Annual Report & Accounts 2025

Together, we're greater!



GREATER MANCHESTER AND CHESHIRE

LOCAL BUILDING SOCIETY

Vernon
Building Society

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Our Directors for the year ended 31 December 2025



MIKE JOYCE
CHAIR & CHAIR OF THE NOMINATIONS COMMITTEE

Joined the Board in September 2019 and previously chaired the Risk & Compliance Committee. Appointed as Chair from 1 Jan 2023. Mike is a Chartered Certified Accountant and an Associate Member of the Association of Corporate Treasurers. He has extensive experience of managing retail financial services businesses having worked in retail banking for over 28 years, previously CEO of Turkish Bank and Commercial Director of Bank of Ireland in the UK. Mike has also held a wide range of senior roles within finance including as a Finance Director bringing a strong background in financial and strategic risk management.



JENNY QUIRKE
VICE CHAIR & CHAIR OF THE AUDIT COMMITTEE

Jenny is a Chartered Management Accountant with many years of Board level experience in the financial services sector. Jenny joined the Board in January 2018 and brings experience of managing organisational change and financial risk management to the Board, having held senior level roles both with a major building society and a high street bank.



KEN BURKE
CHAIR OF THE RISK AND COMPLIANCE COMMITTEE

Ken joined the Board in March 2022 and is Chair of the Risk & Compliance Committee. He has over 25 years' experience leading financial services businesses. He holds board positions in regulated firms in the UK and Ireland and was previously Chief Executive Officer of Ireland's largest mortgage lender - AIB Mortgage Bank. He runs a successful strategic advisory business and has extensive strategic, commercial and risk skills. Ken is a Certified Director and holds a Master's in Business Administration.



PAULA DILLON
CHAIR OF REMUNERATION COMMITTEE & SID

Paula joined the board in January 2021 and became Chair of Remuneration Committee in Nov 2021. She was a commercial real estate lawyer for over 3 decades, acting for developers, investors and financial institutions. She served on the boards of 2 international law firms as well as being vice chair of Opera North and was the first-ever female President of Leeds Chamber of Commerce. Paula is an independent Non-Executive Director of a large accountancy firm, a director of a hotel company and is also a qualified executive coach.



STEVE WILSON
NON-EXECUTIVE

Steve joined the board in October 2023 and sits on the Risk & Compliance Committee as well as the main board. Steve has over 20 years experience in leading digital transformations, sales and marketing and customer communications in large, regulated businesses including the likes of BT, British Gas and Admiral Group. Steve holds a Masters in Business Administration and, outside the Vernon, is currently the CEO of a successful fibre broadband business.



DARREN DITCHBURN
CHIEF EXECUTIVE

Joined the Society as CEO in December 2025, bringing over two decades of experience in the Building Society sector. He has held Executive and Board positions at other Societies, including serving as Deputy CEO at Leek Building Society. Darren has a proven track record of developing a strong culture, driving strategic transformation, and delivering excellent business results.



JUDITH ASPIN
FINANCE DIRECTOR

Joined the Society in September 2016 and became Finance Director. Judith is a Chartered Accountant and an Associate Member of the Association of Corporate Treasurers. She has extensive knowledge of managing financial risk having held senior positions in Treasury and Finance in a high street bank.

The Directors have pleasure in presenting their 102nd Annual Report & Accounts and Annual Business Statement for the year ended 31 December 2025.

Business Objectives and Activities

Purpose and Strategy

Vernon Building Society is a regional building society based in Stockport, in the North West of England; serving Greater Manchester, Cheshire and beyond with a strategy of innovative product design to meet customers' requirements, supported by personal service and personal underwriting. This strategy is still relevant and was reconfirmed by the Corporate Plan. The Society's Vision, Purpose and Values are summarised below.

Vision

To be Greater Manchester and Cheshire's building society of choice: a modern mutual where members, colleagues and community thrive together.

Purpose

We care about what matters, helping our members build better futures, because together we're greater.

Values

We make it personal

We know everyone is unique. Every member matters. Every colleague counts.

We do the right thing

We put members first and always do our best.

We lead with heart

We are empathic, listen, and treat people the way we want to be treated.

We raise the bar

We always strive for better, for our members, for our teams, for ourselves.

Strategic Business Review

The economy and market place

Interest rates continued to reduce during 2025, starting the year at 4.75% and ending at 3.75% following four rate reductions, a 1.00% decrease. The Society has responded to these decreases by mitigating the reductions for depositors whilst maintaining fair interest rates for borrowers. In total across the base rate decreases we have decreased our variable depositor rates by 0.59% on average and our mortgage standard variable rate (SVR) by 0.35%. Overall since base rate started rising from its low of 0.1% in Dec 2021, base rate is higher by 3.65% and we have increased our variable deposit rates by 2.05% and our SVR by 2.40%. As a mutual we are able to balance the needs of our depositors, borrowers and the long term sustainability of the Society.

Inflation increased during the year, from 2.5% to 3.4%. This was driven by increases to regulated prices (such as utilities, and energy caps), tax changes, higher food prices and higher transport costs. The US driven global trade tariff actions have also had a knock-on inflationary impact, although the effects will take time to be fully realised. Elevated levels of geopolitical risk causes further inflation and places uncertainty over future base rate reductions; although some are expected in 2026. We have made sure we have products available for Members throughout the economic cycle, whether that was for fixed rate deposits when rates were higher or 5 year fixed rate mortgages when rates were lower.

We will continue to respond to the uncertain markets by developing the best products we can for our Members given the economic conditions and we are ready to talk to any Member who requires our support.

Our performance

We are pleased to report that despite the difficult economic conditions, the Society has delivered a strong financial performance as summarised in the table below and detailed throughout the Annual Report and Accounts. Continuing on from the community events to celebrate our centenary last year, we have undertaken over 100 days of volunteering in our local community from bog restoration, to food banks and ending the year with the Christmas Appeal in conjunction with Chelwood food bank. We aim to make a meaningful difference in our local communities through shared connections, including:

- Sharing our money – through the Vernon Charitable Foundation and Community Stars
- Sharing our time – through volunteering and community events
- Sharing our knowledge – through financial education and fraud awareness
- Sharing our spaces – through the free to use community space at St Petersgate

Our engagement with local communities and events means we have very engaged employees who have helped us to deliver the treble of Greater Manchester Good Employment Charter, Employer of the Year at the Stockport Business Awards and Employer of the Year at the North West Business of the Year Awards. Further details can be found within the Annual Review.

We continue to serve our Members by undertaking deposit reviews for existing Members and new Members to make sure Members have thought about the interest rate earned on their savings and that combined with our friendly, knowledgeable branch team, means that we have grown our deposit book by 6.2%.

We have also served our mortgage Members by always having a good range of mortgage products available, maintaining our presence and offering good value retention products. As a mutual we do not really want customers to be paying Standard Variable Rates (SVR) as there are better product rates available, so we actively contact customers who are on SVR. We remain committed to proactively helping borrowers who experience financial difficulties and are signed up to the Mortgage Charter so customers can rely on consistent, compassionate support throughout any period of financial difficulty.

We continue to offer a range of specialist mortgage products from support to buying first homes (Family Assist, Buy for Uni), to retirement (RIO), to Buy to Let (normal and holiday) and Self Build.

Key Performance Indicators

	2025	2024	2023	2022	2021
Gross Mortgage Lending	£83.6m	£89.6m	£76.4m	£95.0m	£76.1m
Savings Balances	£474.9m	£447.0m	£407.4m	£357.1m	£339.2m
Profit before Tax	£2.8m	£3.5m	£2.2m	£3.2m	£2.0m
Net Interest Margin*	2.13%	2.18%	2.28%	2.04%	1.84%
Management Expenses Ratio†	1.56%	1.57%	1.47%	1.41%	1.40%
Liquid Asset Ratio	17.9%	17.4%	15.0%	14.9%	18.2%
Tier 1 Capital Ratio	18.0%	18.0%	17.9%	18.8%	18.8%

*Net interest margin is the net interest receivable as a percentage of average total assets for the year. †The management expenses ratio is an expression of total management expenses (administration expenses plus depreciation) as a percentage of mean total assets.

Gross Mortgage Lending

LOAN PORTFOLIOS	2025		2024	
	£m	LTV%	£m	LTV%
Prime Residential	360.9	34.6	344.6	34.7
BTL	77.3	48.8	74.0	46.7
Commercial	1.3	25.8	1.6	26.4
Total loan portfolio	**439.5**		**420.2**	
Hedge Accounting Fair Value Adjustment	1.1		(3.6)	
Provisions	(0.5)		(0.6)	
Loans & Advances to Customers (note 15)	**440.1**		**416.0**	

Underlying loans and advances to customers increased by 4.6% overall in 2025, increasing by £19.3m from £420.2m to £439.5m. The Society's strong product range supported this growth, allowing borrowers to take advantage of its personal approach with individual underwriting. The Society is a specialist in Self-Build, Holiday BTL (Buy to Let), Buy for Uni and Later Life lending where a personal approach is required to understand individual circumstances. As a result, the Society had another strong year with gross mortgage lending at £83.6m compared to £89.6m in 2024. Total loans and advances to customers increased by 5.8%, from £416.0m to £440.1m, after including accounting adjustments as summarised within the table above (also detailed within note 15).

Mortgage arrears

The number of mortgages in arrears by 2.5% or more of the loan balance, as a percentage of our mortgage portfolio, has increased slightly from 0.51% to 0.64%, remaining lower than the industry average of 0.85% (2024: 0.99%); data provided by UK Finance.

As at 31 December 2025 there was 1 case (2024: 2) where payments were 12 months or more in arrears. The capital balance of this loan was £928k (2024: £122k). The total amount of arrears on this loan was £47k (2024: £12k).

As at the year-end there were 7 cases (£2.9m of mortgage balances) with concession related arrangements in place (2024: 3 cases, £1.6m of mortgage balances) and no properties in possession (2024: none). There were no exposures being managed by a Law of Property Act receiver (2024: none).

Funding

The Society is predominantly funded through retail savings with wholesale funding used to diversify funding sources. Retail savings balances increased by £27.9m during 2025 to £474.9m to fund the mortgage book growth during the year. Wholesale exposures decreased during the year by £4.3m.

Liquid Assets

The Society has continued to hold a significant portion of its liquid asset holdings in the form of deposits in the Society's Bank of England account but has diversified the holding during the year, increasing its holding in Government Bonds as interest rates continued to reduce. The Society also deposits excess liquidity with other financial institutions, due to an increase in liquidity assets these deposits have also increased during the year. The statutory liquidity percentage reported at 31 December 2025 was 16.6% compared to 16.2% in 2024.

The regulatory Liquidity Coverage Ratio (LCR) was 262% (2024: 372%) as at 31 December 2025 (unaudited); comfortably in excess of the minimum regulatory limit set by the Prudential Regulation Authority (PRA) of 100%. The Society had no encumbered collateral.

Profitability

The Society seeks to make sufficient profit to ensure it has enough capital to invest in and grow the business for the benefit of its current and future Members. The profit level was lower this year, primarily due to a net loss on hedge accounting (£0.2m) which was a gain last year (£0.5m). The result also includes some initial investment costs as the Society began its journey to modernise its core banking platform and digital services. This transformation will strengthen the Society's operational capabilities and will ultimately further enhance the experience for our Members.

Capital

The Society's policy is to have a strong capital base to maintain Member confidence and to sustain future growth of the business, as well as protecting against any adverse changes in economic conditions.

The formal Internal Capital Adequacy Assessment Process (ICAAP) assists the Society with its management of capital and is approved by Board at least annually. The risk appetite aims to maintain a specific level above the Total Capital Requirement (TCR) and the capital regime incorporates Lending and Business decisions, product pricing, counterparty and concentration risks. The Society operates under the rules set and managed by the PRA and there have been no breaches during the year.

SOCIETY CAPITAL	**2025 £m**	2024 £m
Common Equity Tier 1 Capital	34.0	32.0
Collective Impairment Allowance	0.3	0.4
Total Capital (Audited)	**34.3**	**32.4**
Credit Risk	174.1	162.6
Operational Risk	17.9	15.6
Total Risk Weighted Assets	**192.0**	**178.2**
CAPITAL RATIOS	**%**	**%**
Tier 1 Ratio	18.0	18.0
Total Capital Ratio	18.1	18.2
Leverage Ratio	6.2	6.2
Gross Capital ratio	6.9	6.8
Free Capital Ratio	6.4	6.2

The Society has signed up to the Small Domestic Deposit Taker Regime with the PRA, which means a Pillar 3 disclosure is no longer required.

Gross capital at 31 December 2025 was £34.1 million (2024: £32.1 million) being 6.9% (2024: 6.8%) of total shares and borrowings.

Free capital, as at the same date, amounted to £31.5 million (2024: £29.3 million) and 6.4% (2024: 6.2%) of total shares and borrowings.

Income

The Society's net interest margin decreased by 0.05% in 2025 which was due to base rate decreasing from 4.75% to 3.75% meaning less interest is earned on our interest rate hedges and assets held for liquidity purposes. Average deposit rates have decreased by 0.52% and mortgages SVR rate by 0.35%, demonstrating the practice of treating both savers and borrowers fairly. The attractive specialist mortgage products (such as buy-to-let, later life, self-build and buy-for-uni family assist products) continued to support our borrowing Members.

Other income and charges

The Society made a net loss of £225k in 2025 (2024: net gain of £496k) relating to 'Other income and charges'. The movement is primarily driven by an increase in the fair value of derivatives held for hedging purposes. (see note 6 to the financial statements).

Administrative expenses and depreciation

Administrative expenses and depreciation (together 'management expenses') increased to £8.1m for the year (2024: £7.6m), reflecting the inflationary impact on the Society's standard costs while also continuing our ongoing strategy of investing in our infrastructure. During the year, the Society began its transformation spending £0.4m which will strengthening the Society's operational capabilities and will ultimately further enhance the experience for our Members.

Impairment charges

There was a further decrease in the loan loss provision of £104k (2024: £113k), which is the result of updated loan loss provision assumptions. The assumptions reflect a moderate decrease in stressed lending within the wider market place over the course of the year. The Society will continue to monitor external factors as well as loan performance and evaluate the impacts to the Society's provisioning requirements.

Taxation

The Society shows an effective corporation tax rate of 26.47% in 2025, compared to 25.56% in 2024.

Supplier Payment Policy

For all trade creditors it is the Society's policy to agree the terms of payment at the start of trading with that supplier and to pay in accordance with its contractual and other legal obligations. We recognise the importance of cash flow for all businesses and creditors are paid on average within 17 days of receipt of invoice.

Principal Risks and Uncertainties

The Society has a policy of managing risk to acceptable levels to maintain Member confidence and to allow the achievement of the corporate objectives. There is a formal structure for risk management documented in the Risk Management Framework, which includes risk appetite statements, risk limits, mandates and reporting lines.

2025 was a relatively stable year, although some challenges remained and the additional risks which arose are covered below under the relevant headings. The potential rise in unaffordability remains flagged as a concern for the Society as more customers come to the end of low rate fixed rate mortgages. These pressures, however, have been partially mitigated by high wage inflation. The provision has reduced slightly but remains elevated due to ongoing uncertainty, in particular with inflation and the cost of living.

In terms of our core risks, we would define these as follows with metrics reported to Executive Committees and Board.

Strategic Risk: the risk of not achieving our strategic objectives. This risk has required greater management in 2025 due to the volatile economic and geopolitical environment. The delayed budget also led to uncertainty in the housing market and affordability issues due to high inflation. These factors all increase the risk of not achieving the strategic growth objectives. Despite these uncertainties, the performance for the year has been aligned to the strategic objectives.

Credit Risk: the primary credit risks relate to residential and commercial lending and investment in securities held for liquidity purposes. Credit risk is when the customer/counterparty does not repay the Society and the Society's collateral is insufficient to meet the debt obligations. All mortgages are assessed in accordance with core criteria and counterparties have credit limits set by Board. Exposures to this risk are set out in Note 28.

Interest Rate Risk: this is the risk that the value of the Society's net assets or net interest income falls as a result of a change in interest rates. This risk is managed by a Board approved policy. The interest rate sensitivity as at 31 December 2025 is detailed in the market risk section of Note 28. This risk has manifested itself in the volatile hedge accounting results year on year.

Liquidity & Funding Risk: this is the risk of the Society being unable to meet its financial obligations as they fall due, or only at excessive cost. The Board approved Liquidity Policy describes the liquid resources required to be held to manage the risk.

Capital Risk: the risks of holding insufficient capital or failing to generate sufficient capital for growth. This risk is managed by setting budgets and performance against those.

Conduct Risk: this is the risk of customer detriment arising from the Society's business activities. The risk is controlled by a Conduct Risk Policy and monitored.

Climate Change Risk: this incorporates both the direct *physical risk* arising from climate and weather events and the *transitional risk* in the form of the financial implications as the Society transitions, to a low carbon economy. Physical risks may manifest in the form of increased severity and frequency of storms and floods, and the associated challenges insuring effected properties. Transitional risks include changes in government policies, technologies and social attitudes.

Operational Risk: this is the risk of loss through inadequate or failed internal processes, people and systems, or from external factors. For the Society this definition includes legal risk, strategic risk and reputational risk. Operational risk also includes the Society's operational resilience plans which set out how it would respond to events that disrupt its business activities.

Diversity and Inclusion

The Society is a Real Living Wage employer, which means that all employees are paid a minimum of the Real Living Wage, which is £13.45 an hour from March 2026 (£12.60 from March 2025). The Society is also a member of the Greater Manchester Good Employment Charter committed to treating everyone equally and promoting a supportive culture of equality, diversity and inclusion.

Donations

The Society awards donations during each quarter of the year through the Community Stars initiative. The goal of the Community Stars in 2025 was to donate to local not-for-profit organisations doing excellent work in the community, whilst also getting more Members of our community involved. During the year charitable donations worth £12,000 were made to local not-for-profit organisations (2024: £12,000).

All donations made by the Society through the Community Stars initiative are detailed on the following page. No contributions were made for political purposes.

The Society has also continued supporting environmental initiatives with the RSPB in the Peak District, this year supporting peat maintenance and moss planting. This important work helps to restore the moorland and to reduce carbon emissions from degraded peat, which otherwise releases CO_2 and methane. The restored peatlands provide habitats for rare plants, birds, and insects enhancing biodiversity in the nature reserve.

Vernon Charitable Foundation

In addition to the donations made by the Society through the Community Stars initiative, the Charitable Foundation has also continued to support local charities alongside our Community Stars and volunteering programmes, donating a further £26k (2024: £65k). At the Society, we are committed in our support of our local communities, to help drive improvements for the benefit of local people.

Donations made by the Society through the Community Stars initiative:

2025	
Stockport Loaves and Fishes	£650
Fantastic Fox Wood PTA	£550
Mode Rehabilitation	£500
Headway South Manchester & Stockport	£400
Stree Seva CIC	£400
Rose Hill Junior Football Club	£300
STOCKPORT CAR SCHEME	£250
More Than Words Advocacy CIC	£200
Making Space	£200
New Earth Holistic Sounds CIC	£150
Able Living Care Services LTD	£100
Mum's in recovery uk	£100
Upton Youth & Community Project	£100
Wilmslow Bowling Club	£100
Fikawelie Mental Health CIC	£650
Step Up MCR	£550
ARC Mindset CIC	£500
Poynton Home Education Group	£400
Acts of kindness Heywood Clothing Bank	£400
Warrington Foodbank	£300
Coming Home Project	£250
Friends of Ladybrook Valley, Bramhall	£200
Safe Space Wellbeing Lab	£200
MaxTrax CIC	£150
New Mills Youth and Community Project	£100
The art of joy project	£100
Collyhurst & Moston Boxing Club (CMBC)	£100
Marple Dementia Drop-in	£100
Rochdale Connections Trust	£650
Shaw Heath Bees	£550
Bolton Lever Rotary Club	£500
St Elisabeth's Reddish	£400
REMADE WIGAN	£400
Marple Youth Project CIC	£300
Transforming Lives Group CIC	£250
Stockport Community Shed	£200
Vernon Park Veterans Bowling Club	£200
Open Hands	£150
The Resilient Kid	£100
The Beautiful Minds - Embracing Ageing	£100
Offerton Trefoil Guild	£100
Chatty Wednesday	£100
TOTAL	**£12,000**

2024	
FASD Greater Manchester	£650
Samaritans of Stockport and District	£650
Re-dish	£650
Hatters Outreach Providing Essentials	£500
Sands United Manchester	£500
Stockport Swimming Club	£500
Centre Stage Theatre Company	£500
The Cherry Tree Project	£500
Arts for Recovery in the Community (Arc)	£500
TLC: Talk Listen Change	£400
Bramhall North Seniors	£400
Transport for Sick Children	£400
St Johns Amateur Boxing Club	£400
Chelwood Foodbank Plus	£400
Riverside Café and Icy Bar CIC	£400
Friends of Valley School PTA	£300
Knutsford and District Talking Newspaper	£300
Drawing Board Productions (Stockport Post)	£300
Mentell	£300
Keira's Kingdom	£300
The Garden House Marple Charity	£300
Reddish Men in Sheds	£250
Hawk Green Cricket Club	£250
Marbury Road Edible Garden	£200
Claytime Stockport	£200
Stroke Information	£200
Etherow Country Park Sailing Club	£200
S-REP (Stockport Race Equality Partnership)	£200
Buzzing for Creative Therapy	£150
Mountfield Rovers Junior Football Club	£150
Bramhall Together Trust	£150
Feelgood Communities CIC	£100
Jump Space	£100
Heald Green Runners	£100
Bare Necessities Toiletry Bank	£100
Chairman of Cricket (Stockport Cricket Club)	£100
Autisk	£100
The CLUB Squash CIC	£100
Forward CIC	£100
South Reddish Park Crown Green Bowling Club	£100
TOTAL	**£12,000**

Directors

The following persons were Directors of the Society during the year:

Non-executive Directors

Mike Joyce	Chair & Chair of Nominations Committee
Jenny Quirke	Vice Chair & Chair of Audit Committee
Paula Dillon	Chair of Remuneration Committee & Senior Independent Director
Ken Burke	Chair of Risk & Compliance Committee
Steve Wilson	Non-Executive Director

Executive Directors

Darren Ditchburn	Chief Executive
Judith Aspin	Finance Director

All Directors retire on an annual basis and offer themselves for re-election. No Director has any beneficial interest or shares of any connected undertaking of the Society.

Going Concern

The Board have assessed the ability of the Society to continue as a going concern by reviewing medium and long term plans over a detailed 5 year horizon with particular emphasis on examining forecast liquidity, capital and profitability of the Society and the risks to those forecasts through a variety of stress testing scenarios. This horizon is considered appropriate through alignment to the Society's usual forecasting and management reporting allowing robust and continuous assessment of the Society's expected position and principal risks over the time-frame. Active risk management is undertaken to mitigate the Society's principal risks.

The outcome of this review is that the Directors are satisfied that the Society has adequate resources to continue in business and meet its liabilities as they fall due throughout the period of assessment. Accordingly, the Report and Accounts of the Society have been prepared on a going concern basis with no material uncertainties that the going concern basis of accounting is not appropriate.

Post Balance Sheet Events

There are no post balance sheet events to report.

Auditor

Forvis Mazars LLP were re-appointed as external auditor at the Annual General Meeting held in April 2025 and have indicated their willingness to remain in office. A resolution to reappoint Forvis Mazars LLP as external auditors will be proposed at the Annual General Meeting of the Society.

On behalf of the Board

Mike Joyce
Chair
26 February 2026

Statement of Directors' Responsibilities in respect of the financial statements for the year ended 31 December 2025

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

The Building Societies Act 1986 ("the Act") requires the Directors to prepare Society annual accounts for each financial year. Under that law they have elected to prepare the Society annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.
The annual accounts are required by law to give a true and fair view of the state of affairs of the Society and of the profit or loss of the Society for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

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

Directors' responsibilities for accounting records and internal controls

The Directors are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Society's transactions and disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that the financial statements comply with the Building Societies Act 1986, Building Societies (Accounts and Related Provisions) Regulations 1998 and UK Accounting Standards.

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

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

On behalf of the Board

Mike Joyce
Chair
26 February 2026

Introduction

In discharging its responsibilities to be accountable to the Society's Members for the operation of the Society, the Board regards good corporate governance as extremely important. The UK Corporate Governance Code 2024 (the Code), issued by the Financial Reporting Council (FRC) in January 2024 is addressed to publicly quoted companies, however, the Society has been mindful of the Code to the extent deemed reasonable and appropriate by the Board when establishing and reviewing corporate governance arrangements.

This report outlines the approach taken by the Society and how the Board considers it has demonstrated application of the principles of the Code.

The Board

The Society recognises that it must be headed by an effective Board which is responsible for the long-term success of the Society.

There is a clear division of responsibilities between the running of the Board and the Executive responsibility for the running of the Society's business. No one individual has unfettered powers of decision and the roles of Chair and Chief Executive are exercised by different people within the Society. The Nominations Committee carries out a review of the independence of Non-Executive Directors. An effective Board should not necessarily be a comfortable place, with challenge, as well as teamwork, being an essential feature. Challenge by Non-Executive Directors is something which is encouraged by the Chair and, where appropriate, training is provided to support the challenge process. A culture of openness exists within the Society and Non-Executive Directors are encouraged to meet with members of the Executive team.

An external Board effectiveness Review was completed in 2023 and concluded that the Board was operating with a good level of effectiveness.

Matters Reserved to the Board

The Board's Terms of Reference are reviewed on a regular basis. A schedule is maintained of matters reserved to the Board which includes the following:

- **Strategy and Management** – determining the overall strategy of the Society including approval of the Corporate Plan, with the responsibility for its implementation delegated to the Executive team; monitoring operational and financial performance in pursuit of the strategy; overseeing and approving the Society's recovery options and resolution pack; monitoring any recovery plan and approving appropriate management actions; and approving budgets, forecasts and major capital expenditure.
- **Culture** – overseeing the Culture and Values of the Society.
- **Financial Reporting and Internal Controls** – approval of annual results; approval of the Annual Report and Accounts including the Directors' Report, Report of the Directors on Corporate Governance, and the Remuneration Committee Report; ratification of the Going Concern statement following review and approval by the Audit Committee; approval of any significant changes in accounting policies or practice, based on the recommendations of the Audit Committee; and ensuring an adequate internal control environment is in existence. The Board delegates oversight of internal controls to the Audit Committee.
- **Risk Management and Regulatory** – ensuring an adequate Risk Management Framework is in place. This includes approval of risk appetite, oversight of risk governance, reviewing the key risks, ensuring the strategy and risk appetite are consistent and reviewing and approving

the Society's primary risk management processes including; the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP), the Corporate Plan and the Recovery Plan. The Board delegates oversight of risk management to the Risk & Compliance Committee, as well as oversight of compliance with regulations, including by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA).

- **Strengthening Accountability in Banking** – ensuring that the Society meets its obligations under the Senior Managers & Certification Regime (SMCR) including: reviewing at least annually the SMCR framework; maintaining a Management Responsibilities Map for all PRA Prescribed Responsibilities and FCA Business Activities and ensuring all prescribed responsibilities and business activities have been allocated and leading the development of the Society's culture.
- **Board Membership and Senior Management Issues** – approval of changes to the structure, size and composition of the Board, following recommendations from Nominations Committee; and ensuring that adequate succession planning for the Board and senior management is in place following recommendations from Nominations Committee.
- **Appointment and/or re-appointment or removal of the external auditor** to be put to Members for approval, following a recommendation from the Audit Committee.
- **Delegation of Authority** – ratifying the terms of reference for Board Committees and receiving minutes and/or reports from the Chair of the Board Committees.
- **Corporate Governance Matters** – ensuring that a formal evaluation of the effectiveness of the Board is undertaken on an annual basis and considering whether an external assessment using outside consultants as a facilitator is undertaken every three years; determining the independence of Directors; reviewing the Society's overall corporate governance arrangements; and agreeing the policies that manage Director conflicts of interest and other relevant policies.

Board Changes and Elections/Re-elections

It is recognised that changes need to be made to the Board from time to time and a comprehensive skills requirement assessment and recruitment process is carried out. Directors are elected at the Annual General Meeting (AGM) annually following the recommendation of the Code.

Management Information

The Chair is responsible for ensuring that the Directors receive accurate, timely and clear information. Board members receive meeting packs in advance of each Board meeting. A rolling Board agenda is tabled at each meeting to ensure that all key areas are covered appropriately during the year. A Non-Executive only meeting takes place after each Board meeting. Sufficient time is set aside to ensure that constructive discussion and challenge can take place. All Directors have access to independent professional advice, if required, and also access to the services of the Society Secretary.

Board Committees

The Board has a number of Committees, all of which have their own Terms of Reference, which are reviewed on an annual basis, with further details provided below. The Chair of each Committee reports to the Board at its subsequent meeting on the matters discussed at each

Committee meeting. Similar to the Board, each Committee has carried out a review of its own effectiveness, and where improvement opportunities have been identified, the individual Committees are responsible for tracking action points. These reviews are carried out on an annual basis. The effectiveness reviews for the Risk and Compliance, Nomination, Remuneration and Audit Committees are summarised and presented to the Board for review. The effectiveness reviews for the Executive, Assets & Liabilities and Credit Committees are summarised and presented to the Risk & Compliance Committee for review. Information concerning attendances at the meetings is detailed on page 17. Terms of Reference for the Audit Committee, Risk & Compliance Committee, Remuneration Committee and Nominations Committee are available upon request.

Audit Committee

Details of the Audit Committee are contained in the Audit Committee Report on pages 19 to 21. Through the work of the Audit Committee and Internal Audit during 2025, the Directors have carried out a review of the Society's risk management and internal control systems, covering all material controls, including financial, operational and compliance controls.

Remuneration Committee

Details of the Remuneration Committee are contained in the Remuneration Committee Report on pages 22 to 25. Responsibilities include agreeing the Remuneration Policy for the Directors and other Material Risk Takers (MRTs).

Risk & Compliance Committee

The Society has a Risk & Compliance Committee comprising a minimum of the Committee Chair, another Non-Executive Director (NED) and Chief Risk Officer (CRO), which operates within the Terms of Reference agreed by the Board. The Terms of Reference and the effectiveness of Risk & Compliance Committee are reviewed on an annual basis.

The main objectives of Risk & Compliance Committee are summarised as follows:-.

- Overseeing the Society's risk management and governance framework and the Society's overall risk profile.
- Oversight of overall risk appetite, risk management strategy and framework, including oversight of both prudential and conduct risk appetites.
- Oversight of compliance with risk policies.
- Review and assessment of the adequacy of risk management information to monitor and control risks.
- Approval of risk management of new initiatives and projects, and in particular the risks those initiatives and projects expose the Society to.
- Consideration and approval of the top risks for the Society including low likelihood, high impact risks; and approval of stress testing and scenario testing.

Members of Risk & Compliance Committee are Ken Burke (Committee Chair), Steve Wilson (Non Executive Director) and Victoria Thackstone (CRO).

The Risk & Compliance Committee operates to a rolling agenda to ensure it discharges its full responsibilities. It meets at least on a quarterly basis and in 2025 met on five occasions.

Nominations Committee

The Society has a separate Nominations Committee comprising a minimum of the Chair, Vice-Chair and Chief Executive, and which operates within the Terms of Reference agreed by the

Board. The Terms of Reference and the effectiveness of Nominations Committee are reviewed on an annual basis.

The main objectives of Nominations Committee are summarised as follows:-

- To oversee the structure of the Board and Board Committees.
- To identify suitable candidates to fill Board vacancies.
- To ensure that the Board has the appropriate balance of skills, diversity and experience; and
- To oversee the Board's succession plan. All key decisions of Nominations Committee, for example, Board appointments, must also be ratified by the full Board.

Members of Nominations Committee are Mike Joyce (Committee Chair), Jenny Quirke (Vice Chair of the Board) and Darren Ditchburn (CEO).

Nominations Committee operates to a rolling agenda to ensure it discharges its full responsibilities. It meets a minimum of once a year and in 2025 it met on one occasion.

Appointments to the Board

Nominations Committee follows a stringent recruitment process when making appointments to the Board. This process is tailored to meet the requirements of each particular vacancy and the method of attracting candidates is adapted depending on the nature of the skills required for the vacancy. External consultants and advisers are normally utilised to ensure there is a robust list of suitable candidates with which to fill a vacancy.

Whenever a new Director is appointed, FCA and PRA have the right, for certain key roles, to carry out formal Significant Influence Function (SIF) interviews in order that the Director becomes an Approved Person.

Directors have been issued with Statement of Responsibilities, and Terms of Engagement for Non-Executive Directors, to ensure that all Directors fully understand and comply with their role and the responsibilities of being a Director of the Society.

Diversity of the Board

The Board recognises and embraces the benefits of having a diverse Board which utilises a range of factors including skills, industry experience, background, race, gender and the other qualities of its Directors. Giving specific regard to gender ratios, there were three female Directors on the Board throughout 2025 (representing 43% of Board Members). It is important to note that all Board appointments are made based on individual competence, skills and expertise measured against identified objective criteria. Appointment is therefore based on merit and the Board has not set any measurable objectives for diversity although the position will be kept under review.

Re-election to the Board

As per the recommendation of the Code, all Directors should be required to seek election or re-election at the AGM on an annual cycle, the forthcoming one to be held on 29 April 2026. Non-Executive Directors are usually expected to serve more than three years, subject to satisfactory performance evaluations and re-election by Members.

Independence of Directors

The Terms of Engagement for Non-Executive Directors require that they declare to the Society any other external interests. Nomination Committee carries out an annual review of the independence of Non-Executive Directors, against the criteria set out in the Code.

The last review was carried out by Nominations Committee in 2025 where it was confirmed that the independence requirements in terms of character and judgement were met. The Society recognises that it is good corporate governance to have a Senior Independent Director and Paula Dillon fulfils this role.

Assessment of Directors

All Directors are subject to a formal appraisal of their performance on an annual basis. The Chair conducted the appraisals of the Chief Executive and Non-Executive Directors, the Chief Executive conducted the appraisals of the Finance Director, whilst the Senior Independent Director led the appraisal of the Chair.

Skills and Continuous Development

All Directors are required, as part of their terms of engagement, to follow a process of continuous development to ensure that their skills and experience meet the needs of the Society and the regulatory environment in which it operates. The training and development plans of Non-Executive Directors are reviewed at least annually during their performance appraisal. Nominations Committee oversees the formal induction programme for newly appointed Directors. The Chair oversees the on-going training and development of Non-Executive Directors.

Relations with Members

Member engagement is at the heart of our strategy and the Society develops relationships with Members on a number of different levels. The first and most obvious is through the AGM voting process where Members are encouraged, as owners of the business, to use their vote and we try to make this process as easy as possible, including the ability to vote online and by post. Understanding what Members think about our products and service is also extremely important. We use customer satisfaction surveys and obtain feedback from different types of product holders.

Board and Board Committee Membership Attendance Record

The table below sets out the number of meetings attended by Directors during 2025 with the number in brackets representing the maximum number of meetings the Director was eligible to attend. The meetings were held either in person or by video conference.

Board Member	Board	Audit	Remuneration	Nomination	Risk and Compliance
M Joyce	8/(8)	2/(2)	3/(3)	1/(1)	-
J Quirke	8/(8)	5/(5)	-	1/(1)	-
K Burke	8/(8)	-	3/(3)	-	5/(5)
P Dillon	7/(8)	3/(5)	2/(3)	-	-
S Wilson	8/(8)	-	-	-	4/(5)
D Ditchburn	8/(8)	-	-	1/(1)	-
J Aspin	8/(8)	-	-	-	-

Annual General Meeting (AGM)

The AGM provides an opportunity for Members to question the Chair, Chief Executive, Committee Chairs and Directors on the resolutions to be proposed at the meeting, the Annual Report and Accounts, and on any other aspect of the Society's business. All Members who are

eligible to vote at the Annual General Meeting are encouraged to participate by using their proxy voting form. The use of the online voting system is encouraged and for each vote placed online, the Society will be donating £1 to the Vernon Building Society Community Stars Fund.

All votes are counted by independent scrutineers. As soon as practicable after the AGM, full details of the results of the voting are placed on the Society's website.

On behalf of the Board

Mike Joyce
Chair
26 February 2026

The main function of the Audit Committee is to review and provide assurance to the Board on the integrity of the annual accounts and the effectiveness of the internal control systems including internal financial control.

Members of Audit Committee

Jenny Quirke (Committee Chair & Vice Chair of the Board) and Paula Dillon (Senior Independent Director & Chair of the Remuneration Committee).

The Committee members were selected for appointment by recommendation of the Nomination Committee in consultation with the Audit Committee Chair for their relevant experience.

Committee meetings

The Committee meets at least four times each year coinciding with key dates in the Society's financial reporting calendar following a rolling schedule of items for discussion, agreed and reviewed on an ongoing basis. Meetings are attended by Audit Committee members with other regular attendees at meetings including the Chief Executive, Finance Director, Chief Risk Officer, representative of Internal Audit and when appropriate a representative of the External Auditors as well as other management, as the Committee feels is appropriate and necessary.

For details of Committee meeting attendance see page 17 of the Annual Report and Accounts. As well as a formal annual meeting, the Audit Committee has an opportunity to meet with the External Auditors at each Audit Committee meeting, without senior management present. These meetings cover matters relating to its remit and any issues arising from audits, including matters required to be discussed by relevant law or regulations.

Key roles and responsibilities as delegated by the Board

The main function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities, specifically the ongoing review, monitoring and assessment of:

Financial Reporting

The Audit Committee's primary role regarding financial reporting is to monitor the integrity of the Annual Report and Accounts of the Society. This responsibility is discharged through:

- review of the Annual Report and Accounts, for completeness and compliance with relevant accounting standards and other regulatory and legal requirements;
- reporting to the Board on the consistency and appropriateness of critical accounting policies and any changes thereto, taking into account the views of the external auditor;
- review and challenge of significant financial reporting judgements, estimates and the actions and judgements of management;
- review of any correspondence from regulators in relation to financial reporting;
- review of the going concern statement and business viability assessment produced by the Finance Director on an annual basis;

The main areas of financial reporting significance considered by the Audit Committee in 2025 were as follows:

- **Commercial and residential loan impairment provisions**: This is inherently an area of accounting estimate and judgement and is particularly so in recent years given the cost of living increases. The loan impairment provisions are agreed by the Society's Credit Committee and then reported to the Audit Committee. The Audit Committee reviews the level of provisioning through detailed discussion with management on the key judgements and methodology behind impairment calculations. The impact of forbearance in the

mortgage portfolios has been considered and appropriate disclosures made in the Annual Report and Accounts. The Committee is satisfied that the impairment indicators and the assumptions adopted and models used to calculate provisions over the residential and commercial mortgage books are a fair balance between the upside and downside risks and represent a reasonable assumption.

- **Fair value of derivatives and financial assets**: The Audit Committee is appraised of the Society's derivative and hedge accounting position and strategy and also agrees with the accounting policy for hedging, including disclosures in the Annual Report and Accounts. The Committee has concluded satisfactorily in this area.

Preparing the Annual Report and Accounts under the Going Concern assumption requires the Board and Audit Committee to be satisfied about the long-term viability of the Society's business operations, business planning, business management and risk management. Long term liquidity, capital and funding forecasts alongside business viability considerations are assessed formally at the year-end to coincide with the approval of the Annual Report and Accounts. The Audit Committee concluded that the adoption of the going concern basis to prepare the accounts is appropriate.

The Committee considers matters raised by the External Auditors and the Committee concluded there were no adjustments proposed that were material to the Annual Report and Accounts.

Having undertaken the above responsibilities and considerations throughout the Society's 2025 financial year the Audit Committee recommended to the Board that approval be given to the audited Annual Report and Accounts and Summary Financial Statements as at 31 December 2025. The Summary Financial Statements make up part of the Annual Review which can be downloaded from the Society's website.

Internal Controls

The Audit Committee works closely with the Risk & Compliance Committee to ensure that management and staff take appropriate responsibility for internal control. The Audit Committee agrees the audit plan detailing the work to be undertaken by internal audit during the forthcoming year as part of a five year cycle of work following the appointment of RSM as internal auditors (see 'Internal Audit' section below).

The Audit Committee is responsible for:

- review of the scope and effectiveness of the Society's internal control systems including Information Technology security and control.
- establishing the scope and frequency of Internal Audit reviews relating to the internal control environment.

Internal Audit

The Audit Committee is responsible for the appointment and removal of the Internal Auditors, agreeing the internal audit plan and monitoring activity relative to the plan. Internal audit work will focus on key areas of risk and include a review of the Society's processes, evaluate their effectiveness and make recommendation for improvements where appropriate. The Committee approves the Internal Audit budget and is satisfied that the Internal Audit has the appropriate resources. The Committee reviews the effectiveness of the Internal Audit function including conformance with required Standards. RSM have been the Society's Internal auditors during the current and comparative financial years.

The Committee approves and reviews the Internal Audit work programme and results and ensures that Internal Audit maintains sufficient access to the Board, management and the financial records of the Society. The Committee also reviews the responsiveness of management to findings and recommendations made by Internal Audit.

External Audit

The Audit Committee is responsible for overseeing the Society's relationship with the External Auditors, Forvis Mazars LLP, who were first appointed in 2020.

The Audit Committee's responsibilities with regards to external audit extends to:

- appointment, reappointment, removal and assessment of independence, objectivity and effectiveness of the External Auditors;
- approval of terms and remuneration in respect of audit services provided;
- annual approval of the Society's use of the External Auditors for non-audit work; and
- consideration of audit quality including reports by the FRC Audit Quality Review Team.

The Audit Committee assesses annually the qualification, expertise and resources of the External Auditors seeking reassurance on their independence. The External Auditors communicate their formal independence annually and appraise the Audit Committee of policies, processes and monitoring in place for maintaining their independence.

On behalf of the Board

Jenny Quirke
Chair of Audit Committee
26 February 2026

Introduction

This report details the Society's approach to pay for the period from 1 January to 31 December 2025. It sets out the Remuneration Policy and remuneration details for the Executive and Non Executive Directors of the Society and how it applies the principles of the UK Corporate Governance Code relating to remuneration, the Regulators' Remuneration Code and the disclosure requirements arising under the EU Capital Requirements Directive IV (CRD IV). The report is split into three main areas; the Statement by the Chair of the Remuneration Committee, the Report on Remuneration and the Directors' Remuneration Policy.

i) Statement by the Chair of the Remuneration Committee

The Remuneration Committee operates within the Terms of Reference (ToR) agreed by the Board. The ToR is reviewed annually.

The main objectives of the committee are summarised as follows:

- To ensure a formal and transparent procedure is in place for developing the policy on Non-Executive, and Executive remuneration and for fixing the remuneration packages of individual Directors;
- To ensure compliance with the Regulators' Remuneration Rules through at least annual review;
- To determine and agree with the Board the framework for Executive and employee remuneration and conditions of employment;
- Approval of the Society's Remuneration Policy, Remuneration Committee Reports in the Society's Annual Report and Accounts and Summary Financial Statements; and
- To consider and make recommendations to the Board on the general framework of employee bonus schemes.

The Board believes remuneration should be sufficient to attract, retain and motivate senior managers to continue to run the Society successfully, whilst avoiding paying more than is necessary for this purpose. The Remuneration Policy, therefore, focuses on rewarding our Executives in line with the achievement of our goals set out in the annual Corporate Plan whilst continuing to provide value for money for our Members.

ii) Composition of the Committee

The Committee comprises solely of Non-Executive Directors who have no personal financial interest in the recommendations. The Chair of the Committee is Paula Dillon, the other members are Ken Burke and Michael Joyce. The Chief Executive and Finance Director (except for items relating to their own remuneration) also attend meetings but are not members of the Committee. During the year the Committee met three times and its activities included:

- Overseeing compliance of the Society's approach to remuneration against the requirements of the Regulators' Remuneration Rules;
- Considering and agreeing pay and benefits for Executive Directors and MRTs, as well as overseeing remuneration matters across the Society; and
- Reviewing the performance for the financial year and approving the resulting level of Corporate Bonus to be paid based on achievement of the Corporate Metrics.

There were no substantial changes relating to Directors' remuneration made during the year and the Society's Remuneration Policy does not include significant performance related variable remuneration. The Society has adopted a simple remuneration structure which is appropriate to its business and is efficient and cost effective in promoting its long term strategy. Transparent salary, other benefits and pension contributions are supplemented by a modest and straightforward Corporate Bonus Scheme, that promotes continued involvement in the Society's ongoing success through cumulative performance targets without overemphasising reward based on short term results.

iii) Report on Remuneration

The Remuneration Policy applied to Executive Director emoluments is consistent to those applied with any other member of staff. The information provided and disclosed is as required under the Building Society (Accounts and Related Provisions) Regulations 1998. There is a requirement under Para 14 of the Society's Rules to have deposits to the value of not less than £1,000 in a Society share account in order to qualify as a Director. This means all Directors are Members of the Society. The Chief Executive is the Society's most highly paid employee and no employee earns more than any Executive Director. For details of other non-Society Board positions held by the Society's Executive Director team and Non-Executive team see the Annual Business Statement on page 61 of the Annual Report and Accounts. None of the Executive Directors retained any remuneration as a result of their non-Society positions.

Executive Directors Remuneration (£'000)		**Salary**	**Annual Bonus**	**Pension**	**Benefits**	**Total**
D Ditchburn[1]	**2025**	**210**	**13**	**26**	**6**	**255**
	2024	14	-	-	2	16
S Fletcher[2]	**2025**	**-**	**-**	**-**	**-**	**-**
	2024	206	-	-	-	206
J Aspin	**2025**	**177**	**10**	**2**	**6**	**195**
	2024	175	9	-	6	190
Total Executive Directors	**2025**	**387**	**23**	**28**	**12**	**450**
	2024	395	9	-	8	412
Non-executive Directors Remuneration (£'000)		**Salary**	**Annual Bonus**	**Pension**	**Benefits**	**Total**
M Joyce	**2025**	**52**	**-**	**-**	**-**	**52**
	2024	50	-	-	-	50
J Quirke	**2025**	**33**	**-**	**-**	**-**	**33**
	2024	32	-	-	-	32
P Dillon	**2025**	**31**	**-**	**-**	**-**	**31**
	2024	30	-	-	-	30
K Burke	**2025**	**34**	-	-	-	**34**
	2024	33	-	-	-	33
S Wilson	**2025**	**31**	**-**	**-**	**-**	**31**
	2024	30	-	-	-	30
Total Non-executive Directors	**2025**	**181**	**-**	**-**	**-**	**181**
	2024	175	-	-	-	175
Total Directors	**2025**	**568**	**23**	**28**	**12**	**631**
	2024	570	9	**-**	8	587

[1] Appointed as Director 16 December 2024

[2] Resigned on 15 December 2024, contract was for 60 days holidays per year

The Committee is responsible for setting the remuneration of the Executive Directors. When setting salary increases for Executive Directors, the Committee considers the level of salary increases across the Society. All employees of the Society receive a basic salary and benefits consistent with market practice and are eligible to participate in the Society's Corporate Bonus Scheme and pension arrangements.

Remuneration for Executive Directors

Executive Directors' remuneration comprises basic salary, discretionary bonus and pension benefits, the latter of which is based on a fixed percentage of salary.

Their remuneration level and structure are considered by the Remuneration Committee which meets at least twice a year, with reference to job content and responsibilities, the performance of the individual and salaries in similar organisations. Additionally, the Remuneration Committee considers the achievement of the strategic objectives within the Corporate Plan and the ongoing delivery of the longer-term strategy for the Society when considering any inflationary increases to Executive Directors' salaries.

There are no separate incentive schemes in place for the Executive Directors. The Remuneration Committee has the discretion to add a bonus payment to the remuneration of the Executive Directors annually aligned with the approach taken for all staff and is as a result of the appraisal process completed each year when achievement of objectives, aligned to the strategic goals of the Society, are reviewed. The maximum bonus payment and therefore variable pay is 10%.

The Society does not have a defined benefit final salary pension scheme. The Society ordinarily makes contributions to the private pension arrangements of the Executive Directors, in line with that available to senior colleagues.

Remuneration of Non-Executive Directors

The remuneration of all Non-Executive Directors is fee based and is reviewed annually by RemCo. They do not participate in any performance pay scheme, pension arrangements or other benefits and do not have service contracts.

The Chair of the Board, Vice Chair and Chair of Risk and Compliance Committee receive higher fees than other Non-Executive Directors in recognition of the additional workload and responsibilities incumbent on those positions.

The remuneration of Non-Executive Directors is approved following a recommendation from the Chief Executive and Finance Director.

Directors' service agreements and notice periods

Executive Directors are employed on service agreements which can be terminated by either the Society or the Director giving six months' notice.

Non-Executive Directors do not have service agreements and are re-elected annually. They will generally be expected to serve more than one three-year term.

Consideration of Member views

The Committee does not consult with the Society's Members on its Remuneration Policy but considers feedback given by Members. The Committee has for a number of years invited Members to vote on the receipt of the annual Remuneration Report, and Members have always voted in favour.

Deferred Remuneration

There was no deferred remuneration during 2025. As the Society's Remuneration Policy does not include significant performance related variable remuneration, no formal ratio between fixed and variable remuneration is relevant.

On behalf of the Board

Paula Dillon
Chair of Remuneration Committee
26 February 2026

Independent auditor's report to the Members of Vernon Building Society for the year ended 31 December 2025

Opinion

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

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

In our opinion, the annual accounts:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Society's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their integrated cash flow forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included inspecting the Society's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) and its reverse stress testing;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the current economic situation, including but not limited to levels of inflation and interest rates;
- Considering the consistency of the directors' forecasts with other areas of the annual accounts and our audit;
- Evaluating the appropriateness of the directors' disclosures in the annual accounts on going concern;

- Considering whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion; and
- Reviewing regulatory correspondence and committee and board meeting minutes to identify events or conditions that may impact the Society's ability to continue as a going concern.

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

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

Key Audit Matters

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

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

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

Key Audit Matter	How our scope addressed this matter
Credit risk – allowance for impairment losses on loans and advances to customers As at the 31 December 2025 the Society held £451.9k (2024: £555.9k) of provisions against a total mortgage loan book of £440.1m. The Society's total impairment provision consists of an individual provision on loans with impairment triggers (£167.2K; 2024: £186.9K) and a collective provision on the performing portfolio (£284.7k; 2024: £369.0k). All loans are secured against residential or commercial properties. Refer to Note 1.7 on page 38: Identification and measurement of impairment accounting policy and Note 16 on page 47: Impairment losses on loans and advances to customers disclosures. Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation in arriving at the 31 December 2025 provisions. The Society has limited actual loss experience on which to base its impairment assessment on the loan portfolio, due to historically low incidents of loss, resulting in management judgement being required in deriving	Our audit procedures included, but were not limited to: • Evaluating the design and implementation and operating effectiveness of the key controls in relation to the credit process (loans origination and approval, loan redemptions and arrears monitoring) and the design and implementation of the governance controls around the review of the impairment calculation; • Understanding and critically assessing the methodology applied in the Society's impairment model to confirm that it complies with relevant accounting standards and recalculating the mathematical accuracy and integrity of the model; • Evaluating independently obtained external data used in the provisioning model, and considering whether this is consistent with our understanding of the Society's portfolio; • Comparing the Society's key assumptions of PD and FSD with the Society's internal data as well as external data from lenders and loan portfolios with similar characteristics, to critically assess the reasonableness and relevance of the assumptions applied; • Critically assessing the PD scores assigned to loans in the individual provision on a case-by-case basis to determine their reasonableness;

assumptions to be applied in the assessment.

The individual provision is calculated by the Society on a case-by-case basis, with customer accounts falling into arrears, forbearance, or appearing on the Society's "Watch List" being individually assessed for provisioning.

The collective impairment model is most sensitive to movements in the House Price Index ('HPI'), Forced Sales Discount ('FSD') applied to collateral values and the probability of default ('PD') of loans.

The collective impairment assessment may be sensitive to other factors applied to take account of the impact of inflation on the 'cost of living crisis' on borrowers' financial resilience and the strength of the UK property market.

- Using our internal property valuation experts, independently examining the valuation of a risk-based selection of properties held as collateral within the model;
- Developing an auditor's range estimate of the collective provision using reasonable alternative assumptions relevant to the society's portfolio, with the assistance of our quantitative solutions – credit risk specialists;
- Performing sensitivity analysis to identify key assumptions which drive significant changes in the provision and to assess whether reasonably possible changes could result in a material misstatement
- Performing a stand back assessment of the resulting individual and collective impairment estimates to assess their appropriateness; and.
- Reviewing the disclosures made by management to ensure compliance with the accounting standards and agreeing the disclosures to supporting evidence.

Our observations

Based on the audit procedures performed, we concluded that the approach taken by the Society in respect to allowance for impairment losses on loans and advances to customers is overall consistent with the requirements of IAS 39 as applicable under FRS 102. We consider management's estimate of the allowance for impairment losses to be reasonable.

Our application of materiality and an overview of the scope of our audit

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

Overall materiality	£340,000 (2024: £320,000)
How we determined it	1% of Net Assets (2024: 1% of net assets)
Rationale for benchmark applied	We consider that net assets are the most appropriate benchmark to use for the Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximization. Further, net assets as a benchmark are supported by the fact that regulatory capital is a key benchmark for management and regulators, where net reserves is an approximation of regulatory capital resources.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the annual accounts exceeds materiality for the annual accounts as a whole. We set performance materiality at £238,000 (2024: £224,000) which represents 70% of overall materiality (2024: 70%). In determining the performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount towards the upper end of our normal range was appropriate.

Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £10,200 (2024: £9,600) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

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

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts, or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on the Annual Business Statement and the Directors' Report

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

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Society, or returns adequate for our audit have not been received from branches not visited by us; or
- the Society annual accounts are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the annual accounts

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

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

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

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

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

- Gaining an understanding of the legal and regulatory framework applicable to the Society and the industry in which it operates, and considering the risk of acts by the Society which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Society is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, including the PRA and FCA;
- Reviewing minutes of directors' meetings in the year and up until the authorisation of the annual accounts;
- Attending a bilaterial meeting with the PRA;
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience and through discussions with the Chief Risk Officer, from inspection of the Society's regulatory and legal correspondence and review of minutes of the Board of Directors and Audit, Risk and Compliance Committee during the period.

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

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the annual accounts, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to

manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loan loss provisions, and performing the procedures described in the "Key audit matters" section of our report;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing

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

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key audit matters" section of this report.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the directors on 15 September 2020 to audit the annual accounts for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ending 2020 to 2025.

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

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

Use of the audit report

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

Michael Davidson (Senior Statutory Auditor) for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
Forvis Mazars LLP
3 Wellington Place
Leeds
LS1 4AP

26 February 2026

Statement of Comprehensive Income for the year ended 31 December 2025

	Notes	2025 £'000	2024 £'000
Interest receivable and similar income	3	26,344	27,228
Interest payable and similar charges	4	(15,277)	(16,667)
Net interest receivable		**11,067**	**10,561**
Fees and commissions receivable	5	27	53
Fees payable		(22)	(19)
Net (losses)/gains from other financial instruments at fair value through profit or loss	6	(230)	462
Total Income		**10,842**	**11,057**
Administration expenses	7	(7,673)	(7,282)
Depreciation and amortisation	17, 18	(428)	(321)
Other operating charges		(38)	(38)
Operating profit before impairment losses and provisions		**2,703**	**3,416**
Loss on disposal of fixed assets	17	-	(3)
Impairment provision release on loans and advances to customers	16	104	113
Increase of provisions for liabilities	25	-	(1)
Profit on ordinary activities before taxation		**2,807**	**3,525**
Taxation on profit on ordinary activities	10	(743)	(901)
Profit for the financial year		**2,064**	**2,624**
Other Comprehensive Income			
Unrealised gains/(losses) on available for sale financial instruments		14	(2)
Less: realised gains recycled through comprehensive income		-	-
Movements in available for sale reserve		**14**	**(2)**
Taxation on other comprehensive income		(3)	-
Total comprehensive income for the year		**2,075**	**2,622**

Both the profit for the financial year and total comprehensive income for the period are attributable to the Members of the Society.

The accounting policies and notes on pages 36 to 60 form part of these accounts.

Statement of Financial Position at 31 December 2025

	Notes	2025 £'000	2024 £'000
ASSETS			
Cash in hand and balances with the Bank of England	11	29,017	56,822
Loans and advances to credit institutions	12	23,137	13,821
Debt securities	13	36,571	11,518
Liquid Assets		**88,725**	**82,161**
Derivative financial instruments	14	751	3,733
		751	**3,733**
Loans and advances to customers			
Loans fully secured on residential property	15	438,869	414,420
Other loans fully secured on land	15	1,252	1,598
		440,121	**416,018**
Intangible fixed assets	18	64	33
Tangible fixed assets	17	2,823	3,098
Prepayments	20	1,016	1,043
Total Assets		**533,500**	**506,086**
LIABILITIES			
Shares	21	437,651	409,029
Amounts owed to credit institutions	22	9,615	15,302
Amounts owed to other customers	23	48,198	47,538
Derivative financial instruments	14	2,408	678
Deferred tax liability	19	317	332
Other liabilities	24	825	640
Accruals		356	512
		499,370	**474,031**
RESERVES			
General reserves		34,121	32,057
Available for sale reserves		9	(2)
Total Equity and Liabilities		**533,500**	**506,086**

The accounting policies and notes on pages 36 to 60 form part of these accounts.

The accounts were approved by the Board of Directors on 26 February 2026 and were signed on its behalf by:

M Joyce, Chair
D Ditchburn, Chief Executive
J Aspin, Finance Director

Statement of Changes in Members' Interests for the year ended 31 December 2025

	General Reserve £000	Available for sale reserve £000	Total Equity attributable to Members £000
At 1 January 2024	**29,433**	**-**	**29,433**
Comprehensive income for the year	2,624	-	2,624
Other comprehensive income for the year	-	(2)	(2)
Total comprehensive income for the year	2,624	(2)	2,622
At 31 December 2024	**32,057**	**(2)**	**32,055**
Comprehensive income for the year	2,064	-	2,064
Other comprehensive income for the year	-	11	11
Total comprehensive income for the year	2,064	11	2,075
At 31 December 2025	**34,121**	**9**	**34,130**

The accounting policies and notes on pages 36 to 60 form part of these accounts.

Cash Flow Statement for the year ended 31 December 2025

	Notes	2025 £'000	2024 £'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit on ordinary activities before taxation		2,807	3,525
Depreciation and amortisation of fixed assets	17, 18	428	321
Changes in fair values of financial instruments held for hedging purposes		76	353
Loss on disposal of fixed assets		-	3
Impairment release on loans and advances to customers	16	(104)	(113)
Net cash generated by trading activities		**3,207**	**4,089**
CHANGES IN OPERATING ASSETS AND LIABILITIES			
(Increase) / decrease in accrued interest of debt securities	13	(414)	33
Net increase in loans and advances to customers	15	(19,319)	(27,233)
Increase in loans and advances to credit institutions		(11,769)	(4,026)
Net increase / (decrease) in prepayments	20	27	(127)
Net increase in shares	21	28,578	35,426
Net (decrease) / increase in amounts owed to credit institutions and other customers	22, 23	(5,027)	7,241
Net (decrease) / increase in accruals and deferred income		(156)	118
Increase in other liabilities	24	148	104
Taxation paid		(724)	(430)
Net cash (outflow) / inflow from operating activities		**(5,449)**	**15,195**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds on maturity of debt securities	13	21,943	9,540
Purchase of debt securities		(46,568)	(13,227)
Purchase of fixed assets	17	(184)	(1,273)
Net cash outflow from investing activities		**(24,809)**	**(4,960)**
Net (decrease) / increase in cash and cash equivalents		**(30,258)**	**10,235**
Cash and cash equivalents at beginning of year		66,617	56,382
Cash and cash equivalents at end of year		**36,359**	**66,617**

The accounting policies and notes on pages 36 to 60 form part of these accounts.

Notes to the accounts for the year ended 31 December 2025

1. PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102 ("FRS 102"), The Financial Reporting Standard applicable in the UK and Republic of Ireland. The Society has also chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the UK). The presentation currency of these annual accounts is Sterling. All amounts in the annual accounts have been rounded to the nearest £1,000.

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

The address of the Society's registered office is 19 St Petersgate, Stockport, Cheshire, SK1 1HF.

1.1 Measurement convention

The annual accounts are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through profit and loss or classified as available for sale.

1.2 Interest

Interest income and expense are recognised in the Statement of Comprehensive Income using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not credit losses. The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Fees and commissions included in the effective interest rate are spread on a straight-line basis over the expected life of the financial instrument, which is materially consistent with FRS 102.

Interest income and expense presented in the statement of comprehensive income and other comprehensive income (OCI) include

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis;
- interest on available-for-sale investment securities calculated on an effective interest basis; and
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Fair value changes on derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through the statement of comprehensive income, are presented in *net gains / (losses) from other financial instruments at fair value through profit or loss.*

1.3 Fees and commission

Fees and commission income and expenses that are directly attributable to the acquisition or issue of the financial asset or financial liability are included in the measurement of the effective interest rate (see 1.2). Other fees and commission income and expense are recognised at the point products are sold or services are rendered.

1.4 Operating leases

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

1.5 Other operating charges

Other operating charges include finance charges payable to the Society's clearing banks. Finance charges are recognsied at the point the services are received.

1.6 Taxation

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

Current tax is the expected tax payable or receivable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the annual accounts.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.6 Taxation (continued)

Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.7 Financial instruments

Recognition

The Society initially recognises loans and advances and deposits on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Society becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability that is measured at amortised cost is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

Classification

Financial assets

The Society classifies its financial assets into one of the following categories:

- Loans and receivables

  'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Society does not intend to sell immediately or in the near term. Loans and advances are initially measured at fair value plus incremental direct transaction costs and subsequently measured under the effective interest method (see 1.2).

- Available-for-sale

  Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise debt securities and are measured at fair value after initial recognition.

  Interest income is recognised in the Statement of Comprehensive Income using the effective interest method (see 1.2). Impairment losses are recognised in the Statement of Comprehensive Income.

  Other fair value changes, other than impairment losses, are recognised in OCI and presented in the available for sale reserve within equity. When the investment is sold, the gain or loss accumulated in equity is recycled through profit or loss in the Statement of Comprehensive Income.

- At fair value through profit and loss

  Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. On initial designation of the hedge, the Society formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Society makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated, and assesses actual results periodically to confirm that the each hedge is highly effective.

  Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the Statement of Comprehensive Income. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in profit or loss (even if those gains would normally be recognised directly in reserves). If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into the Statement of Comprehensive Income using the effective interest method over the remaining life of the hedged item.

Financial liabilities

The Society classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or fair value through profit and loss.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.7 Financial instruments (continued)

Derecognition

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Society neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of; (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Society is recognised as a separate asset or liability.

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

Measurement

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the net of the i) amount at which the financial asset or financial liability is measured at initial recognition; ii) minus any repayments of the principal; iii) plus or minus the cumulative amortisation using the effective interest method of any difference between the amount at initial recognition and the maturity amount; iv) minus, in the case of a financial asset, any reduction for impairment or uncollectability.

Fair value measurement

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

When available, the Society measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Society uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Society determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in the Statement of Comprehensive Income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Identification and measurement of impairment

At each reporting date, the Society assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- Significant financial difficulty of the borrower or issuer;
- Default or delinquency by a borrower;
- The restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise;
- Indications that a borrower or issuer will enter bankruptcy or into an individual voluntary arrangement;
- The disappearance of an active market for a security; or
- Observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Society considers evidence of impairment for loans and advances at both a specific asset and a collective level. All individually significant loans and advances are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.7 Financial instruments (continued)

Measurement; identification and measurement of impairment (continued)

In assessing collective impairment, the Society uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

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

Impairment losses are recognised in profit and loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continues to be recognised through the unwinding of the discount (see 1.2). If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit and loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit and loss. The cumulative loss that is reclassified from equity to profit and loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit and loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through other comprehensive income; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in OCI.

The Society has a closed portfolio of equity release mortgage loans, representing 1.0% of total Loans and advances to customers (2024: 1.0%). A particular clause of the mortgage contract meets the definition of an insurance contract, which is accounted for under FRS103, where a borrower dies or goes into long term care and a redemption receipt is less than the contractual sum owed the Society does not have any further ability to recover amounts from the borrower or the estate.

Under FRS102 the Society has continued to account for these mortgage contracts using its existing accounting policies. The mortgage contract has been classified as being not unbundled. The impact of assessing the contracts as being "not unbundled" is that the income earned on the mortgage contracts is not split between interest and insurance premium and that the mortgage asset is included within loans and advances at the present value of future cash flows.

Measurement and recognition of the income earned on the mortgage contract has been undertaken in line with the Society's other mortgage contracts; the income earned has been included in the Statement of Comprehensive Income within the 'Interest receivable and similar income' category. Within the Statement of Financial Position the mortgage asset (page 32), along with any impairment if there were any, is disclosed materially in line with IAS 39.

The insurance risk liability associated with the no-negative equity guarantee is calculated by estimating potential shortfalls arising at redemption, discounted at the effective interest rate, and is represented by the impairment provision. The assessment incorporates assumptions relating to future house price values at the time of account redemption. Its assessment is also based on expected future outcomes relating to the date on which an account redeems which, given the nature of the product is expected to be on death of the borrower, but can be affected by health issues that would see borrowers move into care; it can also be affected by non-health related voluntary pre-payment. No material insurance liability arises.

Forbearance

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

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

1.8 Cash and cash equivalents

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

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

1.9 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings. The Society assesses at each reporting date whether any tangible fixed assets are impaired.

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings: 10 to 50 years
- Fixtures, fittings, plant, equipment and vehicles: 4 to 10 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since the last annual reporting date in the pattern by which the Society expects to consume an asset's future economic benefits. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. Freehold building assets typcially have useful lives of 50 years, however specific building improvement works have shorter useful lives of 10 years.

1.10 Intangible assets

Computer software

Computer software is stated at cost less accumulated amortisation and any accumulated impairment.

Amortisation

Amortisation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives. Computer software is amortised from the date it is available for use. The estimated useful life is four years based on historical experience.

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

1.11 Provision and contingent liabilities

The Society recognises a provision when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Note 25 provides details of the provisions recognised by the Society at the year end.

Contingent liabilities are potential obligations from past events which will only be confirmed by future events. Contingent liabilities are not recognised in the Statement of Financial Position. However, contingent liabilities are disclosed in the notes to the accounts unless the possibility of an outflow of resources is remote.

1.12 Impairment excluding financial assets and deferred tax assets

The carrying amounts of the entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised through profit and loss in the Statement of Comprehensive Income. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

1.13 Employee benefits

The Society operates a defined contributions personal pension plan, the assets of which are held separately from those of the Society. The Society recognises a cost equal to its contribution payable for the period. The Society also provides death in service cover and a health cash-plan and recognises a cost equal to the premium payable for the period. In addition, the Society also provides volunteering days within the community.

2. ACCOUNTING ESTIMATES AND JUDGEMENTS

As part of the preparation the Annual Report and Accounts the Society makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on many factors including historical experience and expectations of future events that are believed to be reasonable under the circumstances. These estimates and judgements are described below:

a) Impairment losses on loans and advances to customers

The Society reviews its loans and advances to customers on a regular basis to assess impairment. In determining whether an impairment loss should be recorded, the Society is required to exercise a degree of judgement. Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and information from external data agencies.

Estimates are applied to determine prevailing market conditions (e.g. interest rates and house prices), customer behaviour (e.g. default rates) and the length of time expected to complete the sale of properties in possession. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to minimise any difference between loss estimates and actual loss experience. The carrying amount of the provision held against impairment losses on loans and advances to customers at the year end is £0.5m (2024: £0.6m); the impact of a 5% increase in the forced sale discount would impact provisions in 2025 by circa £0.2m (2024: £0.3m) and the impact of a 5% decrease in forced sale discount would be circa £0.2m (2024: £0.2m).

b) Effective Interest Rate (EIR)

In determining the expected life of mortgage assets, the Society uses historical and forecast redemption data as well as management judgement. Throughout the year, the expected life of mortgage assets is reassessed for reasonableness. A variation in the expected life of mortgage assets may result in an adjustment to the carrying value in the Statement of Financial Position and to the timing of the recognition of interest income. At the year end the total adjustment to loans and advances applying the EIR method was £0.5m (2024: £0.4m); a change in the life of the loan by an additional month would change the net carrying value of mortgage assets by circa £0.0m (2024: £0.0m).

c) Fair value of derivatives and financial assets

The Society employs the following techniques in determining the fair value of its derivatives and financial assets:

Derivative financial instruments – These instruments are held by the Society in its management of interest rate risk. The fair value of these instruments are calculated by discounted cash flow models using yield curves that are based on observable market data. At the year end the Society held net derivatives liabilities with a fair value of £1.7m (2024: net assets of £3.0m); a change in the yield curve of 0.5% would change the net fair value of derivative financial instruments by circa £2.9m (2024: £2.2m). The fair value impact to the derivatives would be largely offset by the hedge risk fair value adjustment applied to the hedged instruments through hedge accounting, reducing the net impact to less than £0.1m (2024: less than £0.1m).

		2025 £'000	2024 £'000
3.	**INTEREST RECEIVABLE AND SIMILAR INCOME**		
	On loans fully secured on residential property	19,982	18,984
	On other loans fully secured on land	108	138
	On debt securities:		
	Interest and amortisation of premiums	170	242
	Loss on disposal	-	-
	On other liquid assets		
	Interest	3,541	3,128
	Net interest income on derivatives	2,543	4,736
	Total interest receivable and similar income	**26,344**	**27,228**

No geographical analysis is presented because all of the Society's activities are conducted within the UK.

4.	**INTEREST PAYABLE AND SIMILAR CHARGES**		
	On shares held by individuals	11,410	11,724
	On other shares	2,920	3,308
	On deposits and other borrowings	909	1,274
	Net interest expenses on derivatives	38	361
	Total interest payable and similar charges	**15,277**	**16,667**
5.	**FEES AND COMMISSION RECEIVABLE**		
	Loans and advances related	11	18
	Insurance commissions	16	35
	Total fees and commission receivable	**27**	**53**
6.	**NET (LOSSES) / GAINS FROM OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**		
	Derivatives in designated fair value hedge relationships	(4,389)	(2,172)
	Adjustments to hedged items in fair value hedge accounting relationships	4,361	2,243
	Derivatives not in designated fair value hedge accounting relationships	(164)	414
	Realised losses on interest rate hedge terminations	(38)	(23)
	Total net (losses) / gains from other financial instruments at fair value through profit or loss	**(230)**	**462**
7.	**ADMINISTRATION EXPENSES**		
	Staff costs (note 8)	4,549	4,337
	Other administrative expenses	3,124	2,945
	Total administration expenses	**7,673**	**7,282**
	Other administrative expenses include:		
	Remuneration of auditors (excluding VAT)		
	Statutory audit fees	163	146
	Other audit fees	2	2
	Operating lease costs in respect of land and buildings (note 26)	78	58

8. STAFF NUMBERS AND COSTS

The average number of persons employed (including executive directors) during the year was as follows:

	2025		2024	
	Full time No.	Part time No.	Full time No.	Part time No.
Head office	51	15	50	14
Branch offices	21	11	22	13
	72	**26**	**72**	**27**

The aggregate costs of these persons were as follows:	2025 £'000	2024 £'000
Wages and salaries	3,577	3,563
Social security costs	416	352
Other pension costs	556	422
	4,549	**4,337**

Car allowances of £46k have been reclassed from other administrative expenses to staff costs (2024: £40k)

9. DIRECTORS' EMOLUMENTS

(a) Directors' Emoluments total £630,450 (2024: £586,825). Full details of all directors' remuneration are contained in the Directors' Remuneration Report on page 22.

(b) There are no directors who have loans described in section 65 of the Building Societies Act 1986. In accordance with section 68 of the Building Societies Act, the Society maintains a register which shows details of all loans, transactions and arrangements with directors. A statement of the appropriate details contained in the register for the current financial year will be available for inspection at the head office for a period of 15 days up to and including the Society's Annual General Meeting.

10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

	2025 £'000	2024 £'000
Current tax:		
Current tax on income for the period	761	734
Total current tax	**761**	**734**
Deferred tax (see note 19):		
Origination and reversal of timing differences	(44)	153
Adjustments in respect of prior periods	26	14
Total deferred tax	(18)	167
Tax on profit on ordinary activities	**743**	**901**

10. TAXATION ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

	2025 £'000			2024 £'000		
	Current tax	Deferred tax	Total tax	Current tax	Deferred tax	Total tax
Recognised in profit and loss account	761	(18)	743	734	167	901
Recognised in other comprehensive income	-	3	3	-	-	-
Total tax	**761**	**(15)**	**746**	**734**	**167**	**901**

Reconciliation of effective tax rate:	2025 £'000	2024 £'000
Profit for the year	2,064	2,624
Total tax expense	743	901
Profit excluding taxation	**2,807**	**3,525**
Tax using the UK corporation tax rate of 25% (2024: 25%)	702	881
Adjustments in respect of prior periods	2	3
Non-deductable expenses	39	17
Change in tax rate on deferred tax balances	-	-
Total tax expense included in profit and loss	**743**	**901**

The effective rate of tax applied to operating profit on ordinary activities is 26.47% (2024 - 25.56%)

11. CASH AND CASH EQUIVALENTS

	2025 £'000	2024 £'000
Cash in hand and balances with the Bank of England	29,017	56,822
Loans and advances to credit institutions (see note 12)	7,342	9,795
Cash and cash equivalents per Cash Flow Statement	**36,359**	**66,617**

12. LOANS AND ADVANCES TO CREDIT INSTITUTIONS

Loans and advances to credit institutions are repayable from the balance sheet date as follows:	2025 £'000	2024 £'000
On demand	7,342	9,795
In not more than three months	14,185	2,009
In more than three months but less than one year	339	2,017
In more than one year but less than five years	1,271	-
Total loans and advances to credit institutions	**23,137**	**13,821**

13. TREASURY BILLS AND OTHER DEBT SECURITIES

		2025 £'000	2024 £'000
a)	Treasury bills	33,532	4,163
	Gilts	3,039	2,994
	Floating rate notes	-	4,361
		36,571	**11,518**
	Treasury bills and other debt securities have the following maturities:		
	In not more than one year	34,528	7,157
	In more than one year	2,043	4,361
		36,571	**11,518**
	Transferable Treasury bills and other debt securities comprise:		
	Listed on a recognised exchange	36,571	11,518
		36,571	**11,518**

The directors consider the securities held as liquid assets are held with the intention of use on a continuing basis in the Society's activities and are therefore classified as 'financial fixed assets' rather than current assets. Movements during the year of transferable securities held as 'financial fixed assets' are analysed as follows:

b) Movements in Treasury bills during the year summarised as follows:	2025 £'000	2024 £'000
At 1 January	4,163	3,485
Additions	43,574	10,255
Disposals and maturities	(14,579)	(9,540)
Accrued interest movement	365	(37)
Net gains from changes in fair value recognised in other comprehensive income	9	-
At 31 December	**33,532**	**4,163**

c) Movements in other debt securities during the year summarised as follows:	2025 £'000	2024 £'000
At 1 January	7,355	4,381
Additions	2,994	2,972
Disposals and maturities	(7,364)	-
Accrued interest movement	49	4
Net gains/(losses) from changes in fair value recognised in other comprehensive income	5	(2)
At 31 December	**3,039**	**7,355**

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract notional amount 2025 £'000	Positive market value 2025 £'000	Negative market value 2025 £'000
Derivatives designated as fair value hedges:			
Interest rate swaps	239,139	746	(2,275)
Derivatives not in hedge relationships:			
Interest rate swaps	49,361	5	(133)
	288,500	**751**	**(2,408)**

The fair value movement of the interest rate swaps is caused by changes in the interest rate outlook over the next five years.

	Contract notional amount 2024 £'000	Positive market value 2024 £'000	Negative market value 2024 £'000
Derivatives designated as fair value hedges:			
Interest rate swaps	233,781	3,688	(675)
Derivatives not in hedge relationships:			
Interest rate swaps	18,719	45	(3)
	252,500	**3,733**	**(678)**

15. LOANS AND ADVANCES TO CUSTOMERS

	2025 £'000	2024 £'000
Loans fully secured on residential property	437,804	418,035
Fair value adjustment for hedge risk	1,065	(3,615)
	438,869	**414,420**
Loans fully secured on land	1,252	1,598
Fair value adjustment for hedge risk	-	-
	1,252	**1,598**
	440,121	**416,018**
The remaining maturity of loans and advances to customers from the reporting date is as follows:		
On call or short notice	1,449	2,322
In not more than three months	1,382	1,348
In more than three months but not more than one year	8,962	8,234
In more than one year but not more than five years	70,069	66,882
In more than five years	357,646	341,403
Fair value adjustment for hedge risk on loans fully secured on residential property or land	1,065	(3,615)
	440,573	**416,574**
Less: Impairment of Loans and advances to customers (Note 16)	(452)	(556)
	440,121	**416,018**

Note: the maturity analysis is based upon contractual maturity not expected redemption levels.

16. IMPAIRMENT LOSSES ON LOANS AND ADVANCE TO CUSTOMERS

	2025		
	LOANS FULLY SECURED ON RESIDENTIAL PROPERTY £'000	LOANS FULLY SECURED ON LAND £'000	TOTAL £'000
At 1st January 2025			
Collective impairment	369	-	369
Individual impairment	187	-	187
	556	**-**	**556**
Income and expenditure account			
Release for the year			
Collective impairment	(84)	-	(84)
Individual impairment	(20)	-	(20)
	(104)	**-**	**(104)**
Amount written off during the year			
Collective impairment	-	-	-
Individual impairment	-	-	-
	-	**-**	**-**
At 31st December 2025			
Collective impairment	285	-	285
Individual impairment	167	-	167
	452	**-**	**452**

There were no loans written off during the year or net credits in respect of additional costs and recoveries against loans which had been written off in prior years (2024: none). Subsequent to the year end, £62k was written off by the Society due to net recoveries being lower than the outstanding balance on a loan. The carrying amount of loans and advances have been adjusted to reflect the impairment identified.

	2024		
	LOANS FULLY SECURED ON RESIDENTIAL PROPERTY £'000	LOANS FULLY SECURED ON LAND £'000	TOTAL £'000
At 1st January 2024			
Collective impairment	550	3	553
Individual impairment	116	-	116
	666	**3**	**669**
Income and expenditure account			
Charge for the year			
Collective impairment	(181)	(3)	(184)
Individual impairment	71	-	71
	(110)	**(3)**	**(113)**
Amount written off during the year			
Collective impairment	-	-	-
Individual impairment	-	-	-
	-	**-**	**-**
At 31st December 2024			
Collective impairment	369	-	369
Individual impairment	187	-	187
	556	**-**	**556**

Please refer to Note 28 (pages 54-57) for more information on the credit risk associated with the Loans and advances to customers, the Society's approach to mitigating against this risk and analysis of the portfolio.

17. TANGIBLE FIXED ASSETS

	LAND & BUILDINGS FREEHOLD £'000	PLANT & MACHINERY £'000	EQUIPMENT, FIXTURES, FITTINGS & VEHICLES £'000	TOTAL £'000
Cost				
At 1 January 2025	2,549	364	2,625	5,538
Additions	-	3	126	129
Disposals	(2)	(22)	(395)	(419)
At 31 December 2025	**2,547**	**345**	**2,356**	**5,248**
Accumulated depreciation				
At 1 January 2025	757	304	1,379	2,440
Charged in year	144	9	251	404
Disposals	(2)	(22)	(395)	(419)
At 31 December 2025	**899**	**291**	**1,235**	**2,425**
Net book value				
At 31 December 2025	**1,648**	**54**	**1,121**	**2,823**
At 31 December 2024	1,792	60	1,246	3,098

The net book value of land and buildings occupied by the Society for its own activities as at 31 December 2025 was £1,648,000 (2024: £1,792,000).

18. INTANGIBLE FIXED ASSETS

	SOFTWARE £'000
Cost:	
At 1 January 2025	434
Additions	55
Disposals	(251)
At 31 December 2025	**238**
Accumulated amortisation	
At 1 January 2025	401
Charged in year	24
Disposals	(251)
At 31 December 2025	**174**
Net book value	
At 31 December 2025	**64**
At 31 December 2024	33

19. DEFERRED TAX

	2025 £'000	2024 £'000
At 1 January	(332)	(165)
Charge to profit and loss account	18	(167)
Charge to other comprehensive income	(3)	-
At 31 December	**(317)**	**(332)**

Deferred tax assets and liabilities are attributable to the following items:

Deferred tax liabilities		
Timing difference between accumulated depreciation and amortisation and capital allowances	(314)	(332)
Unrealised losses on available for sale financial instruments	(3)	-
	(317)	**(332)**
At 31 December	**(317)**	**(332)**

Deferred tax assets and liabilities are offset only where the Society has a legally enforceable right to set off current tax assets against current tax liabilities and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity, or another entity within the Society.

20. PREPAYMENTS

	2025 £'000	2024 £'000
Prepayments	1,016	1,043
	1,016	**1,043**

21. SHARES

Shares comprise:	2025 £'000	2024 £'000
Held by individuals	428,303	401,486
Other shares	9,313	7,552
Fair value adjustment for hedged risk	35	(9)
	437,651	**409,029**

Shares are repayable with the remaining maturities from the balance sheet date as follows:		
On call or short notice	215,126	214,395
In not more than three months	130,698	113,263
In more than three months but not more than one year	81,190	61,678
In more than one year but not more than five years	10,602	19,702
Fair value adjustment for hedged risk	35	(9)
	437,651	**409,029**

22. AMOUNTS OWED TO CREDIT INSTITUTIONS

With agreed maturity dates or periods of notice:	2025 £'000	2024 £'000
In not more than three months	5,596	6,017
In more than three months but not more than one year	4,019	6,042
In more than one year but not more than five years	-	3,243
	9,615	**15,302**

The Society holds margin issued by its swap derivative counterparties in relation its net asset holding (see note 14). At the year end the net balance held was £3.2m (2024: £5.2m). These balances are included within Amounts owed to credit institutions.

23. AMOUNTS OWED TO OTHER CUSTOMERS

With agreed maturity dates or periods of notice:	2025 £'000	2024 £'000
Repayable on demand	37,267	37,974
In not more than three months	5,182	5,563
In more than three months but not more than one year	5,749	4,001
	48,198	**47,538**

24. OTHER LIABILITIES

Other liabilities are all due within one year and comprise:	2025 £'000	2024 £'000
Corporation tax	400	363
Other creditors	425	277
	825	**640**

25. PROVISIONS

	2025 £'000	2024 £'000
	FINANCIAL OMBUDSMAN £'000	FINANCIAL OMBUDSMAN £'000
Balance at 1 January	-	-
Provisions made during the year	-	1
Provisions utilised during the year	-	(1)
Balance at 31 December	-	-

Financial Ombudsman

The Society may on occasion receive a number of complaints which are referred to the Financial Ombudsman Service (FOS) where the outcome may result in a compensation payment. No provisions have been recognised at the year end (2024: £nil).

26. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	2025 £'000	2024 £'000
Less than one year	80	74
Between one and five years	234	284
	314	**358**

During the year £77,800 was recognised as an expense in the profit and loss account in respect of operating leases (2024: £58,000)

27. PENSIONS

The Society makes contributions to a defined contribution Society personal pension plan for all qualifying staff.

The charge for the year was £556,000 (2024: £422,000)

28. FINANCIAL INSTRUMENTS

A financial instrument is a contract that gives rise to a financial asset or a financial liability. The Society is a retailer of financial instruments, mainly in the form of mortgage and savings products, however the Society also uses other financial instruments to invest liquid asset balances and raise wholesale funding. The Society also uses derivative financial instruments ('derivatives') to manage the risks arising from its operations.

The financial risks arising from the Society's activities include liquidity, interest rate and credit risk. The Society is also exposed to capital risk, and the policies and processes for managing this is outlined in the Directors' Report on pages 4-11. The Board reviews and agrees policies for managing each of these risks, which include the establishment of the Society's risk appetite, risk limits, clear reporting lines and other controls. In addition, the Society's Asset and Liabilities Committee (ALCO) monitors the financial risks relating to the financial instruments held as well as funding and liquidity, in line with the Society's prudent policy statements. The ALCO also ensures that the management of retail credit risk is consistent with the credit risk appetite.

The Society does not hold derivatives for trading or speculative purposes but uses them for hedging purposes only in accordance with the Building Society Act 1986, specifically to limit the interest rate exposure that arises with the provision of fixed rate mortgage and savings products. The Society employs interest rate swap contracts to manage the interest rate risks as summarised below:

Activity	Risk	Fair value interest rate hedge
Fixed rate mortgage	Increase in interest rates	Society pays fixed, receives variable
Fixed rate savings	Decrease in interest rates	Society receives fixed, pays variable

An interest rate swap is a contract to exchange one set of interest rate cash flows for another. The interest rate 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 and their maturity profile reflects the nature of the exposures arising from the underlying business activities. The fair value of these hedges are shown in Note 14.

CATEGORIES OF FINANCIAL ASSET AND LIABILITIES

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost. Note 1.6 'Financial instruments' describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the Society's assets and liabilities by financial classification:

CARRYING VALUES BY CATEGORY	HELD AT AMORTISED COST		HELD AT FAIR VALUE			
31 December 2025	LOANS AND RECEIVABLES £'000	FINANCIAL LIABILITIES AT AMORTISED COST £'000	AVAILABLE FOR SALE £'000	DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES £'000	NON-DESIGNATED DERIVATIVES £'000	TOTAL £'000
Financial assets						
Cash in hand	270	-	-	-	-	270
Balances with the Bank of England	28,747	-	-	-	-	28,747
Loans and advances to credit institutions	23,137	-	-	-	-	23,137
Debt securities	-	-	36,571	-	-	36,571
Derivative financial instruments	-	-	-	746	5	751
Loan and advances to customers	440,121	-	-	-	-	440,121
Total financial assets	**492,275**	**-**	**36,571**	**746**	**5**	**529,597**
Non financial assets	3,903	-	-	-	-	3,903
Total assets	**496,178**	**-**	**36,571**	**746**	**5**	**533,500**
Financial liabilities						
Shares	-	437,651	-	-	-	437,651
Amounts owed to credit institutions	-	9,615	-	-	-	9,615
Amounts owed to other customers	-	48,198	-	-	-	48,198
Derivative financial instruments	-	-	-	2,275	133	2,408
Total financial liabilities	-	**495,464**	**-**	**2,275**	**133**	**497,872**
Non financial liabilities	-	1,498	-	-	-	1,498
Total liabilities	**-**	**496,962**	**-**	**2,275**	**133**	**499,370**

28. FINANCIAL INSTRUMENTS (CONTINUED)

CATEGORIES OF FINANCIAL ASSET AND LIABILITIES (CONTINUED)

CARRYING VALUES BY CATEGORY	HELD AT AMORTISED COST		HELD AT FAIR VALUE			
31 December 2024	LOANS AND RECEIVABLES £'000	FINANCIAL LIABILITIES AT AMORTISED COST £'000	AVAILABLE FOR SALE £'000	DERIVATIVES DESIGNATED AS FAIR VALUE HEDGES £'000	NON-DESIGNATED DERIVATIVES £'000	TOTAL £'000
Financial assets						
Cash in hand	192	-	-	-	-	192
Balances with the Bank of England	56,630	-	-	-	-	56,630
Loans and advances to credit institutions	13,821	-	-	-	-	13,821
Debt securities	-	-	11,518	-	-	11,518
Derivative financial instruments	-	-	-	3,688	45	3,733
Loan and advances to customers	416,018	-	-	-	-	416,018
Total financial assets	**486,661**	**-**	**11,518**	**3,688**	**45**	**501,912**
Non financial assets	4,174	-	-	-	-	4,174
Total assets	**490,835**	**-**	**11,518**	**3,688**	**45**	**506,086**
Financial liabilities						
Shares	-	409,029	-	-	-	409,029
Amounts owed to credit institutions	-	15,302	-	-	-	15,302
Amounts owed to other customers	-	47,538	-	-	-	47,538
Derivative financial instruments	-	-	-	675	3	678
Total financial liabilities	**-**	**471,869**	**-**	**675**	**3**	**472,547**
Non financial liabilities	-	1,484	-	-	-	1,484
Total liabilities	**-**	**473,353**	**-**	**675**	**3**	**474,031**

At the year end the Society has loan commitments of £38.5m (2024: £18.7m) measured at cost.

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE

The table below summarises the fair values of the Society's financial assets and liabilities that are accounted for at fair value and are grouped into levels (1 and 2) to reflect the significance of the inputs in measuring fair value:

Level 1

Observable market prices have been used to determine the fair value of the debt securities.

Level 2

The fair value for the interest rate swaps have been determined using generally observable SONIA yield curves derived from quoted interest rates which match the timings of the cash flows and maturities of the instruments.

31 December 2025	LEVEL 1 £'000	LEVEL 2 £'000	TOTAL £'000
Financial assets			
Available for sale			
Debt securities	36,571	-	36,571
Fair value through profit and loss			
Interest rate swaps	-	751	751
	36,571	**751**	**37,322**
Financial liabilities			
Fair value through profit and loss			
Interest rate swaps	-	2,408	2,408
	-	**2,408**	**2,408**

28. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE (CONTINUED)

31 December 2024 Financial assets	LEVEL 1 £'000	LEVEL 2 £'000	TOTAL £'000
Available for sale			
Debt securities	11,518	-	11,518
Fair value through profit and loss			
Interest rate swaps	-	3,733	3,733
	11,518	**3,733**	**15,251**
Financial liabilities			
Fair value through profit and loss			
Interest rate swaps	-	678	678
	-	**678**	**678**

CREDIT RISK

Credit risk is the risk that counterparties will not meet their obligations as they fall due. All loan applications are assessed with reference to the Society's lending policy.

Treasury counterparties are approved and monitored by the Board.

The Society operates an experienced credit risk function, driven both by the need to manage the potential and actual risk both currently and in the future. Through this, any variations in risk resulting from market, economic or competitive changes are identified and appropriate controls and strategies are implemented.

The Society's maximum credit exposure is detailed below:	2025 £'000	2024 £'000
Cash in hand	270	192
Balances with the Bank of England	28,747	56,630
Loans and advances to credit institutions	23,137	13,821
Debt securities	36,571	11,518
Derivative financial instruments	751	3,733
Loans and advances to customers	440,121	416,018
Total Statement of Financial Position exposure[(1)]	**529,597**	**501,912**
Off balance sheet exposure: mortgage commitments [(2)]	38,508	18,727
Total	**568,105**	**520,639**

(1) All values are stated at balance sheet amounts
(2) This reflects business that has been formally offered but has not yet completed.

28. FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK (CONTINUED)

Loans and advances to credit institutions, debt securities and derivative financial instruments

The Society holds various investments in order to meet current and future liquidity regulatory requirements, as well as to satisfy operational demand. Credit risk arises due to factors such as deterioration in the counterparty's financial health and wider uncertainty within the market. Credit risk relating to treasury investments and derivative hedges is managed through setting strict upper and lower limits to each type of investment that are dependent on criteria such as, time to maturity, credit rating and originating country. These limits are set by ALCO, approved by the Board and monitored by the treasury team on a continuous basis.

Comprehensive management information on movement and performance within the treasury asset portfolios ensures that credit risk is effectively controlled, and any adverse trends are identified before they impact on performance.

There has been no change in the year to the manner in which the Society manages and measures treasury related credit risk.

An analysis of the Society's treasury concentration is shown in the tables below:

	2025 £'000	2025 %	2024 £'000	2024 %
Industry sector				
Multinational Development Banks	-	0.00%	4,361	37.86%
Central Government	36,571	100.00%	7,157	62.14%
Total	**36,571**		**11,518**	

The table below shows treasury exposures broken down by Fitch ratings:

		2025 £'000	2024 £'000
Credit grades	AAA - AA	36,571	11,518
	Total	**36,571**	**11,518**

At 31 December 2025 none of the Society's treasury portfolio exposure was either past due or impaired. There are no assets that would otherwise be past due or impaired whose terms have been renegotiated.

The Society did not have any exposures other than to the UK Government (2024: £4.4m).

At the year end, all treasury assets held by the Society are with counterparties based within the United Kingdom such as the UK Government and UK Banks. The Society does not have exposure to foreign exchange risk as all treasury assets are denominated in Sterling.

All derivative assets are issued by UK based credit institutions. The Society prefers to document its derivative activity via the International Swaps and Derivatives Association ('ISDA') Master Agreement.

Loans and advances to customers

The Society is committed to mitigating risk through all stages of the lending cycle. The Society assesses customer affordability and the LTV percentages of all loans at the application stage. Additionally the Society employs underwriting and fraud detection policies to minimise losses once loans have been approved as well as taking a proactive approach to the monitoring and treatment of bad and doubtful debt through the collections and recovery functions.

The Society maintains comprehensive management information on the performance and movements within the various loans portfolios to ensure that credit risk is adequately controlled, and any adverse trends are identified before they impact on performance. Society performance is benchmarked against the industry when appropriate to identify any outlying trends. This management information is distributed throughout the Society and monitored at a Board committee level.

28. FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK (CONTINUED)

The tables below provides further information on the Society's loans and advances to customers by payment due status as at 31 December 2024, and the allowance for impairment held by the Society against those assets. The loan balances exclude the fair value adjustment for hedge risk and impairment losses. Individual assessments are made of all mortgage loans where objective evidence indicates that losses are likely (for example when loans are past due) or the property is in possession, or where fraud or negligence has been identified. Further consideration is given in accounting policy 1.7 to the accounts.

Arrears analysis	2025		2024	
	LOANS FULLY SECURED ON RESIDENTIAL PROPERTY £'000	LOANS FULLY SECURED ON LAND £'000	LOANS FULLY SECURED ON RESIDENTIAL PROPERTY £'000	LOANS FULLY SECURED ON LAND £'000
Collectively assessed for impairment				
Not past due	426,674	1,252	403,633	1,495
Past due up to 1 month	752	-	527	37
Total collectively assessed for impairment	**427,426**	**1,252**	**404,160**	**1,532**
Individually assessed for impairment				
Not past due	5,863	-	8,459	66
Past due up to 1 month	51	-	1,162	-
Past due between 1 - 3 months	1,585	-	2,497	-
Past due between 3 - 6 months	902	-	209	-
Past due between 6 - 9 months	1,140	-	855	-
Past due between 9 - 12 months	361	-	1,127	-
Past due over 12 months	928	-	122	-
Possession	-	-	-	-
Total individually assessed for impairment	**10,830**	**-**	**14,431**	**66**
Loans and advances to customers	**438,256**	**1,252**	**418,591**	**1,598**
Allowance for impairment				
Collective	285	-	369	-
Individual	167	-	187	-
Total allowance for impairment	**452**	**-**	**556**	**-**

Fair value of collateral held

The Society holds collateral against each loan and advance in the form of property. The use of such collateral is in line with terms that are usual and customary to standard lending activities. Whilst the average loan-to-value (LTV; loan balance as a percentage of the collateral value) at portfolio level is 37%, reflecting a significant level of coverage, the LTV of certain individual loans within the portfolio are higher and so have less collateral coverage. For loans with a higher LTV, the need for holding a provision against losses may be necessary should objective evidence indicate a loss event has occured (refer to accounting policy 1.7 to the accounts).

The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in the Nationwide house price indices.

The indexed loan-to-value analysis on the Society's loan portfolio is as follows:

	2025		2024	
	LOANS FULLY SECURED ON RESIDENTIAL PROPERTY £'000	LOANS FULLY SECURED ON LAND £'000	LOANS FULLY SECURED ON RESIDENTIAL PROPERTY £'000	LOANS FULLY SECURED ON LAND £'000
LTV ratio				
Less than 50%	196,814	1,252	186,003	1,598
51 - 80%	218,659	-	211,500	-
81 - 90%	17,952	-	16,600	-
91 - 95%	4,831	-	4,211	-
96 - 100%	-	-	277	-
Total loans	**438,256**	**1,252**	**418,591**	**1,598**

28. FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK (CONTINUED)

Fair value of collateral held (continued)

	2025		2024	
	COLLATERAL VALUE HELD AGAINST LOANS FULLY SECURED ON RESIDENTIAL PROPERTY £'000	COLLATERAL VALUE HELD AGAINST LOANS FULLY SECURED ON LAND £'000	COLLATERAL VALUE HELD AGAINST LOANS FULLY SECURED ON RESIDENTIAL PROPERTY £'000	COLLATERAL VALUE HELD AGAINST LOANS FULLY SECURED ON LAND £'000
Collectively assessed for impairment	1,166,450	4,847	1,105,159	5,687
Individually assessed for impairment:				
Not past due	18,934	-	25,996	360
Past due up to 6 months	8,481	-	8,316	-
Past due over 6 months	6,506	-	3,174	-
Total collateral value	**1,200,371**	**4,847**	**1,142,645**	**6,047**

The overall indexed loan-to-value of the residential portfolio is 36.51% (2024: 36.63%).
At the year end there were no cases of possession of assets held as collateral against loans and advances (2024: None).

Forbearance strategies

The Society continues to invest in developing and enhancing its arrears management strategies to minimise credit risk whilst ensuring that customers are treated fairly. Such forbearance strategies include the use of arrangements or renegotiation of covenants to assist borrowers in arrears who are now able to meet agreed repayment strategies, including or excluding arrears balances. Forbearance strategies aim to avoid repossession. All of the above actions are in line with the FCA Consumer Duty Act.

Possession is generally considered only as a last resort, once all other options for the customer have been exhausted. Possession balances represent loans against which the Society has taken ownership of properties pending their sale. The Society does not occupy repossessed properties for business use or the use of assets acquired in its operations.

The tables below provides further information on loans existing at the 2025 and 2024 reporting periods by types of account renegotiations applied to our customers over the past 12 months. This includes renegotiations regardless of whether or not our customer has experienced financial difficulty in repaying their loan within the Society.

31 December 2025	Partial Payments £ 000	Interest Only £ 000	Total Forbearance £ 000
Past due up to 3 months	-	375	375
Past due more than 3 months	1,067	1,486	2,553
	1,067	**1,861**	**2,928**

31 December 2024	Partial Payments £ 000	Interest Only £ 000	Total Forbearance £ 000
Past due up to 3 months	-	504	504
Past due more than 3 months	1,101	26	1,127
	1,101	**530**	**1,631**

Loans in the analysis above which are less than three months past due have collective impairment allowances set aside to cover credit losses on loans which are in the early stages of arrears.

28. FINANCIAL INSTRUMENTS (CONTINUED)

LIQUIDITY RISK

'Liquidity risk' is the risk that the Society will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Society's liquidity policy is to maintain sufficient funds in a liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide protection against any unexpected events that may occur. Liquidity is monitored daily and reported to the ALCO on a weekly basis. The Society's liquidity policy is designed to provide the Society with the resources to withstand a range of stressed scenarios. A number of appropriate stressed scenarios have been identified as part of the Society's liquidity risk management. The scenarios developed include idiosyncratic, market-wide and combination stress tests, fulfilling the specific requirements of the Prudential Regulatory Authority ('PRA').

The Society's liquid resources comprise high quality liquid assets such as Gilts and investment grade fixed and floating notes issued by highly rated Multinational Development Banks. At the year end the percentage of total shares and deposits held in these high quality liquid assets was 7.38% (2024: 2.44%). In addition the Society also held deposits with UK banks. When taking the bank deposits, CDs and TDs into account the percentage of total shares and deposits held in liquidity resources was 17.91% (2024: 17.41%).

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

31 December 2025	ON DEMAND £'000	NOT MORE THAN THREE MONTHS £'000	MORE THAN THREE MONTHS BUT NOT MORE THAN ONE YEAR £'000	MORE THAN ONE YEAR BUT NOT MORE THAN FIVE YEARS £'000	MORE THAN FIVE YEARS £'000	TOTAL £'000
Shares	215,126	130,789	82,308	10,967	-	439,190
Amounts owed to credit institutions	-	5,607	4,084	-	-	9,691
Amounts owed to other customers	37,267	5,219	5,854	-	-	48,340
Derivative financial instruments	-	-	1	2,379	36	2,416
Off balance sheet commitments	38,508	-	-	-	-	38,508
Total financial liabilities	**290,901**	**141,615**	**92,247**	**13,346**	**36**	**538,145**

31 December 2024	ON DEMAND £'000	NOT MORE THAN THREE MONTHS £'000	MORE THAN THREE MONTHS BUT NOT MORE THAN ONE YEAR £'000	MORE THAN ONE YEAR BUT NOT MORE THAN FIVE YEARS £'000	MORE THAN FIVE YEARS £'000	TOTAL £'000
Shares	214,395	113,367	63,100	20,659	-	411,521
Amounts owed to credit institutions	-	6,039	6,180	3,243	-	15,462
Amounts owed to other customers	37,974	5,602	4,086	-	-	47,662
Derivative financial instruments	-	7	42	602	7	658
Off balance sheet commitments	18,727	-	-	-	-	18,727
Total financial liabilities	**271,096**	**125,015**	**73,408**	**24,504**	**7**	**494,030**

Off balance sheet commitments pertain to amounts payable on demand for undrawn loan commitments and have been included accordingly

28. FINANCIAL INSTRUMENTS (CONTINUED)

MARKET RISK

'Market risk' is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk; currency risk, interest rate risk and other price risk. As the Society is not exposed to foreign currencies the primary risk associated with market prices comes from interest rate risk.

The Society is exposed to movements in interest rates reflecting the mismatch between the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The Society manages this exposure continually within approved limits by using financial instruments.

INTEREST RATE RISK

The Society has adopted the 'Matched' approach to interest rate risk, as defined by the PRA, operating within the exemptions permitted within section 9A of the 1986 Act. The 'Matched' approach aims to use 'standard' hedging instruments to manage the interest rate risks associated with offering fixed rate retail products, as detailed within the opening paragraph to this note. 'Standard' instruments include interest rate swaps and plain vanilla 'over the counter' ('OTC') derivatives.

The Society's interest rate risk management includes a regular review of the product to hedge instrument matches by senior management supported by monthly review by the ALCO and the Board. In addition interest rate gap analysis is performed on a monthly basis and presented to the ALCO.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. The analysis is therefore an interest rate sensitivity assessment of market value movement, which is calculated using a discounted cash flow basis on all of the Society's financial assets and liabilities. The sensitivity analysis is based on immediate 200 basis point parallel shifts in interest rates. If there was a 2% parallel upwards shift in interest rates the adverse impact on reserves would be £616,500 (2024: £1,170,000). All exposures include investments of the Society's reserves. Other interest rate risk exposures, such as basis risk (the risk of loss arising from changes in the relationship between interest rates which have similar but not identical characteristics; say SONIA and Bank of England Base Rate) and prepayment risk (the risk of loss arising from early repayments of fixed rate mortgages and loans) are also monitored closely and regularly reported to the ALCO.

Derivatives held for risk management

The Society uses derivatives designated to manage certain risks it faces in accordance with section 9A of the Building Societies Act 1986. In particular the Society employs 'fair value hedges' in the form of interest rate swaps to manage the exposure to interest rate risk inherent when providing fixed rate retail products. The interest rate swaps essentially hedge the exposure to changes in the fair values of the fixed products supplied by the Society, driven by changes in market interest rates.

ACTIVITY	RISK	FAIR VALUE INTEREST RATE HEDGE
Fixed rate mortgage	Increase in interest rates	Society pays fixed, receives variable
Fixed rate savings	Decrease in interest rates	Society receives fixed, pays variable

The fair values of derivatives designated as fair value hedges are as follows.

	2025 ASSETS £'000	2025 LIABILITIES £'000	2024 ASSETS £'000	2024 LIABILITIES £'000
Interest rate swap	746	2,275	3,688	675

Interest rate swaps are matched to specific issuances of fixed rate retail shares or loans. All hedges are supported by comprehensive hedging documentation as per the recognition and measurement requirements of IAS39, as permitted by FRS102, and the disclosure requirements of FRS102. The Society utilises the derivative instruments for hedging purposes only and no such instruments are used for trading activity or speculative purposes. All fair value hedges are against SONIA.

Other price risk

Other price risk is the risk resulting from the possibility that the price of a security may decline. The Society's policy is to have no material exposure to equity markets. Any exposures arising from the Society's products are eliminated as far as it is practicable by appropriate hedging contracts.

29. CAPITAL

The Society's policy is to have a strong capital base to maintain Member confidence and to sustain future growth of the business, as well as protecting against any adverse changes in economic conditions.

The formal Internal Capital Adequacy Assessment Process (ICAAP) assists the Society with its management of capital and is approved by Board at least annually. The risk appetite aims to maintain a specific level above the Total Capital Requirement (TCR) set by the industry regulator, and the capital regime incorporates Lending and Business decisions, product pricing, counterparty and concentration risks. The Society operates under the rules set and managed by the PRA and there have been no breaches during the year.

The capital held by the Society is predominantly in the form of the Society's audited reserves, disclosed as 'Common Equity Tier 1 Capital' within the capital holding summary below:

Society's Capital	2025	2024
Common Equity Tier 1 Capital (£m)	34.1	32.1
Collective Impairment Allowance (£m)	0.3	0.4
Total Capital (Audited) (£m)	**34.4**	**32.5**
Tier 1 Ratio (%)	18.0	18.0
Total Capital Ratio (%)	18.1	18.2

30. RELATED PARTY TRANSACTIONS

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity'). This note discloses any related parties to the Society and any transactions that may have taken place.

Transactions with key personnel

Key personnel are those persons that hold authority and responsibility for planning, directing and controlling the activities of the Society. The total remuneration awarded to key personnel during the year was £1,003,374 (2024: £1,000,047).

The Society ensures that its business activities are carried out at arm's length. Controls are in place to ensure that related parties are identified, such as the review of vendors at onboarding, and declarations made by Directors of the Society to prevent potential conflicts of interests.

The table below summarises the current related party transactions for the Society:

	2025		2024	
	NUMBER OF KEY PERSONNEL AND THEIR CLOSE FAMILY MEMBERS	AMOUNTS IN RESPECT OF KEY PERSONNEL AND THEIR CLOSE FAMILY MEMBERS £'000	NUMBER OF KEY PERSONNEL AND THEIR CLOSE FAMILY MEMBERS	AMOUNTS IN RESPECT OF KEY PERSONNEL AND THEIR CLOSE FAMILY MEMBERS £'000
Share and deposit accounts	16	155	15	280

31. COUNTRY BY COUNTRY REPORTING

Basis of preparation

The Capital Requirements (Country-by-Country) Regulations 2013 ("the Regulations") implement Article 89 of the Capital Requirements Directive IV ("CRD IV"), which require credit institutions and investment firms in the EU to disclose annually. The disclosures below have been prepared to comply with the requirements of the Regulations for the year ended 31 December 2024.

Vernon Building Society meets the definition of a credit institution and is classified within the retail banking category. It is registered and trades solely in the United Kingdom.

	2025	2024
Number of employees (FTE)	90	90
Turnover £k [(1)]	10,842	11,057
Pre-tax profit £k	2,807	3,525
Corporation tax paid £k [(2)]	724	430
Public subsidies received	Nil	Nil

1) Turnover is defined as total income (net interest receivable and net fee/commission income) in accordance with guidance from UK Treasury.

2) Corporation tax paid in 2025 is in respect of the final payment on account for the year ended 31 December 2024 (£364k) and payments on account for the year end 31 December 2025 (£360k).

Annual Business Statement for the year ended 31 December 2025 (unaudited)

1. STATUTORY PERCENTAGES

	2025 %	STATUTORY LIMIT %
Proportion of business assets not fully secured on residential property (Lending Limit)	1.01	25
Proportion of shares and borrowings not held by individuals (Funding Limit)	13.55	50

The above percentages have been calculated in accordance with the provisions of Building Societies Act 1986.

The Lending Limit measures the proportion of business assets not in the form of loans fully secured on residential property and is calculated as (X-Y)/X where:

X = business assets, being the total assets of the Society plus provisions for bad and doubtful debts less liquid assets and tangible fixed assets as shown in the Society's Accounts.

Y = the principal of, and interest accrued on, loans owed to the Society which are fully secured on residential property.

The Funding Limit measures the proportion of shares and borrowings not in the form of shares held by individuals and is calculated as (X-Y)/X where:

X = Shares and borrowings being the aggregate of

i) the principal value of, and interest accrued on, shares in the Society;
ii) the principal of, and interest accrued on, sums deposited with the Society.

Y = the principal value of, and interest accrued on, shares in the Society held by individuals otherwise than as bare trustees (or, in Scotland, simple trustees) for bodies corporate or for persons who include bodies corporate.

The statutory limits are as laid down under the Building Societies Act 1986 as amended by the Building Societies Act 1997 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its Members.

2. OTHER PERCENTAGES

	2025 %	2024 %
Gross capital as a percentage of shares and borrowings	6.89	6.79
Free capital as a percentage of shares and borrowings	6.36	6.21
Liquid assets as a percentage of shares and borrowings	17.91	17.41
Profit after taxation as a percentage of mean total assets	0.40	0.54
Management expenses as a percentage of mean total assets	1.56	1.57

The above percentages have been prepared from the Society's annual accounts.

Gross capital represents the general reserve together with the available-for-sale reserve as shown within the Statement of Financial Position.

Free capital represents gross capital and provisions for collective impairment losses on loans and advances to customers, less property, plant and equipment and intangible assets as shown within the Statement of Financial Position.

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

Mean reserves is the average of the 2025 and 2024 general reserves.

Mean total assets is the average of the 2025 and 2024 total assets.

Management expenses represent the aggregate of administrative expenses and depreciation.

3. INFORMATION RELATING TO THE DIRECTORS AND OTHER OFFICERS AS AT 31 DECEMBER 2025

DIRECTORS	DATE OF BIRTH	DATE OF APPOINTMENT	OCCUPATION	OTHER DIRECTORSHIPS
D. Ditchburn	03/1986	16.12.24	Building Society Chief Executive	-
J. Aspin	05/1970	24.11.16	Building Society Finance Director	-
M. Joyce	09/1966	02.09.19	Chartered Certified Accountant	National Deposit Friendly Society Limited
J. Quirke	06/1966	04.01.18	Chartered Management Accountant	Q Accounting Services Ltd Mersey Gateway Crossings Board Limited The British Show Jumping Association
P. Dillon	09/1959	14.09.20	Commercial Real Estate Lawyer	Grant Thorton LLP Leisure and Hotel Investments Limited Martin House Childrens Hospice (Trustee) Bike and Boot Inns Limited
K Burke	03/1963	01.03.22	Company Director/Consultant	JN Bank UK Limited Howth Yacht Club Limited A & L Castors Limited trading as Parnells EU
S. Wilson	07/1980	01.10.23	Chief Executive Officer	4th Utility

The Executive Directors are employed on rolling contracts which were signed requiring six months notice by the Society and the individual.

EXECTIVE DIRECTORS	DATE OF APPOINTMENT	OCCUPATION	OTHER DIRECTORSHIPS
D. Ditchburn	16.12.24	Chief Executive	-
J. Aspin	24.11.16	Finance Director	-

OFFICERS	OCCUPATION	OTHER DIRECTORSHIPS
V. Thackstone	Chief Risk Officer and Secretary	-
M. Purewal	Chief Digital and Information Officer	-
I. Richardson	Director of Operations	-

Correspondence to Directors should be addressed: 'Private and Confidential', Vernon Building Society, 19 St Petersgate, Stockport, Cheshire, SK1 1HF.



GREATER MANCHESTER AND CHESHIRE
LOCAL BUILDING SOCIETY

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Telephone calls may be recorded and monitored for regulatory and training purposes to help maintain service quality. Vernon Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (registration number 195475)