The main valuation techniques employed by the Society to determine fair value of the financial instruments disclosed in the previous table are set out below.

**Debt Securities**

Level 1 - Market prices have been used to determine the fair value of the listed debt securities.

Level 2 - Valuation is based on a calculation of expected market value based on interest rates and current available market rates at the date of valuation.

**Derivatives**

Level 2 - Interest rate swaps - the valuation of interest rate swaps is based on the net present value method. The expected interest cash flows are discounted using the forward SONIA curve, depending on the variable rate embedded within the swap. The SONIA curves are generally observable market data which is derived from quoted interest rates in similar time bandings which match the timings of the interest cash flows and maturities of the instruments.

**Credit risk**

Credit risk is the risk that the Society incurs a financial loss arising from the failure of a customer or counterparty. The Society structures 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 risk asset portfolios of high quality. Credit risk in relation to retail customers is governed by limits contained in the Society's Board approved Retail Credit Risk Policy. The Society's treasury policies mean that tight criteria are set over where the Society is prepared to place excess funds. The criteria include long term ratings published by external credit rating agencies, which are an indication of a company's creditworthiness.

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

	2025 £000's	2024 £000's
Cash in hand and balances with the Bank of England	118,516	113,668
Loans and advances to credit institutions	4,310	9,876
Debt securities	116,683	125,943
Derivative financial instruments	4,743	14,462
Loans and advances to customers	1,200,130	1,092,308
<b>Total financial exposure<sup>(1)</sup></b>	<b>1,444,382</b>	<b>1,356,257</b>
Off balance sheet exposure - mortgage commitments <sup>(2)</sup>	88,635	60,543
<b>Total</b>	<b>1,533,017</b>	<b>1,416,800</b>

<sup>(1)</sup> All values are stated at balance sheet amounts.

<sup>(2)</sup> This reflects business that has been formally offered but has not yet completed.

**23. Financial instruments (continued)****a) Loans and advances to credit institutions, debt securities and derivative financial instruments**

The ALCO is responsible for approving treasury counterparties for both derivatives and investment purposes. Limits are placed on the amount of risk accepted in relation to one counterparty, or society of counterparties, and to industry sectors. This is monitored daily and reviewed monthly by the ALCO.

The Society's policy only permits lending to UK Central Government (which includes the Bank of England), banks with a high credit rating (including supranationals) and building societies. The Society performs regular analysis of counterparty credit risk and monitoring of publicly available information to highlight possible indirect exposures.

An analysis of the Society's treasury asset concentration is shown in the table below.

	2025 £000's	2025 %	2024 £000's	2024 %
<b>Industry sector</b>				
Banks	10,036	9%	25,794	20%
Building Societies	35,336	30%	10,041	8%
Central Government	45,929	39%	49,749	40%
Supranationals	25,382	22%	40,359	32%
<b>Total</b>	<b>116,683</b>	<b>100%</b>	<b>125,943</b>	<b>100%</b>

	2025 £000's	AAA %	AA %	A %
<b>Geographic region</b>				
United Kingdom	91,301	-	50%	50%
Supranationals	25,382	100%	-	-
<b>Total</b>	<b>116,683</b>			

	2024 £000's	AAA %	AA %	A %
<b>Geographic region</b>				
United Kingdom	85,584	-	70%	30%
Supranationals	40,359	100%	-	-
<b>Total</b>	<b>125,943</b>			

23. Financial instruments (continued)

The Society's derivative financial instruments are analysed in the table below:

An analysis of the Society's treasury asset concentration is shown in the table below.

Geographic region	2025			2024		
	£000's	AA %	A %	£000's	AA %	A %
United Kingdom	2,447	21%	79%	8,684	100%	-
Europe	2,296	-	100%	5,778	-	100%
<b>Total</b>	<b>4,743</b>			<b>14,462</b>		

There are no impairment charges against any of the Society's treasury assets at 31 December 2025 or 31 December 2024.

b) Loans and advances to customers

All mortgage loan applications are assessed with reference to the Society's Board approved retail credit risk appetite statement and Retail Credit Risk Policy and are assessed for potential fraud risk. When deciding on the overall risk appetite that the Society wishes to adopt, both numerical and non-numerical considerations are taken into account, along with data on the current UK economic climate and competitor activity. The lending portfolio is monitored by the Credit Risk Forum and the Board Risk Committee to ensure that it remains in line with the stated risk appetite of the Society, including adherence to the lending principles, policies and lending limits.

For new customers, the Society relies upon adherence to its Retail Credit Risk Policy to determine the credit quality of potential customers. Prior to making loan offers, applications are stress tested using the Society's affordability model. This approach, combined with the use of credit checks, is used to confirm the credit quality of all new applicants. For existing customers who subsequently apply for additional lending, the same process is adopted. All mortgage applications are overseen by the Mortgage Underwriting team who ensure that all information submitted within the application is validated and loans are approved in line with appropriate mandate levels.

For existing customers who already have mortgages with the Society, ongoing creditworthiness is determined through close monitoring of mortgage accounts. In addition, monitoring takes place to ensure the Society adheres to a range of operational lending limits, designed to meet the Society's risk appetite as set by the Board.

Credit risk management information is circulated to the Credit Risk Forum on a monthly basis to ensure that the portfolio remains within the Society's risk appetite. It is the Society's policy to ensure good customer outcomes and lend responsibly by ensuring at the outset that the customer can meet the mortgage repayments. This is achieved by obtaining specific information from the customer concerning income and expenditure but also external credit reference agency data. The Society does not have any exposure to the sub-prime market. The maximum credit risk exposure is disclosed in the carrying values table in note 23. Loans and advances to customers are predominantly made up of retail loans fully secured against UK property of £1,197m (2024: £1,102m) split between residential and buy to let loans. The Society operates in England and Wales with the portfolio well spread throughout the geographic regions.

23. Financial instruments (continued)

An analysis of the Society's geographical concentration, gross of provisions, is shown in the table below.

Geographic region	Note	2025 £000's	2025 %	2024 £000's	2024 %
London		259,269	22%	232,349	21%
North		203,697	17%	192,266	17%
West Midlands		194,231	16%	188,756	17%
East Midlands		123,472	10%	112,894	10%
Outer Southeast		116,366	10%	105,801	10%
Southwest		104,980	9%	95,068	9%
Yorkshire and Humberside		98,579	8%	86,739	8%
Wales and Northern Ireland		50,711	4%	51,120	5%
East Anglia		44,886	4%	36,436	3%
<b>Total</b>		<b>1,196,191</b>	<b>100%</b>	<b>1,101,429</b>	<b>100%</b>
Other loans (see below)		45		47	
	<b>14</b>	<b>1,196,236</b>		<b>1,101,476</b>	

Other loans represent commercial loans secured on land.

Retail loans

Loans fully secured on residential property are split between residential and buy to let. The split of the loan book between buy to let and residential, interest only and repayment is shown below:

	2025	2024
Repayment - Residential mortgage	68%	66%
Interest Only - Residential mortgage	13%	9%
Repayment - Buy to Let	2%	3%
Interest Only - Buy to Let	17%	22%

The average loan to value (LTV) is the weighted average LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of collateral held, at origination, adjusted by a house price index.

The average LTV of residential mortgages is 47% (2024: 45%). The average LTV of Buy to Let mortgages is 47% (2024: 45%) All residential and Buy to Let loans above 80% (2024: 80%) LTV are insured.

23. Financial instruments (continued)

Further LTV information on the Society's residential mortgage portfolio is shown below:

LTV analysis

Residential	2025 %	2024 %
0% - 30%	11%	12%
30% - 60%	30%	32%
60% - 80%	31%	29%
80% - 90%	20%	21%
90% - 100%	8%	6%
>100%	-	-
<b>Average loan to value of residential mortgage loans</b>	<b>47%</b>	<b>45%</b>

LTV analysis

Buy to Let	2025 %	2024 %
0% - 30%	9%	8%
30% - 60%	67%	66%
60% - 80%	24%	26%
80% - 90%	-	-
90%-100%	-	-
>100%	-	-
<b>Average loan to value of buy to let mortgage loans</b>	<b>47%</b>	<b>45%</b>

The quality of the Society's retail mortgage book is reflected in the number and value of accounts in arrears, by value this is 0.86% (2024: 0.80%), of which only 0.17% (2024: 0.20%) is greater than three months in arrears.

The main factor for loans moving into arrears tends to be lifestyle events that are specific to the borrower.

23. Financial instruments (continued)

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

	2025 £000's	2025 %	2024 £000's	2024 %
<b>Arrears analysis</b>				
<b>Not impaired</b>				
Neither past due nor impaired	1,185,908	99.20%	1,092,695	99.20%
Past due up to three months but not impaired	8,344	0.70%	6,570	0.60%
<b>Impaired</b>				
Past due three to six months	1,125	<=0.1%	1,408	<=0.1%
Past due six to 12 months	563	<=0.1%	366	<=0.1%
Past due over 12 months	186	<=0.1%	437	<=0.1%
<b>Total</b>	<b>1,196,126</b>	<b>100%</b>	<b>1,101,476</b>	<b>100%</b>

	2025 Indexed £000's	2025 Unindexed £000's	2024 Indexed £000's	2024 Unindexed £000's
<b>Value of collateral held</b>				
Neither past due nor impaired	2,506,112	2,189,677	2,419,385	2,038,899
Past due up to three months but not impaired	14,474	12,730	14,916	11,649
Past due over three months and impaired	4,492	3,235	4,615	3,548

The collateral consists of residential property. Collateral values are adjusted by the Nationwide price index to derive the indexed valuation at 31 December. This takes into account regional data across 13 regions of the UK. The Society uses the index to update the property values, at origination, of its residential and buy to let portfolios on a quarterly basis.

Mortgage Indemnity Guarantee (MIG) insurance acts as additional security. For mortgage applications from 1 December 2017, MIG has been taken out for all residential loans where the borrowing exceeded 80% of the value of the property at the point of application, for a 7 year time period. The Society has the option to purchase a further 3 years, if required.

The status 'past due up to three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated.

**23. Financial instruments (continued)**

The amount included is the entire loan amount rather than just the overdue amount. The status past due over three months and impaired includes assets where an individual provision has been allocated where appropriate.

At 31 December 2025 the Society had no properties in possession (2024:2).

**Forbearance**

A variety of forbearance options are offered to customer of the Society, such as:

- Interest only concessions are offered to customers in financial difficulty on a temporary basis with formal periodic review. The concession allows the customer to reduce monthly payments to cover interest only, and if made, the arrears status will not increase.
- Arrangement payment plans are agreed to enable customers to reduce their arrears balances by an agreed amount per month which is paid in addition to their standard monthly repayment.
- Loan terms can be extended to allow customers additional time to fully repay their loans.
- Capitalisations occur where arrears are added to the capital balance outstanding for the purposes of re-structuring the loan, allowing the customer to repay the arrears over the remaining term of the loan.

All forbearance arrangements are formally discussed and agreed with the customer. 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.

All forbearance arrangements are reviewed and monitored on a monthly basis to assess the ongoing potential risk, suitability and sustainability to the Society. The level and different types of forbearance activity are reported to the Credit Risk Forum on a monthly basis. The table below details the number of forbearance cases within the 'Not impaired' category:

	31 December 2025 Number	31 December 2024 Number
<b>Type of forbearance</b>		
Reduced payment including interest only concessions	4	4
Arrangements	7	7
Payment holidays	21	11
<b>Total</b>	<b>32</b>	<b>22</b>

In total £4.0m (2024: £3.0m) of loans are subject to forbearance at the balance sheet date. There is a requirement for an additional collective impairment allowance in 2025 of £2k (2024: £9k) in relation to forborne accounts.

**23. Financial instruments (continued)****Liquidity risk**

Liquidity risk is the risk that the Society is unable to meet its financial obligations as they become due, resulting in an inability to support normal business activity or a failure to meet liquidity regulatory requirements.

Stress tests are undertaken to measure the Society's ability to meet adverse cash flows on a regular basis. This activity is overseen by the ALCO. The Society also complies with the rules issued by the Prudential Regulation Authority concerning the quality of liquid assets held by banks and building societies. As a consequence, the Society held £118m at 31 December 2025 (2024: £113m) on deposit with the Bank of England to ensure ready access to liquid funds should the need arise.

The table below sets out the maturity analysis for financial liabilities showing the remaining contractual maturities at undiscounted amounts separated between derivative and non-derivative financial liabilities. This is not representative of the Society's management of liquidity as retail deposits repayable on demand generally remain on balance sheet much longer.

	Repayable on demand £000's	Not more than three months £000's	More than three months but not more than six months £000's	More than six months but less than one year £000's	More than one year but not more than five years £000's	More than five years £000's	Total £000's
<b>31 December 2025</b>							
Shares	724,052	82,453	95,527	171,790	291,357	-	1,365,179
Amounts owed to credit institutions	643	-	10,208	-	-	-	10,851
Amounts owed to other customers	8,314	2,084	205	5,000	-	-	15,603
Derivative financial instruments	-	253	494	1,491	3,771	-	6,009
<b>Total liabilities</b>	<b>733,009</b>	<b>84,790</b>	<b>106,434</b>	<b>178,281</b>	<b>295,128</b>	<b>-</b>	<b>1,397,642</b>
<b>31 December 2024</b>							
Shares	715,323	92,265	67,436	185,146	145,305	-	1,205,475
Amounts owed to credit institutions	14,439	841	714	62,460	1	-	78,455
Amounts owed to other customers	11,377	-	5,239	-	-	-	16,616
Derivative financial instruments	-	183	157	334	1,580	-	2,254
<b>Total liabilities</b>	<b>741,139</b>	<b>93,289</b>	<b>73,546</b>	<b>247,940</b>	<b>146,886</b>	<b>-</b>	<b>1,302,800</b>

**23. Financial instruments (continued)****Market risk**

Market risk is the risk of changes to the Society's financial performance and condition caused by movements in market interest rates. The Society is exposed to market risk in the form of changes (or potential changes) in the general level of interest rates, changes in the relationship between short and long-term interest rates and divergence of interest rates for different balance sheet elements (basis risk).

The Society hedges interest rate risk by hedging its exposure to fixed mortgage lending and savings tranches. Overall interest rate risk is managed through a behavioural maturity gap analysis. The maturity profile is subjected to a series of stress tests reflecting changes in interest rates on a monthly basis and the results are measured against the risk appetite and operating limits. The Society's exposure to a 2% change in interest rates was 0.7% of capital (£1,547k) on a net present value basis and £25k on profit at 31 December 2025 (2024: 1.8%, £1,416k, £163k). In addition, interest rate basis risk is controlled by a Board approved risk appetite. Both are reported to the monthly ALCO meeting and to the Board.

**Derivative financial instruments**

The Society uses derivatives to assist in its management of interest rate risk. Interest rate swaps are used to hedge exposure to changes in fair value exposure to market interest rates on fixed rate loans and advances and fixed rate savings bonds. The fair values of derivatives designated as fair value hedges are as follows:

	2025 Assets £000's	2025 Liabilities £000's	2024 Assets £000's	2024 Liabilities £000's
Instrument type:				
Interest rate swaps	4,743	5,701	14,462	2,018
<b>Total</b>	<b>4,743</b>	<b>5,701</b>	<b>14,462</b>	<b>2,018</b>

**Capital structure**

The Society's policy is to maintain a strong capital base to sustain member, creditor and market confidence and to support the future development of the business. 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 formal annual Internal Capital Adequacy Assessment Process (ICAAP) assists the Society with its capital management and capital levels are subject to regular stress tests to ensure the Society maintains sufficient capital to protect itself against possible future loss events.

The Board manages the Society's capital and risk exposures to maintain capital in excess of regulatory requirements which includes monitoring of:

- Lending decisions – The Society's lending policy is closely monitored by Credit Risk Forum to ensure it aligns with the Society's risk appetite.
- 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.
- Concentration risk – The design of both mortgage products takes into account the overall mix of products to ensure that concentration levels are maintained within the Society's risk appetite.
- Counterparty risk – Deposits are only placed with approved counterparties in line with the Society's Treasury Policy Statement 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 or material changes to the Society's management of its capital during the year.

The Society is required to set out its capital position, risk exposures and risk assessment processes in the Pillar 3 disclosures

**23. Financial instruments (continued)**

	2025 £000's	2024 £000's
<b>Common Equity Tier 1 (CET1)</b>		
General and other capital reserves	84,049	82,432
Prudent valuation adjustment	(117)	(127)
Pension asset	-	-
Intangible assets	(2,346)	(2,175)
	<b>81,586</b>	<b>80,130</b>
<b>Tier 2 capital</b>		
Collective provision	574	395
	<b>82,160</b>	<b>80,525</b>

The Society operates a defined benefit pension scheme in the UK. This is a separate Trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation is carried out every three years.

The most recent completed actuarial valuation was at 24 April 2024, which showed a deficit of £2,545k. During 2023, 2024 and 2025 the Society has been making additional monthly payments of £41,666 per month, with the aim of eliminating any deficit. These contributions will continue for the foreseeable future.

The results of this valuation were used to produce the accounting valuation below at 31 December 2025. In accordance with the actuarial valuation, the Society has agreed with the Trustees that it will meet expenses of the Scheme and levies to the Pension Protection Fund, the costs for which are included within other administrative expenses in Note 7. The Scheme is closed to accrual, but remains salary linked to accrued benefits, with effect from 24 April 2013.

The valuation disclosed in these accounts is carried out by a qualified actuary, independent of the Scheme's sponsoring employer to take account of the actuarial method and assumptions required by section 28 of FRS 102. The majority of assumptions used by the actuary are shown on page 86.

**24. Retirement benefit obligations**

The Society operates a defined benefit pension scheme in the UK. This is a separate Trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation is carried out every three years.

The most recent completed actuarial valuation was at 24 April 2024, which showed a deficit of £2,545k. During 2023, 2024 and 2025 the Society has been making additional monthly payments of £41,666 per month, with the aim of eliminating any deficit. These contributions will continue for the foreseeable future.

The results of this valuation were used to produce the accounting valuation below at 31 December 2025. In accordance with the actuarial valuation, the Society has agreed with the Trustees that it will meet expenses of the Scheme and levies to the Pension Protection Fund, the costs for which are included within other administrative expenses in Note 7. The Scheme is closed to accrual, but remains salary linked to accrued benefits, with effect from 24 April 2013.

The valuation disclosed in these accounts is carried out by a qualified actuary, independent of the Scheme's sponsoring employer to take account of the actuarial method and assumptions required by section 28 of FRS 102. The majority of assumptions used by the actuary are shown on page 86.

**Present values of defined benefit obligation, fair value of assets and defined benefit liability**

	2025 £000's	2024 £000's
Fair value of scheme assets	20,596	20,643
Present value of scheme liabilities	(22,590)	(23,007)
<b>Deficit in scheme</b>	<b>(1,994)</b>	<b>(2,364)</b>

**Reconciliation of opening and closing balances of the defined benefit obligation**

	2025 £000's	2024 £000's
Defined benefit obligation at start of year	23,007	25,734
Current service cost	-	-
Interest expense	1,204	1,128
Actuarial (gain)/loss	(217)	(2,529)
Benefits paid and expenses	(1,404)	(1,326)
<b>Defined benefit obligation at end of year</b>	<b>22,590</b>	<b>23,007</b>

**Reconciliation of opening and closing balances of the fair values of scheme assets**

	2025 £000's	2024 £000's
Fair value of scheme assets at start of year	20,643	22,963
Interest income	1,090	1,014
Return on plan assets (excluding amounts included in net interest cost)	(233)	(2,508)
Contributions by Society	500	500
Benefits paid and expenses	(1,404)	(1,326)
<b>Scheme assets at end of year</b>	<b>20,596</b>	<b>20,643</b>

The actual return on the plan assets during the year ended 31 December 2025 was a gain of £857k (2024: £1,494k loss).

**24. Retirement benefit obligations (continued)****Total defined benefit costs recognised in the Income Statement**

	2025 £000's	2024 £000's
Current service cost	-	-
Net interest on the defined benefit assets	(114)	(114)
Losses due to benefit changes	-	-
<b>Defined benefit cost recognised in profit and loss account</b>	<b>(114)</b>	<b>(114)</b>

**Defined benefit costs recognised in Other Comprehensive Income**

	2025 £000's	2024 £000's
Return on plan assets in excess of interest income	233	2,508
Actuarial gain	(217)	(2,529)
<b>Total amount recognised in Other Comprehensive Income - loss/(gain)</b>	<b>16</b>	<b>(21)</b>

**Assets**

	2025 £000's	2024 £000's
<b>Quoted Market Price:</b>		
Multi asset credit funds	762	1,555
Corporate bonds	1,559	1,472
Asset Backed Securities	1,157	1,391
Liability driven investment funds	5,130	5,103
Other	1,459	256
	10,067	9,777
<b>No Quoted Market Price:</b>		
Insured pensioners	10,529	10,866
<b>Total</b>	<b>20,596</b>	<b>20,643</b>

The Society has insured some member benefits relating to certain pensioner members whereby the pension scheme liabilities are settled via insurance policies. The majority of the insured members were insured in 2014. None of the fair values of the assets shown above include any direct investments in the Society's own financial instruments or any property occupied by, or other assets used by, the Society.

**24. Retirement benefit obligations (continued)****Assumptions**

	2025 % per annum	2024 % per annum
Rate of discount	5.50	5.40
Retail Price Index inflation	2.95	3.20
Consumer Price Index inflation	2.45	2.70
Salary growth	2.95	3.20
Allowance for revaluation of deferred pensions of CPI or 5% p.a. if less	2.45	2.70
Allowance for pension payment increases of RPI or 5% p.a. if less	2.85	3.00
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	1.95	2.00
Allowance for commutation of pension for cash at retirement	80% of maximum tax-free cash on current factors	80% of maximum tax-free cash on current factors

The mortality assumptions adopted at 31 December 2025 imply the following life expectancies:

Male retiring at age 60 in 2025	26.9 years (2024: 26.7 years)
Female retiring at age 60 in 2025	29.5 years (2024: 29.5 years)
Male at age 60 in 2045	25.7 years (2024: 25.5 years)
Female retiring at age 60 in 2045	28.3 years (2024: 28.3 years)

The Society has agreed to pay the insurance premium for death in service benefits.

Mortality assumptions are based on publicly available mortality tables for the UK. In 2024, mortality experience (the number of deaths in England and Wales) was around 4% lower overall than 2023. In previous years the CMI has adopted a 'weights' approach to the extraordinary data over the COVID-19 pandemic period (2020 – 2023). This year, the CMI have instead adopted a different way to take account of the pandemic experience, with an "overlay" to provide the shock to mortality rates seen during the pandemic and a separate parameter (the half-life parameter) to control how the overlay is removed over time to leave the underlying trend in mortality.

The CMI has given a half-life parameter of 1 year to use in their default model, meaning the overlay halves once in a year. For best estimate assumptions, a shorter half-life can be justified and therefore a half-life parameter of 0.5 years has been adopted meaning the overlay halves every 6 months.

In June 2023, the UK High Court in Virgin Media Limited v NTL Pension Trustees II Limited ruled that specific historical amendments to contracted-out defined benefit schemes in the period 6 April 1997 to 5 April 2016 were invalid if they lacked a confirmation under section 37 of the Pension Scheme Act 1993 from the scheme's actuary. This decision was upheld on appeal in July 2024. The High Court's decision has wide ranging implications, affecting other schemes that were contracted-out on a salary-related basis, and made amendments between April 1997 and April 2016. The Society's scheme was contracted out until 24 April 2013 and amendments were made during the relevant period. As such the ruling could have implications for the Society.

In June 2025 the Department for Work and Pensions ("DWP") confirmed that the Government would introduce legislation to give affected pension schemes the ability to retrospectively obtain written actuarial confirmation that historic benefit changes met the necessary standards. Whilst the Trustee Trustee is awaiting further guidance on the legislation allowing retrospective actuarial confirmation before taking further action, management deem there to be only a remote likelihood of any liability arising and therefore no contingent liability has been recorded.

**25. Cash and cash equivalents**

	2025 £000's	2024 £000's
Cash in hand and balances at Bank of England	118,516	113,668
Loans and advances to credit institutions	4,310	9,876
<b>At 31 December</b>	<b>122,826</b>	<b>123,544</b>

**26. General reserve**

	2025 £000's	2024 £000's
<b>At 1 January</b>	<b>81,456</b>	<b>78,463</b>
Profit for the financial year	1,435	2,977
Net (loss)/gain recognised directly in Other Comprehensive Income	(12)	16
<b>At 31 December</b>	<b>82,879</b>	<b>81,456</b>

The general reserves along with the revaluation reserve and available for sale reserve constitute the Society's Tier 1 Capital for regulatory purposes.

**27. Revaluation reserve**

	2025 £000's	2024 £000's
<b>At 1 January</b>	<b>997</b>	<b>992</b>
Tax on revaluation reserve from changes in land and buildings	(3)	5
<b>At 31 December</b>	<b>994</b>	<b>997</b>

The revaluation reserve arises because until 31 December 1999, the Society revalued properties annually. From 31 December 2000, the Society adopted the transitional arrangements under FRS15 to maintain the book value of fixed assets at their previously revalued amounts. The resultant potential gain results in a capital gain for deferred tax purposes which is recognised under FRS 102.

**28. Available for Sale reserve**

	2025 £000's	2024 £000's
<b>At 1 January</b>	<b>(20)</b>	<b>138</b>
Net gain/(losses) from changes in fair value	196	(158)
<b>At 31 December</b>	<b>176</b>	<b>(20)</b>

## 29. Country by Country Report

### Basis of Preparation

Leek Building Society's principal activity is the provision of mortgage and savings products as well as access to general insurance and financial services broking services.

Total turnover, profit before tax and average number of employees

Total turnover for the year ended 31 December 2025 was £22,144k (2024: £20,300k). Total turnover is defined as net interest income plus fees and commissions receivable (net of fees and commissions payable).

Profit before tax for the year ended 31 December 2025 was £1,939k (2024: £3,886k). Corporation tax paid during the year ended 31 December 2025 was £622k (2024: £1,068k).

All turnover, profits and tax resulted from business conducted in the United Kingdom.

The average monthly number of employees on a full-time equivalent basis during the year ended 31 December 2025 was 198 (2024: 182).

### Public subsidies received

The Society received no public subsidies in the year ended 31 December 2025 (2024: nil).

# Independent auditors' report to the members of Leek United Building Society Limited

## Report on the audit of the country-by-country information

### Opinion

In our opinion, Leek United Building Society's country-by-country information for the year ended 31 December 2025 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 December 2025 in the Country-by-Country Report.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the Society in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to the basis of preparation note of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

### Conclusions relating to going concern

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

- A risk assessment to identify critical factors that could impact the going concern basis of preparation, including the current and forecast financial performance and regulatory metrics. As part of our risk assessment we reviewed and considered the Society's strategic plan, ICAAP and ILAAP, regulatory correspondence and management reports provided to key governance forum.
- Evaluating the reasonableness of the Society's strategic plan, including evaluating the reasonableness of key scenarios and performing sensitivity analysis using our understanding of the Society and its financial performance obtained during the course of our audit. We also considered management's ability to accurately forecast financial performance by comparing past forecasts to actual results;
- Critically evaluating the directors' conclusions in their own going concern assessment. This included the impact of stress testing results. We considered whether the Society would continue to operate above required regulatory capital and liquidity minima during times of stress; and
- Evaluating management's disclosures in the Annual Report and checking the consistency of the disclosures with our knowledge of the Society based on our audit.

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 the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Society's ability to continue as a going concern.

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

## Responsibilities for the country-by-country information and the audit

### Responsibilities of the directors for the country-by-country information

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation statement to the country-by-country information, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, 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.

### Auditors' responsibilities for the audit of the country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 this country-by-country information.

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.

Based on our understanding of the Society, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking regulations including, but not limited to, the Financial Conduct Authority's regulations, the Prudential Regulation Authority's regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and bias in accounting estimates. Audit procedures performed included:

- Review of correspondence with the FCA and PRA;
- Testing of significant accounting estimates;
- Testing of journal entries which contained unusual account combinations and other specific risk-based criteria back to corroborating evidence;
- Discussions with management in relation to known or suspected incidents of non-compliance with laws and regulation and fraud; and
- Review of internal audit reports in so far as they related to the annual accounts.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinion, has been prepared for and only for the Society's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

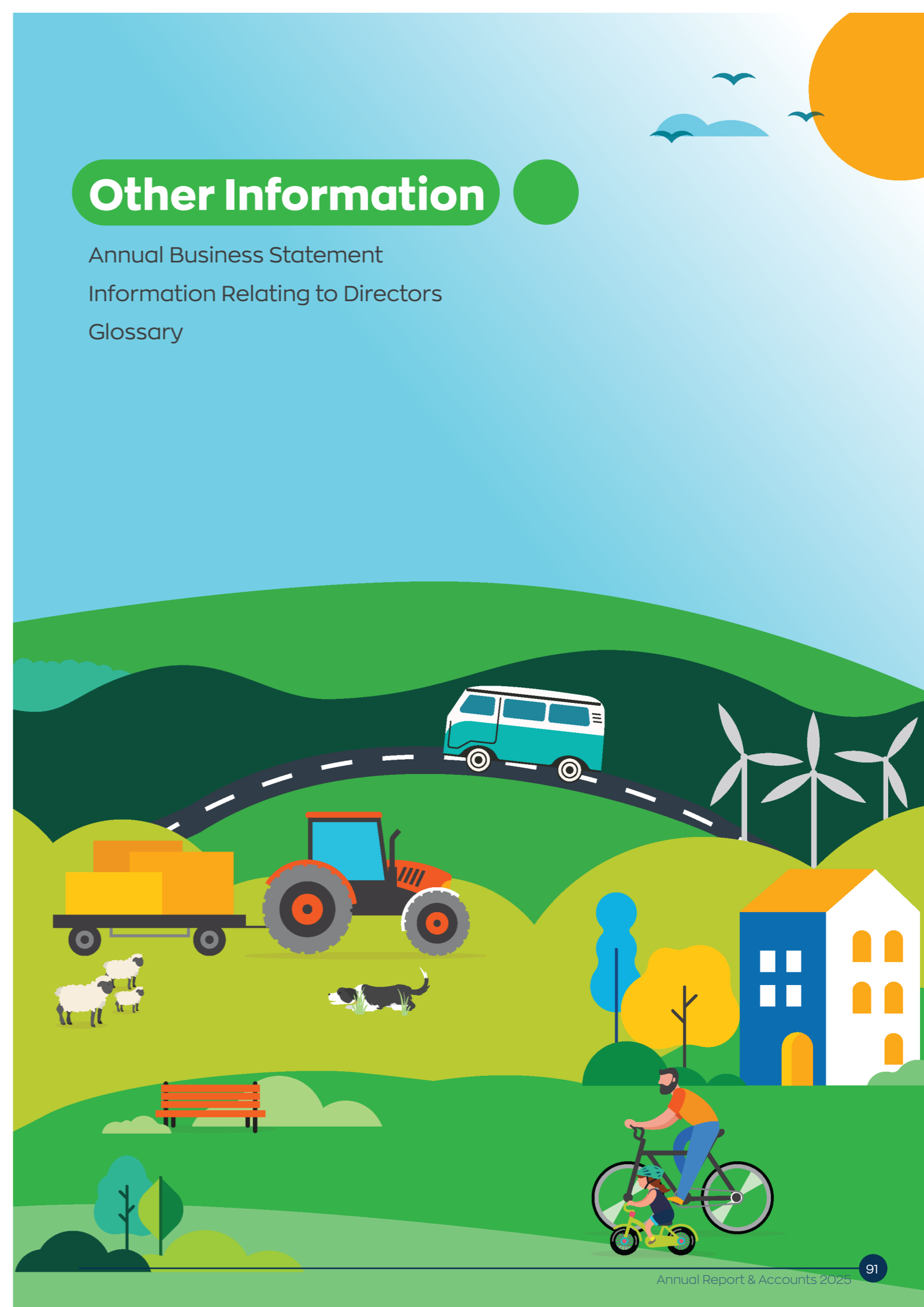
Chartered Accountants and Statutory Auditors  
Manchester  
26 February 2026

## Other Information

Annual Business Statement

Information Relating to Directors

Glossary



## Annual Business Statement

### Annual Business Statement for the year ended 31 December 2025

	2025 %	2024 %	Statutory limit %
<b>Statutory percentages</b>			
Lending limit	0.81	0.65	25.0
Funding limit	1.93	7.27	50.0

The above percentages have been calculated in accordance with the Building Societies Act 1986 as amended by the Building Societies Acts 1997 and 2005.

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

Business assets are the total assets of the Society plus provision for loan impairment, less fixed assets and liquid assets.

Loans fully secured on residential property is the amount of principal owing by borrowers and interest accrued not yet payable.

This is the amount shown in the Society balance sheet plus provision for loan impairment.

Shares and borrowings represent the total of shares, amount owed to credit institutions and amounts owed to other customers as shown in the Society balance sheet.

The number of shares held by individuals is shown in note 18 of the notes to the accounts.

### Other percentages

	2025 %	2024 %
Gross capital as a percentage of shares and borrowings	6.19	6.48
Free capital as a percentage of shares and borrowings	5.83	6.06
Liquid assets as a percentage of shares and borrowings	17.63	19.63
Profit on ordinary activities after taxation as a percentage of year-end total assets	0.10	0.22
Management expenses as a percentage of mean total assets	1.27	1.19

Gross capital represents the sum of the general reserve, the revaluation reserve and the available for sale reserve as shown in the Society balance sheet.






Free capital represents the sum of the general reserve, the revaluation reserve, the available for sale reserve and collective loss provision less fixed assets.

Shares and borrowings represent the total of shares, amounts owed to credit institutions and amounts owed to other customers as shown in the Society balance sheet.

Liquid assets represent the total of cash in hand, loans and advances to credit institutions and debt securities.

Mean total assets is the average of the 2025 and 2024 total assets. Management expenses represent the aggregate of administrative expenses and depreciation.

## Information Relating to Directors as at 31 December 2025

Name/Date of Birth	Occupation	Date of Appointment	Other Directorships
 <b>Felicity Bamberg</b> BA 08/07/1976	Non-Executive Director	27/07/2022	TPT Retirement Solutions Limited (non-statutory) Verity Trustees Limited (non-statutory) Border to Coast Pensions Partnership
 <b>Pak Chan</b> BSc 01/05/1971	Non-Executive Director	27/03/2025	None
 <b>David Cheeseman</b> BSc 01/10/1968	Non-Executive Director	29/04/2021	Holloway Friendly Society Limited Amber River Group
 <b>Steven Clarke</b> BA, ACMA 27/11/1976	Building Society Chief Financial Officer	30/11/2022	None
 <b>Andrew Deeks</b> BA, MBA 18/03/1981	Building Society Chief Executive	26/09/2024	None
 <b>John Gibson</b> BSc 23/02/1961	Non-Executive Director	25/01/2024	None
 <b>Jane Kimberlin</b> BA 25/09/1959	Non-Executive Director	23/11/2016	Creaton Community Benefit Society

Documents may be served on the above named Directors c/o Bowcock and Pursail, P.O. Box No.1, 54 St Edward Street, Leek, Staffordshire, ST13 5DJ.

Measure	Explanation
Mortgage Balances	The total amount owed to the Society for mortgages by customers
Total Assets	The value of all assets in the Group balance sheet
Shares and Deposits	The total amount owed by the Society to shareholding members and depositors in respect of their account balances
Underlying Profit before Tax	The surplus before tax achieved from trading activity during the financial year excluding fair value movements resulting from hedging risk management activity
Profit before Tax	The surplus before tax achieved from trading activity during the financial year. This includes fair value movements in derivatives that are designed to hedge the financial risk associated with fixed rate mortgage lending and fixed rate savings deposits
Management Expenses Ratio	The aggregate of administrative expenses and depreciation as a percentage of the average total assets in the year
Net Interest Margin	The net interest receivable by the Society as a percentage of the average total assets in the year
Mortgage Arrears	The number of mortgage accounts which are in arrears by the equivalent of three or more monthly repayments
Regulatory Capital	The Society's reserves and collective provisions net of any required deductions for regulatory purposes, e.g. intangible assets. Retained profits are the highest quality of capital
Total Capital Ratio	Regulatory capital expressed as a percentage of the Society's risk weighted assets (RWAs)
Liquid Assets	The total cash in hand, loans and advances to credit institutions and debt securities
Mortgage Growth	The growth in mortgage balances from one year to another
Savings Growth	The growth in savings balances from one year to another
Net Promoter Score	An independent measure of customer advocacy that ranges between -100 and +100, which represents how likely a customer is to recommend our products and services
Common Equity Ratio (CET1)	CET1 capital is the internally generated capital from retained profits, other reserves excluding intangible assets and other regulator defined deductions



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Independent Auditor  
PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
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**Registered Principal Office:**

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Leek Building Society is a trading name of Leek United Building Society, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority with firm reference number 100014. Our details can be found on the Financial Services Register at <https://register.fca.org.uk/s/>.  
Leek United Building Society's address for service is 50 St. Edward Street, Leek, Staffordshire ST13 5DL.

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