

# REPORT & ACCOUNTS



# OUR YEAR *in* NUMBERS



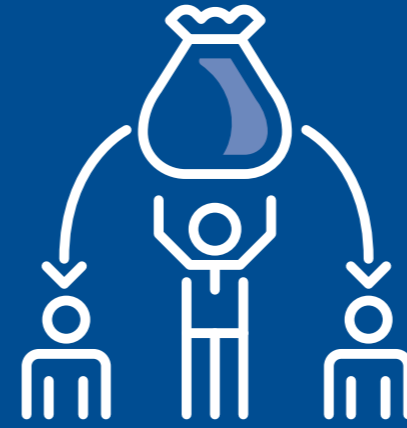
**£131m**

RECORD GROSS  
MORTGAGE  
LENDING



**3.32%**

AV SAVING RATE\*  
VS OTHERS: 2.90%



**£20.1m**

INTEREST  
PAID TO OUR  
MEMBERS



**42**

HIGHEST EVER  
INTERMEDIARY NPS



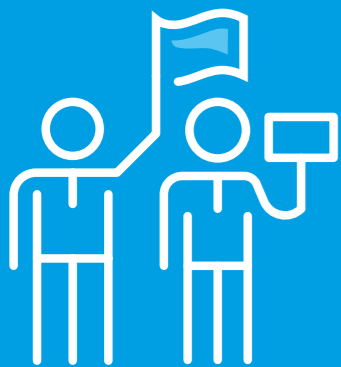
**306**

NEW MEMBERS



**+31%**

2023-2026  
SAVINGS BALANCES



**95**

CONSISTENTLY  
HIGH CUSTOMER  
NPS

**1**



NEW BRANCH  
LOCATION



**82%**

CONSISTENTLY  
HIGH EMPLOYEE  
ENGAGEMENT

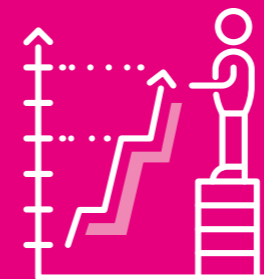
**3**

NEW 'POP-UP'  
BRANCHES



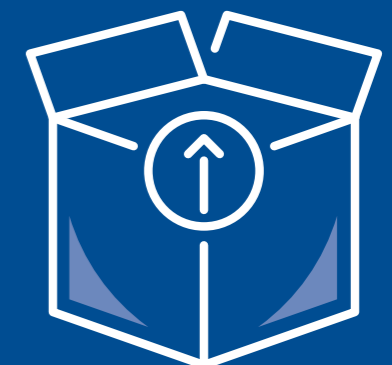
**£1.8m**

UNDERLYING PROFIT  
BEFORE TAX



**+28%**

2023-2026  
MORTGAGE BALANCES



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# Directors, Management and Advisors

## Principal Office Address:

7 Harbour Buildings  
The Waterfront  
Brierley Hill  
West Midlands  
DY5 1LN  
  
Mutuals Registration No. 177B  
  
Financial Services Register No. 161294

## Directors

**Peter Hubbard**  
Non-executive Director (Chair)

**Michael Hudson**  
Non-executive Director (Vice-chair)

**Nicole Coll**  
Non-executive Director

**Tariq Khatri**  
Non-executive Director

**Michelle Andrews**  
Non-executive Director  
(appointed 1 February 2026)

**Gavin Morris**  
Non-executive Director  
(appointed 1 May 2026)

**James Paterson**  
Chief Executive Officer

**Michael Bhopal**  
Chief Financial Officer

## Secretary

**Christian Fleischmann**

## Executive Management

**James Paterson**  
Chief Executive Officer

**Michael Bhopal**  
Chief Financial Officer

**Helen Smith**  
Chief Growth Officer  
(appointed 15 April 2026)

**Andrew Turvey**  
Chief Risk & Compliance Officer

**Christian Fleischmann**  
General Counsel & Secretary

**Robert Oliver**  
Distribution Director

**Lorraine Breese-Price**  
Chief Transformation Officer

**Lisa Talbot**  
People Director

## Independent External Auditor

**PricewaterhouseCoopers LLP**  
One Chamberlain Square  
Birmingham  
B3 3AX

# A WORD FROM OUR CHAIR

As we reflect on another year, I am proud to report that Dudley Building Society has continued to deliver growth and resilience amid considerable economic and geopolitical uncertainty.

The last three years in particular have been marked by extraordinary change. The global economic environment remains challenging, shaped by conflict, geopolitical tension, interest rate volatility and the ongoing cost of living crisis, all of which continue to fuel uncertainty.

**IN SUCH CONDITIONS, TRUST BECOMES BOTH MORE FRAGILE AND MORE VALUABLE, AND I'M PLEASED TO REPORT THAT DUDLEY BUILDING SOCIETY HAS ACHIEVED STRONG GROWTH IN FUNDING THROUGH BRANCHES, AND CONTINUES TO MAINTAIN LOW ARREARS IN LENDING, BOTH DRIVEN BY OUR PERSONALISED APPROACH TO CUSTOMER SUPPORT.**

Arrears performance reflects the wider UK mortgage market, where responsible lending and forbearance have helped keep arrears at historically low levels.

## AN ENVIRONMENT OF TRUST

Trust in institutions across society has been under strain, shaped by misinformation and declining confidence in politics and government. According to global research company Ipsos, 45% of people trust the government 'almost never'. These are the most negative figures in four decades, and yet, at the same time, trust between people and within local communities has proven more resilient. This is where building societies play a vital role. As a mutual organisation, rooted in place and purpose, Dudley Building Society exists to provide clarity, reassurance and long-term stability for our members.



## STEWARDSHIP AND LONGEVITY

Colleague engagement remains consistently high, and I thank every member of our team for their commitment and hard work. Their passion and professionalism are the foundation of our success. At board level, we've welcomed two new members – Michelle Andrews and Gavin Morris – whose skills strengthen our ability to serve members effectively.

We have now been serving members for 168 years. That longevity reflects generations of careful stewardship, adapting to change while remaining true to our core purpose. We have navigated wars, economic cycles, regulatory change and technological transformation by maintaining trust through those changes.

## FINANCIAL BALANCE

The past year has seen significant shifts in the financial landscape, as interest rates eased in response to falling inflation.

**THE BANK OF ENGLAND HAS REDUCED ITS BASE RATE FROM 4.5% TO 3.75%, EASING PRESSURE FOR BORROWERS WHILE CHALLENGING MARGINS ACROSS THE SECTOR.**

The inflationary environment remains challenging, and we continue to see sustained increases in our costs from suppliers, including investment in our Mortgage Origination System. Wider global conditions will place further upward pressure on costs across the Society. Together, these factors are expected to result in lower profitability in the coming period.

Our responsibility as a Board is to balance support for borrowers, fair returns to savers, and strong capital levels to protect the Society's future. This careful stewardship is central to our mission and underpins every decision we make.

## SUPPORTING MEMBERS

Despite the backdrop, the UK mortgage market has shown resilience, with increased activity from first-time buyers and home movers. Affordability remains a concern, and we continue to support members with understanding, tailored advice and flexible solutions.

Savings levels across the UK remain high, reflecting households' focus on financial security.

**THIS IS REFLECTED IN OUR OWN EXPERIENCE, WITH STRONG INFLOWS INTO SAVINGS AND GROWING MEMBER TRUST.**

## TECHNOLOGY

Technological change continues to accelerate, particularly in the use of data and AI. History teaches us that the short-term impact of new technologies such as AI is often overstated, while the long-term impact is underestimated. Our approach is clear:

**WE WILL EMBRACE TECHNOLOGY WHERE IT STRENGTHENS TRUST, IMPROVES SERVICE AND SUPPORTS OUR PEOPLE, WHILE REMAINING FIRMLY HUMAN IN OUR RELATIONSHIPS WITH MEMBERS.**

## CLOSE

In summary, this year Dudley Building Society has strengthened its support for members and communities, while maintaining financial resilience. I'd like to thank the board for their counsel, and our members for their continued loyalty and support.

**IT IS WITH QUIET CONFIDENCE AND A CLEAR SENSE OF PURPOSE THAT WE LOOK FORWARD TO ANOTHER YEAR OF SERVING OUR COMMUNITIES AND BUILDING A STRONGER, SAFER SOCIETY FOR ALL.**

*Peter Hubbard*



# A WORD FROM OUR CEO

Trust does not come about by chance. It is built deliberately, through consistent actions, clear values and a genuine commitment to serving others.

**Over the last year, Dudley Building Society has continued to design trust into everything we do: how we support our members, how we work with partners and intermediaries, how we invest in our people, and how we serve our communities.**

## DELIVERING TRUST FOR MEMBERS

One of the clearest measures of trust is advocacy. This year, our members gave us a Net Promoter Score of 95, reflecting consistently high levels, with a score of 100 recorded in December. These figures are exceptional in any sector. They reflect our ongoing commitment to service excellence, to positive experiences and to personal support, and they represent the confidence our members place in us across multiple touchpoints. Results such as these are not driven by a single initiative – they are the outcome of sustained effort, care and consistency across the organisation.

## TRUST IS EARNED MOST CLEARLY AT MOMENTS THAT MATTER.

Whether supporting savers or borrowers through bereavement, helping families navigate illness, or working with customers facing financial difficulty, our colleagues provide calm, human support when it is most needed.

## SUPPORTING MEMBERS THROUGH A CHANGING MORTGAGE MARKET

The UK housing market has shown resilience through the last year albeit, there have been clear periods of change and volatility brought about by external influences. We have seen strong activity across the market, including those looking to refinance their existing mortgage or members looking to move or buy a new home, sometimes for the first time. Concerns remain for borrowers in both finding a mortgage lender who can help them, sometimes where they have more complex needs, or affordability of the loan itself.



We continue to support our members in every way we can, recognising that behind every application or account is a real person navigating important life decisions and working strongly alongside the intermediaries supporting our members in achieving their goals of living in the home they aspire to, or simply ensuring the home they have is affordable.

With all this in mind, we've achieved this year...

## ...A RECORD YEAR FOR NEW MORTGAGE LENDING – £131M – WHICH IS THE HIGHEST IN THE SOCIETY'S HISTORY...

...with 28% growth in mortgage balances over the last 3 years. Again, this is another remarkable achievement our people are extremely proud of and we thank all mortgage members for their ongoing support and trust in choosing the Society as their partner in home ownership.

As we embed our new Mortgage Origination System, we expect our lending to be lower in the first half of next year, before returning to more recent levels as the system fully embeds. Gross lending next year is expected to remain broadly in line with this year, before growing as the system's capabilities are fully embedded, including significant improvements in intermediary experience, operational efficiency and a wider product offering for members.

## SAVINGS, SECURITY AND FINANCIAL WELLBEING

Trust is equally central to our savings proposition. Savings levels across the UK remain high, with households continuing to prioritise financial security. According to the Office for National Statistics, the UK household savings ratio stood at 9.5% in the third quarter of 2025, well above the long-term average. We've seen this trend reflected in our own business, with strong inflows into savings account

However, when interest rates are falling more generally across the market, finding a home for both existing and new savings which offers long term value is important.

## WE'VE PAID £20.1M TO MEMBERS IN SAVINGS INTEREST IN THE LAST YEAR...

...and ensured that our products offer long term value, particularly in comparison to other alternatives across our region. This baseline of trust and value for money has seen our savings balances in the region continue to grow – with almost 31% growth in savings over the last 3 years.

## WE NOW HAVE A RECORD LEVEL OF SAVINGS BALANCES IN THE SOCIETY.

This is a remarkable achievement of which our people are extremely proud of and we thank all savings members for their ongoing support and trust in choosing the Society as the home for their long term savings.

## COMMUNITY PRESENCE AND ACCESS

Another key driver of trust is accessibility, and yet access to financial services continues to be withdrawn from many towns and rural areas across the UK. We've bucked that trend and moved closer to communities, not further away – expanding our branch network beyond the West Midlands into Staffordshire, Shropshire and Worcestershire.

Last year we opened in Bridgnorth, and quickly followed this with new locations in Shifnal and Halesowen, offering more access to members to speak with us and widening support. The communities in these locations have been extremely supportive of the Society and in Bridgnorth alone, we accepted £12m of savings in only 9 months, demonstrating the ongoing demand for real access to humans and genuine support over online alternatives.

## IN 2026, WE'LL OPEN A NEW BRANCH IN BROMSGROVE.

Added to that, our branch expansion strategy ensures that we remain accessible and responsive to our members' needs – wherever they are – bringing face-to-face services to rural and underserved areas. This commitment has been recognised in the press, and warmly received by the communities that we serve.

These locations are about so much more than transactions. For some members, a visit to a branch may be their only meaningful interaction that week. That sense of connection matters deeply and continues to drive our commitment to a physical presence within our communities.

## DIGITAL AND HUMAN WORKING TOGETHER

Our service model is deliberately focused on offering access to members across the region, rather than thinking only about 'branch' or 'online' channels. Members can open accounts online, manage them digitally, and visit a branch whenever they choose. What matters is not how they interact with us, but the confidence that Dudley Building Society will be there when life becomes complicated – or even when someone simply needs to ask for help or do something simple like access their savings to pay an unexpected bill.



AI has been talked about a lot in the press, and there is a lot of hype and uncertainty about what impact it will have. We believe it presents both opportunity and risk. Our approach is simple: humans powered by technology, not humans dependent upon it. We envisage that AI will help us work more efficiently, gain insight and improve service. It will not replace the human relationships that sit at the heart of trust. Rather, our intention is that it will perform the tasks that free our colleagues to spend more time with customers.

Our belief is that AI could also mean misinformation online will be accelerated, and could lead to people generally finding conflicting or confusing advice online.

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### **THE ROLE OF HUMANS IN THIS WORLD WE BELIEVE WILL BE SIGNIFICANTLY IMPORTANT, PARTICULARLY WHEN DEALING WITH LIFE EVENTS...**

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...and finding a trusted home to support with savings, or making the decision to buy a home. Our model built on trust places us well in this potential new and emerging world.

#### **INDUSTRY VOICE AND ADVOCACY**

In the coming year, we will continue to play an active role across the wider mutual sector, working with partners and policymakers to ensure that members' voices are heard, and that the building society movement remains strong and relevant. We have championed members interests, particularly in offering our support to the wider mutual sector in our combined efforts to challenge the changes to Cash ISAs and drawing the attention of Government policymakers to the genuine impact on members and potential risk of unintended consequences of the changes being made. Whilst we are disappointed with the outcome, we will continue to use our voice to represent you as best we can.

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### **I REGULARLY ENGAGE WITH THE SENIOR TEAM OF THE BUILDING SOCIETIES ASSOCIATION.**

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Dudley Building Society is actively involved in shaping the direction of the mutual movement over the next 25 years. Through engagement with the BSA, UK Finance, and the Intermediary Mortgage Lenders Association, we advocate for members' interests and help shape policy at a national level.

#### **INTERMEDIARIES AND LONG-TERM GROWTH**

Over the last three years, we've also made sustained investment in distribution and intermediary relationships as we recognise they play a key role in supporting our members to find new mortgage finance or to help secure a new home.

Again, trust plays a major role here. Our efforts have led to a record high in our net promoter score with intermediaries – 42 – and represents significant improvement on what the comparison was three years ago. Our net promoter score is now above the market average.

We listen to intermediaries in the same ways we listen to members, and they told us that the systems on which we operate needed improvement.

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### **WE'VE BEEN WORKING TIRELESSLY ON THE DELIVERY OF OUR NEW MORTGAGE ORIGINATION SYSTEM...**

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...and the initial launch of this in April 2026 represents a significant step forward in improving outcomes for intermediaries, who support our members. They will see faster decision making, more consistency, less requests for documents, and internally it will make us more productive and efficient, which supports our long term growth aspirations for the Society.

At the same time, high distributor advocacy scores and continued mortgage growth have demonstrated how trust from our intermediaries has built over time, through reliability and consistency, rather than short-term gains.

#### **TRUST, FEEDBACK AND DELIVERY**

Trust is vital to us across all parts of the organisation. We trust our colleagues, members and brokers to tell us what they need. They trust us to act on that insight. When they see delivery and results – not just consultation – that trust deepens.

This creates what I think of as a trust loop. Feedback leads to action. Action builds credibility. Credibility encourages more honest engagement.

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### **WE WORK HARD TO KEEP THESE TRUST LOOPS AS TIGHT AS POSSIBLE, AND THAT HAS MADE THEM PARTICULARLY POWERFUL DURING PERIODS OF UNCERTAINTY.**

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#### **GOVERNANCE AND REGULATION**

That trust is also evident in our governance. Over the past year, our Board has earned greater confidence from the regulator, particularly around risk management and, alongside stronger risk management across the sector, has led to a more proportionate approach to regulation and more opportunity for growth.

This reflects strong governance, effective oversight and a clear focus on acting in the long-term interests of members, reinforcing why so many people continue to choose Dudley Building Society as a trusted partner for their long-term financial wellbeing.

#### **PROSPER – BUILDING TRUST BEYOND FINANCE**

Financial wellbeing cannot be separated from mental health, personal confidence and individual capability.

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### **OUR INITIATIVE, WHICH WE'VE CALLED PROSPER, IS ABOUT RESTORING PERSONAL AGENCY, DIRECTION AND HOPE...**

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...especially to those who have lost those things. This leads to people taking greater control of their finances and building a future based on financial resilience.

Through its structured twelve-week programme, we have seen remarkable changes in people facing some of the most complex challenges imaginable – changes that national frameworks often take much longer to achieve. Prosper represents national-level innovation in community wellbeing and financial resilience, and it is ready to scale. We will continue to do more in this space to give back to our communities and aim to work with others where we can to widen its impact.



#### **PEOPLE, CULTURE AND CAPABILITY**

I've talked a lot about trust in different areas, but its origins are right here, within the organisation. Colleague engagement remains exceptionally strong, and we are proud to continue to be recognised as a Great Place to Work for the second year running, and be one of the UK's Best Workplaces in Financial Services. Add to this our B-Corp accreditation, which reflects the highest standards of social and environmental performance, transparency, and accountability in the workplace.

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### **AS PART OF THIS COMMITMENT, WE CONTINUE TO LOOK TO SUPPORT LOCAL PEOPLE WHERE WE CAN AND HAVE HIGH LEVELS OF REGIONAL EMPLOYEES, WHILST CONTINUING TO INVEST IN APPRENTICESHIP OPPORTUNITIES FOR LOCAL PEOPLE.**

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Our apprentice programme continues to go from strength to strength, with another five apprentices currently progressing through the business, contributing to skills development and community employment.

#### **LOOKING AHEAD**

In a world that often feels uncertain and impersonal, we believe our role has never been more important. This year's progress has been built on trust: trust from members, colleagues, partners and communities.

There are a number of significant proof points on our journey this year – record levels of customer advocacy, record levels of intermediary advocacy, a record level of savings balances, a record level of gross lending – as well as being recognised again as a Great Place to Work. The delivery of many new locations and our new Mortgage Origination System put us strongly in a position to build on the foundations we've built and move forward.

**Dudley Building Society is growing responsibly, serving locally, and preparing carefully for the future – always in the interests of our members.**

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### **AS WE LOOK AHEAD, WE DO SO WITH CONFIDENCE, MOMENTUM AND A CLEAR SENSE OF PURPOSE. AND WE TRUST THAT YOU WILL DO THE SAME.**

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*James Paterson*

# Strategic Report

This report outlines the Society's strategy, business objectives and principal activities. It includes a Financial Review, which provides details of the Society's financial position and performance over the year as well as our Sustainability section which demonstrates how we continue to operate as a responsible business with a commitment to creating positive outcomes for our members, communities and wider society.

The Society was established in 1858 with the aim of helping local people to buy their own homes. As set out in the Chair's and Chief Executive Officer's statements, our strategy continues to evolve to meet the changing needs of our members.

## Our Strategy



The Society's Strategy was approved in the March 2023 Board meeting and is summarised as follows:

### Business Objectives and Principal Activities

Business operations remain focused on continued growth of member value in line with the foundation of the strategy. This is delivered to members through our customer value proposition.

The Society maintains the financial strength to continue moving forward with the strategy, supported by the investments in risk management capabilities. Through the planning process we generate sufficient value to realise our ambitions and help people to live better lives. We believe strongly that this is our purpose as a building society.

Our customer and community elements of the strategy are set out in more detail in the Sustainability section later in this Strategic Report. Climate change will continue to evolve as part of the strategy over the coming years.

The Society's principal activity is the provision of long-term residential and buy-to-let mortgages to borrowers, financed by personal and community savings from members.

### We grow value for our members by:

- Developing mortgage propositions that can provide solutions to complex needs
- Offering those mortgages by building strong relationships with selected intermediaries
- Funding those mortgages primarily with branch-based savings accounts
- Maintaining a level of margin between mortgage and savings rates that allows the business to grow sustainably and deliver our strategy.

### We deliver value to our members by:

- Maintaining our mortgage and savings pricing at rates which are competitive and fair
- Retaining sufficient profit as capital, protecting the Society against risk
- Growing the business so that new members can participate in the Society's success
- Improving customer experience and investing further in capability
- Making a meaningful difference to our community.

## Results for the year and Key Performance Indicators

The Board sets the strategy for the Society and uses a set of performance and control reports to oversee delivery, including use of Key Performance Indicators (KPIs).

The KPIs in use throughout 2025/26, with previous year comparatives, are presented in the table below with explanatory notes for each measure provided in the appendix:

	2026	2025	2024	2023	
Trading performance	Mortgage advances	£130.9m	£124.3m	£110.8m	£112.3m
	Total mortgage assets	£558.0m	£517.2m	£476.8m	£436.1m
	Total shares balances	£591.5m	£554.0m	£559.6m	£452.7m

	2026	2025	2024	2023	
Financial strength	Net interest margin	2.30%	2.15%	2.13%	2.49%
	Administrative expenses ratio <sup>1</sup>	2.09%	2.01%	1.95%	1.83%
	Underlying profit before tax <sup>2</sup>	£1.76m	£1.02m	£1.69m	£3.13m
	Profit before tax	£1.00m	£1.04m	£1.78m	£2.70m
	Regulatory capital	£33.8m	£32.8m	£32.2m	£30.5m
	Liquid assets (% of SDL)	18.0%	17.6%	25.7%	19.9%
Arrears 3 months or greater (no.)	10	5	3	7	

	2026	2025	2024	2023	
Engagement measures	Customer Net Promoter Score	94.5	95.2	93.9	90.8
	Intermediary Net Promoter Score	42.0	40.3	15.7	6.7
	Employee engagement	82%	84%	80%	77%

<sup>1</sup> Administrative expenses plus depreciation and amortisation as a percentage of mean total assets.

<sup>2</sup> Underlying profit before tax is calculated as Profit before tax as per the Income Statement excluding non-recurring administrative expenses and fair value as disclosed in Notes 4 and 5 to the Accounts.

## Financial Review

The Society prepares its financial results under Financial Reporting Standard (FRS) 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and elects to apply the measurement and recognition provisions of IAS38, "Intangible Assets" and IAS39, "Financial Instruments: Recognition and measurement (as adopted for use in the EU)".

### Overview of income statement

The Society has delivered an underlying profit before tax for the year of £1.76m. In addition to profit before tax, the Board considers underlying profit before tax a key performance indicator as it reflects the value generated to enable investment in technology and capabilities required to deliver the Society's growth strategy.

The wider economic environment in 2026 remains challenging, influenced by continued geopolitical tensions in Ukraine and recent escalations in the Middle East. Easing inflation has enabled central banks, including the Bank of England to lower interest rates over the past year. However, the future remains uncertain due

to the political and economic landscape. The Society continues to actively manage margin and associated interest rate risk as a result of wider environmental impacts.

The Society continues to invest in strengthening its capabilities in key areas, including risk management, finance, and change, alongside ongoing enhancements to member services to support its long-term sustainability. In the current year, investment totalled £0.42m in the mortgage origination platform, £0.26m across other strategic initiatives, and £0.07m in the branch network.

Underlying administrative expenses have seen an increase as a result of the continued investment in projects and capability this year. The Society expects the coming year to be challenging with further increases expected through supplier inflation, supporting our people with increase in pay, and wider investment. Further details are included in the Recurring and Non-recurring administrative expenses sections below.

## Strategic Report (continued)

Profitability is expected to be lower in the coming period, reflecting higher costs across the business and slower mortgage growth as the Mortgage Origination System is embedded.

Amid signs of a broadly flat housing market in 2026 and member resilience, the mortgage portfolio has continued to demonstrate strong performance, further underlined by provisions and arrears remaining stable.

The underlying profit before tax was 72% higher than prior year. This was driven through management of margin with net interest increasing by £1.48 million. Net interest is expected to continue to grow over the long term aligned to balance sheet growth. There remains a focus to achieve the right balance in delivering value to our members through competitive savings and mortgage products, whilst we continue to invest in the Society and add capital reserves to support continued future growth. The reported profit before tax for the year is £1.00 million, and consistent with last year.

Further analysis of these components is provided in the sections below:

£000s	2026	2025
Net interest receivable	15,029	13,551
Other income and charges	(227)	(178)
Recurring administrative expenses	(12,617)	(11,729)
Recurring depreciation and amortisation	(456)	(542)
Impairment credit/(charge)	33	(78)
<b>Underlying profit before taxation</b>	<b>1,762</b>	<b>1,024</b>
Non-recurring administrative expenses	(533)	(373)
Fair value	(226)	393
<b>Profit before taxation per income statement</b>	<b>1,003</b>	<b>1,044</b>

### Net interest receivable

Net interest receivable increased by 10.9% year on year, driven by the continued strength in mortgage lending with sustained growth in balances, and fair and sustainable pricing strategies to deliver interest income. This is further supported through effective margin management across both mortgages and savings.

Our savings rates continue to be fair and competitive with the Society delivering a higher than average rate compared to the market. This has helped us in continuing to deliver better value to our members and growing our savings balances. As noted on page 23, the Bank of England has reduced interest rates from 4.50% to 3.75% over the year.

In considering both the Bank of England rate and movements in the forward-looking swap rates, the Society continues to reflect these appropriately across the mortgage and savings products offered to new and existing members.

Decisions on rates are carefully considered balancing between delivering fair value to our members and achieving the margin levels set out in our strategy to support ongoing investment and to deliver sustainable growth of the Society.

The reduction in the base rate has resulted in lower interest for the Society on its liquidity balances held with the Bank of England. The Society entered into several treasury bill transactions during the year to mitigate interest rate risk with the added benefit that they contributed towards the interest income received.

The combination of the above factors has helped to increase the net interest margin this year to an average of 2.30%, compared on average to the previous financial year of 2.15%.

### Other income and charges

Other income and charges comprise fees and charges not accounted for within the Effective Interest Rate.

### Recurring Administrative Expenses

Recurring administrative expenses are classed as staff costs together with all other costs necessary for the Society to function. Together with depreciation and amortisation charges they comprise the total recurring administrative expenses for the Society.

These recurring administrative expenses for the Society have increased year-on-year, however, remain aligned to expectations. The increases in cost factor in the full year impact from the investment in capability completed last year, along with more general cost increases from our suppliers as a result of inflation. This has particularly impacted utility costs, IT infrastructure costs and professional services fees. The impacts from inflation on costs are expected to continue into the coming year, particularly noting the wider economic and geo-political events.

We have continued to support and remunerate our people appropriately in line with the wider employment market and considering rises in their living costs. Colleagues' pay increased by 1% during the year. In addition, a performance related bonus scheme was introduced, enabling colleagues to earn up to an additional 5% of their salary based on the Society's overall performance and their individual contribution. Colleagues' pay continues to be a focus for the coming year, to ensure our people are remunerated appropriately.

Recurring administrative expenses as a percentage of mean total assets are 1.93%, compared with 1.86% in the prior year.

### Non recurring administrative expenses

To ensure that the Society delivers on the strategy, the Board approved a separate investment budget to fund the key strategic initiatives. The costs incurred have been identified as non-recurring and are considered

separate from the underlying performance of the Society. Costs totalling £0.42 million were invested in the Mortgage Originations platform as work continued on the key enabler for the future growth of the Society with a further £0.07 million being invested in the customer proposition in the form of a new branch.

### Fair value

Fair value losses on derivative financial instruments amounted to £0.23 million (2025: fair value gains of £0.39 million).

Derivatives financial instruments are used solely for risk management purposes and are an important tool for managing exposure to changes in interest rates from the Society's portfolio of fixed rate mortgages and savings products. Materially the Society's derivatives are in economic hedges that qualify for hedge accounting relationships. Reported fair value gains and losses are predominantly due to timing arising within these relationships and will trend to zero over time.

### Impairment charges

The Society maintains an appropriate provisioning policy designed to make provisions for any estimated losses resulting from loans that are impaired on either a specific or collective basis. The overall provision requirement decreased by £0.03 million in the year, with the breakdown in this movement shown below:

£000s	2026	2025
Collective impairment (credit)	(79)	(91)
Specific impairment charge	46	169
<b>Total impairment (credit)/charge</b>	<b>(33)</b>	<b>78</b>

At 31 March 2026 the Society held provisions totalling £0.97 million (2025: £1.01 million), analysed as follows:

£000s	2026	2025
Collective provision	591	670
Specific provision	382	336
<b>Total</b>	<b>973</b>	<b>1,006</b>

### Overview of statement of financial position

£000s	2026	2025
Liquid assets	116,033	103,711
Loans and advances to customers	557,968	517,157
Fixed and other assets	5,594	4,145
<b>Total assets</b>	<b>679,595</b>	<b>625,013</b>
Shares	591,467	553,980
Amounts owed to other customers	52,250	35,168
Other liabilities	1,825	2,597
<b>Total liabilities</b>	<b>645,542</b>	<b>591,745</b>
Reserves	34,053	33,268
<b>Total liabilities and reserves</b>	<b>679,595</b>	<b>625,013</b>

The Society uses statistical modelling to derive the level of impairment provision required and then applies further judgement to ensure that the carrying value of the impairment provision appropriately reflects the credit risk to the Society. Further details are set out in Note 1.13 to the Annual Report and Accounts.

The provision requirement previously included a post-model adjustment in the form of an overlay and has subsequently been released. Updated assumptions resulted in an underlying decrease in the provision, and the subsequent release of the overlay contributed to an overall reduction in the impairment provision, resulting in a small credit to the income statement.

### Arrears Management

The Society actively manages mortgage accounts in arrears, always considering individual customer circumstances. At 31 March 2026 the Society had no accounts on which payments were twelve months or more in arrears (2025: none). The total number of cases in arrears increased from 47 accounts at 31 March 2025 to 51 accounts at 31 March 2026. Of these, only 10 accounts had arrears balances equivalent to more than three months in arrears (2025: 5). Specific provisions have been made where necessary in respect of all arrears cases.

At the end of the year the Society had four properties in possession (2025: two), one of which exchanged prior to the year end and subsequently completed post year end.

### Profit

The after-tax profit of £0.79 million (2025: £0.78 million) represents 0.12% (2025: 0.12%) of mean total assets. At 31 March 2026 the Society's reserves amounted to £34.05 million (2025: £33.27 million) and are at a level considered by the Board to offer adequate support for the business.

### Assets

Total assets increased during the year by £54.58 million (2025: decrease of £10.69 million) and at 31 March 2026 amounted to £679.60 million (2025: £625.01 million). The increase in total assets is primarily driven by growth in loans and advances to customers and higher levels of liquid assets. Further detail is provided in the relevant sections below.

# Strategic Report (continued)

## Liquid assets

The Society holds liquid assets to ensure it can always meet its obligations as they fall due and in accordance with the Board's risk appetite and regulatory requirements.

The majority of the Society's liquid assets are held in the form of deposits with the Bank of England, which along with debt securities qualify as High Quality Liquid Assets (HQLA) using the regulatory definition.

The Society transacted a number of debt securities during the year in the form of UK Government Treasury Bills to mitigate interest risk rate on the fixed rate liabilities.

£m	2026	2025
Bank of England (HQLA)	69	83
Other Bank deposits	2	2
Debt securities (HQLA)	45	19
<b>Total Liquid Assets</b>	<b>116</b>	<b>104</b>

Total liquidity represented 18.0% of shares and borrowings at the year-end (2025: 17.6%).

The Society manages its liquidity to ensure there is sufficient cash to cover forecast outflows net of inflows. The level of liquidity held at year-end represents a higher level than internal requirements.

The key regulatory measure of liquidity is the Liquidity Coverage Ratio (LCR), which measures HQLA as a percentage of net cash outflows over a 30-day stress period. The LCR at 31 March 2026 was 174% (2025: 162%). This was significantly in excess of the minimum board and regulatory requirements.

## Mortgages

The majority of the Society's mortgages are advanced for residential and buy-to-let properties. Expertise has been developed within the Society to underwrite and service specialist types of lending. This enables us to support underserved market segments, including UK nationals living or working overseas, with appropriately tailored mortgage solutions. Mortgage advice is provided by mortgage intermediaries who are well-placed to source the most appropriate product for a borrower.

At £130.9 million, mortgage advances in the year were £6.6 million higher than the amount advanced last year of £124.3 million. Mortgage retentions performed strongly in the year and as a result mortgage balances increased by £40.8 million. Mortgage balances closed at £558.0 million net of impairment provisions and EIR, up 7.8% from £517.2 million as at 31 March 2025. The committed mortgage pipeline stands at £21.1 million at 31 March 2026, this is a decrease of £9 million compared to the £30.1 million at the prior year end.

## Shares and deposits

Member deposits remain the Society's primary source of funding, with the majority of shares and deposits serviced through the branch network. During the year, new products were introduced across branches, generating strong engagement and growth.

The branch network is complemented by the Society's online platform, which supports new funding. However, given the highly competitive nature of this channel, and the strong growth achieved in branches, the Society made a strategic decision to minimise use of this channel without compromising overall shares and deposit levels and to support interest margin.

This approach aligns with the Society's strategy to prioritise sustainable growth in local branch-based deposits, which will remain a key focus as new branches are opened.

As a result of the Society's continued growth, driven by the opening of new locations and a focus on building sustainable local relationships, total shares and deposit balances increased by £37.9 million to £591.5 million (2025: £554.0 million).

## Non-member Funding

To ensure it can always maintain necessary levels of liquidity, it is important that the Society has access to an appropriately diverse range of other funding sources. The main source of such funding continues to be the Bank of England. The Society remains an active participant in the Bank of England's Sterling Monetary Framework.

To support funding diversification and to provide contingency facilities the Society also has access to shorter term (6-month) funding through the Bank of England's Indexed Long-Term Repo (ILTR) scheme and will continue to use this facility as and when required. At 31 March 2026, the Society had £13m outstanding on this (2025: £0m). At 31 March 2026, the Society holds £4.0 million of wholesale balances (2025: £2.0 million).

## Capital

Capital consists of the Society's reserves plus collective provision balances, and less intangible asset balances which are required by capital regulations to be deducted from capital. The minimum level of capital required to be held is set by the Prudential Regulation Authority (PRA), the Board has a risk appetite to hold capital in excess of this requirement to provide the Society sufficient time to use management actions with a view to avoid a further stress on the Society. After regulatory deductions, and including the 2026 profit, the Society's regulatory capital stood at £33.8 million at 31 March 2026 (2025: £32.8 million), £6.2 million above the minimum regulatory capital requirement (2025: £6.8 million).

At 31 March 2026 the Society's gross capital ratio was 5.29% of shares and borrowings (2025: 5.65%). The free capital ratio was 5.25% of shares and borrowings (2025: 5.57%). These reductions, including in capital held above minimum regulatory requirements and in capital ratios, reflect planned capital use to support the Society's growth for the benefit of members.

Further details on the Society's management of capital are set out in Note 29 to the accounts and include a reconciliation of capital per the statement of financial position to regulatory capital.

## Risk culture

The Society considers its mutual status as being paramount to its identity. The culture embedded within the Society includes the implicit rules, ideas and norms that sustain our values and enables our Employee Expectations Framework, which defines required behaviours, decision making principles and wider practices, to operate successfully.

Risk culture is a subset that governs how the Society's employees manage the risks associated in delivering the Corporate Plan, the agreed strategy and day-to-day operations. Risk culture also incorporates risk awareness, understanding, appetite and mitigation.

The Society aims to maintain a low exposure to risk, in order to best protect members' interests. The Board places significant emphasis on every line of defence having the correct ownership of risk through training, management and reporting.

Exemplary conduct is expected from everyone in the organisation as defined by our Society values. The importance of this culture has been emphasised through the roll-out of the Society's revised Strategy and its performance management approach.

## Risk Management Objectives and Policies

The Society adopts a "Three Lines of Defence" model to separate risk management activities between those responsible for risks and controls, independent oversight support and challenge, and internal audit assurance.

The Society also has an Enterprise Risk Management Framework (ERMF) that documents the Society's structure for managing risks and the Board's Risk Appetite. This is the key tool used by the Society's Risk & Compliance functions in overseeing risk management as part of their role as the second line of defence.

The Board delegates its risk oversight to Board Risk and Compliance Committee, which reviews risk limits, reporting lines, mandates and other control procedures. Alongside this, internal audit assurance forms part of Board Audit Committee.

The day-to-day operations of the Society expose it to a range of financial and non-financial risks, each of which is owned by a member of the Executive.

The management of those risks aims to ensure the outcome of any risk-taking activity is consistent with the Society's strategy, Board risk appetite, is appropriate to the Society's business, is compliant with current regulation and gives due regard to regulatory guidance. In this way, risk management also seeks to achieve an appropriate balance between risk and reward in order to optimise member returns and, where issues arise, to manage for the best outcome for the Society and its members.

Specifically, the Society's Assets and Liabilities Committee (ALCO) is charged with the responsibility for managing and controlling the balance sheet exposures and the use of financial instruments for risk management purposes. Full details regarding the risks and the financial instruments used by the Society are given in Note 26.

## Stress testing

Stress testing is a risk management tool used by the Society to understand the impact of severe, yet plausible scenarios on its business performance. The Society uses a prescribed Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) to identify capital and liquidity risks with stress testing forming an intrinsic part of these processes. These tests are agreed by the Board ahead of the assessments being carried out.

Other stress tests, including operational- and IT-based risk events, are also undertaken with the output from all processes used to inform Board risk appetite, policies, management actions and contingency plans.

Capital stress tests are conducted in the ICAAP. These include stresses of risks existing in the business and potential future risk scenarios. During the year, as part of regular reforecasting, the Board receives outputs from stress tests on the mortgage assets, including on the impact of changes to the base rate of interest.

Liquidity stress tests are performed on a regular basis with results reported to the ALCO. These stress tests help identify any potential risks in the Society's levels of liquidity in a range of scenarios.

The Society has a Board-agreed risk appetite for interest rate risk whereby hedging measures are required to be put in place so that the impact on earnings from a 2% shift in interest rates cannot exceed 3% of the Society's available capital and the outcome of stress tests is measured against this risk appetite.

The PRA carries out an assessment of the Society and may issue specific minimum capital and liquidity levels based on its assessment of the risks faced by the Society, including under stressed conditions.

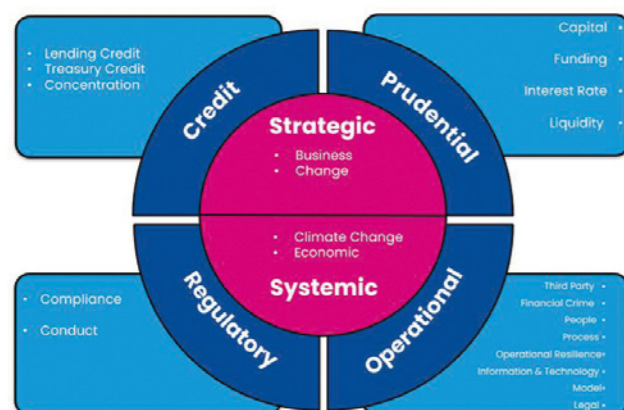
The Society maintains a high level of open and transparent communication with its regulatory supervisory team enabling advance notification of plans to be managed more effectively.

# Strategic Report (continued)

## Recovery Plan and Resolution Pack

It is a regulatory requirement for all banks and building societies to construct plans that detect possible failure and minimise the consequences of failure should it occur. The Society maintains a Board-approved Recovery Plan that outlines a series of options the Society could credibly take to recover from a Society-specific or market-wide stress.

During the year this has been supplemented with a Solvent Wind-Down Plan, aligned to new regulations that have come into effect. In addition, the Resolution Pack contains prescribed information necessary for the Bank of England to establish an orderly resolution of the Society in the event that recovery is not possible.



## Principal Risks and Sub Risks

The Society assesses risk exposure across six “Principal Risks” which in turn are assessed into 21 sub-risks as follows:

**Strategic:** Business and Change.

**Systemic:** Economic and Climate Change.

**Credit:** Lending, Treasury and Concentration.

**Prudential Risk:** Capital, Funding, Interest Rate and Liquidity.

**Operational Risk:** Third Party, Financial Crime, People, Process, Operational Resilience, Information & Technology, Model and Legal.

**Regulatory:** Compliance and Conduct.

The Principal Risks and their sub-risks are reviewed at least annually to ensure they are still appropriate and continue to support the Society’s strategy and long-term sustainability. No changes have been made this year to the risk categories. The approach the Society takes to each of those risks, and how they are mitigated, are set out in the table below.

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Business Risk</b>	The risk that the sustainability of the Society’s business model is threatened by the external environment or its internal capabilities.	The Society closely monitors the competitive and regulatory environment and prevailing rates in the market and takes action in response where required.  The Society’s corporate plan recognises that growth in the business is necessary to address the strategy risk of being sub-scale.	Business Risk remains a significant focus. The Society has continued to work at growing the business, strengthening the culture around cost control and productivity, and improving margin by developing our specialist mortgage capabilities.  Recognising this, <b>the Directors consider that the level of risk has remained at medium.</b>

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Change Risk</b>	Change risk arises when an uncertain event or condition affects the quality, timing, cost, or successful delivery of change initiatives. Poorly defined, planned or governed change can result in failure to deliver the required objectives, cost overruns, operational disruption, regulatory non compliance, or diminished customer and colleague experience.	The Society has continued to strengthen its Change Framework, governance, and oversight structures to enhance the assessment, prioritisation and control of change. Capacity and capability within the Change function have been enhanced to improve risk anticipation, issue management, and early escalation. All material initiatives are supported by formal project governance, including structured planning, delivery controls, and accountability for benefits and risk management.	The Society continues to progress a portfolio of key strategic, regulatory, and technology initiatives, including the Mortgage Origination Project, new locations, regulatory capital changes and core system changes. Strong governance and visible control help ensure change supports long term strategic objectives while maintaining safe and compliant operations.  Recognising the level and impact of change currently in progress, <b>the Directors consider that the level risk has remained medium.</b>
<b>Economic Risk</b>	The risk that macroeconomic conditions or geo-political events adversely impact the Society.	The Society monitors geo-political and economic conditions closely, analyses the possible impacts on the Society and its customers and takes action where appropriate to reduce its exposure.	The UK economy has remained weak throughout the year with increasing unemployment and subdued growth, although reducing interest rates have improved affordability.  Geopolitical tensions have remained high with ongoing conflicts in various regions of the world, including in the Middle East and Ukraine. These conflicts create risks relating to inflation, in particular energy costs, affecting mortgage affordability, volatile interest rates, cyber threats and relating to our expat borrowers.  Recognising increased conflicts, <b>the Directors consider that the level of risk has increased to medium/high.</b>

## Strategic Report (continued)

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Climate Change Risk</b>	The risk that climate change adversely impacts the Society's credit position or its reputation as a responsible business.	The Society tracks a number of metrics in respect of climate risk with the main focus being at its Credit Risk Committee. The Society continues annual assessments of climate related risks, using external consultants to model the long-range impact to the Society of physical and transitional risks.  A fuller report on Climate Risk is presented later in this Strategic Review.	Expectations in relation to management of climate change risks continue to be developed by the Bank of England, particularly noting the requirements set out in SS5/25, and other regulators.  At present the largest impact on the Society is from the proposed introduction of stricter Energy Performance Certificate requirements on Buy-to-let landlords, which has been delayed until 2030.  The annual assessment confirms there are no material physical risks to the Society in the short to medium term, and the outputs were broadly similar to those reported in the previous year.  Accordingly, <b>the Directors consider that the level of risk has remained low.</b>
<b>Lending Credit Risk</b>	Lending Credit risk refers to the potential that mortgage customers fail to meet their repayments as they fall due, there is a shortfall on repossession and this results in a loss for the Society. This is an inherent component of our business model as a mortgage lender.	The Board has set a low risk appetite which is reflected in prudent lending limits and Underwriting Policy. The Policy sets clear criteria in respect of acceptable Loan to Value (LTV), affordability, processes and exposure management.  All lending decisions are fully underwritten on an individual basis.  The Society utilises a statistical Credit Risk Model to assist in the measurement and management of credit risk. It measures Expected Credit Loss (ECL) and Unexpected Credit Loss (UCL), based on expected and stressed conditions, to ensure that lending remains within risk appetite.	LTV is 58%, as set out in Note 26.8, which provides a significant mitigant against credit risk.  Across the mortgage market, arrears have remained lower than historical averages, peaking in 2024. This is echoed by the Society's arrears position, which remains modest despite an increase in the year.  Repossessions and credit losses have remained low, with only one loss case in the last three years.  We recognise, however, that unemployment is increasing, and may put pressure on some borrowers.  Changes in legislation and increases in certain taxes are increasing the risk associated with some types of lending.  Overall, <b>the Directors consider that the level of risk has remained low.</b>

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Treasury Credit Risk</b>	Treasury Credit risk refers to the potential that our treasury counterparties fail to meet their obligations as they fall due, and that this results in a loss for the Society.  Credit risk arises from treasury activities due to liquid assets held and our interest rate hedging.	Treasury Credit risk is mitigated through the Society's Treasury and Prudential Risk Management Policy which reflects the Board's approved tolerance and which include clear guidelines in respect of processes and exposure management.  The Assets and Liabilities Committee (ALCo) is responsible for managing Treasury activity and recommends limits on Treasury counterparties, country exposures and types of financial instruments for approval by the Society Board within regulatory guidelines.	As set out in note 9, a high proportion of the Society's liquidity is held at the Bank of England, which is the highest credit quality.  The Society continues to have low exposures to bank accounts and swap counterparties, and this is managed closely.  Accordingly, <b>the Directors consider that the level of risk has remained low.</b>
<b>Concentration Risk</b>	Concentration risk refers to a lack of diversification in certain aspects of lending.  Credit concentration occurs where the Society has a particular exposure to: <ul style="list-style-type: none"> <li>• an individual borrower; or</li> <li>• a geographical segment; or</li> <li>• a market segment.</li> </ul>	The Society maintains and monitors lending activity against a range of concentration limits.  These internal limits are being calibrated against stress testing, as part of a programme of work to enhance our risk management framework and response to the removal of the regulatory limits set out in the building society sourcebook (SS20/15 (deleted December 2025)).	The Society's lending is secured predominantly on UK residential and buy-to-let mortgages, which gives it an inherent concentration to this market.  There remains no material concentration to any single borrower or group of borrowers.  We acknowledge an increased product concentration regarding expat lending, and in particular expats living in the Middle East, where we consider the risks to be well-managed and the returns are attractive; whilst we continue to investigate opportunities to diversify into other product specialisms, the risks remain closely controlled and monitored and we remain comfortable that the limit is appropriate.  Accordingly, <b>the Directors consider that the level of risk has increased to medium.</b>

## Strategic Report (continued)

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Capital Risk</b>	<p>Capital risk refers to the potential that the Society fails to maintain sufficient capital to absorb unexpected losses.</p>	<p>The Society undertakes an annual Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP is reviewed by the PRA periodically to set our Total Capital Requirement.</p> <p>The Board has set a limit that it uses to ensure capital is sufficient to support the current and future risks in the business and to withstand a selection of severe stresses. The stress test scenarios developed evaluate the impact of idiosyncratic, market wide and combined stresses on the Society's capital resource.</p> <p>Management actions are maintained to manage any unforeseen change in capital, including reducing new mortgage lending, cost control and margin management.</p> <p>Our capital resources are reviewed monthly, and the results of this monitoring reported to ALCo and Board Risk and Compliance Committee.</p>	<p>As shown in note 29, whilst the Society has continued to invest surplus capital in capability and to increase mortgage balances, it maintains capital ratios in excess of regulatory and internal requirements and the ICAAP continues to demonstrate that the regulatory capital requirement under the Basel Standardised Approach is substantially higher than losses that could be incurred in an extreme scenario.</p> <p>Changes to regulatory capital rules, known as "Basel 3.1" and the "Small Domestic Deposit Takers (SDDT)" regime, are expected to apply from January 2027 and are expected to result in a modest increase in our capital surplus.</p> <p>Given the managed reduction in capital, <b>the Directors consider that the level of risk has increased to medium.</b></p>
<b>Funding Risk</b>	<p>Funding Risk refers to the potential that the Society is unable to fund its mortgage obligations, and the risks arising from the lack of diversification in funding.</p> <p>If access to funding became restricted, either through market movements or regulatory or government action, this might require the reduction in new lending.</p> <p>The Society considers funding concentrations as part of the ILAAP process and manages these risks within Board approved limits.</p>	<p>The Society's funding is predominantly from regional branches, which provides a stable base of funding. This is complemented by access to UK-wide online deposits, postal accounts, wholesale funding and the Bank of England which provides tactical and contingency funding.</p> <p>The Society undertakes an Internal Liquidity Adequacy Assessment Process (ILAAP) annually. This analyses the diversification of funding and associated risk. These risks are captured as part of the stress testing completed in the ILAAP document.</p> <p>The ILAAP specifies the liquidity and funding requirements that determine its potential cash flow needs under idiosyncratic, market-wide and combined scenarios.</p>	<p>The Society has increased its physical footprint with the launch of new 'hub' and 'spoke' locations including the Bridgnorth branch in June 2025 and subsequent spoke locations in Shifnal, Halesowen and Bromsgrove.</p> <p>This remains complemented by online, postal and Bank of England funding which has been strengthened by a collateral top up completed in November 2025 that has provided access to over £140m of funding (at the year end).</p> <p>Accordingly, <b>the Directors consider that the level of risk has remained low.</b></p>

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Interest Rate Risk</b>	<p>Interest Rate risk is the risk of loss due to the value of, or income arising from, the Society's assets and liabilities varying because of changes in interest rates.</p> <p>Interest rate risk arises from imperfect matching of fixed rate mortgages and fixed rate savings and differences in the time taken for changes in interest rates to feed into changes in the product rates.</p>	<p>To mitigate interest rate risk, the Society applies natural balance sheet hedging (e.g. matching 2-year fixed rate mortgages with 2-year fixed rate saving bonds) and entering into interest rate swaps for unmatched exposures.</p> <p>The Board has also set minimum limits for administered rate deposits and mortgages, so the Society retains sufficient flexibility on interest rate margin.</p> <p>In line with regulatory requirements and best practice, the impact on Net Interest Income (NII) of a parallel shift in interest rates in both directions is monitored as well as the impacts of alternative non-parallel scenarios. Other interest rate exposures, including basis risk are monitored closely and regularly reported to ALCo.</p>	<p>Interest rate swap rates have remained volatile in 2025/26. Bank Rate has reduced from 4.50% (on 31 March 2025) to 3.75% (on 31 March 2026). Following the start of the Middle-East conflict, the market expectation is for Bank Rate to increase in the next 12 months. However, the economic outlook referred to above means the pace and timing of Bank Rate changes remains uncertain and there continues to be a risk of material impact on net interest margin.</p> <p>Therefore, <b>the Directors consider that the level of risk has remained medium.</b></p>

## Strategic Report (continued)

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Liquidity Risk</b>	<p>Liquidity risk refers to the potential that the Society is unable to make available sufficient cash resources to meet its current or future financial obligations as they fall due or is only able to at a premium cost. The Society's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding in order to retain full public confidence in the solvency of the Society and to enable the Society to meet its financial obligations. This is achieved through maintaining an adequate level and quality of liquid assets and through control of the growth of the business.</p>	<p>The Society, through its Finance and Treasury team (overseen by ALCo) maintains sufficient liquid assets to meet its regulatory obligations and to meet liabilities as they arise (including any unexpected adverse cash flow). The Society monitors its overall liquidity with reference to regulatory limits and internal limits set by the Board.</p> <p>Within the ILAAP document, a series of liquidity stress tests have been designed with the results reported to ALCo. The stress test scenarios developed evaluate the impact of idiosyncratic, market wide and combination stresses on the Society's liquid assets. Scenario and stress testing is undertaken to assess the requirements over different time horizons. This is also complemented by Reverse Stress Testing to identify any circumstances that puts the Society into a position of non-viability.</p> <p>The Society also maintains contingency funding actions which can provide additional liquidity if required. This includes collateral maintained at the Bank of England which can be used to draw down funding.</p>	<p>The Society has maintained liquidity throughout the year at healthy levels above all regulatory and internal requirements.</p> <p>From time to time the Society has continued to invest a small portion of liquidity in UK government Treasury bills; these are highly liquid and assist in the management of short-term interest rates.</p> <p>This remains complemented by Bank of England funding which has been strengthened by a collateral top up completed in November 2025 that provides access to over £140m of funding (at the year end).</p> <p>Accordingly, <b>the Directors consider that the level of risk has remained low.</b></p>
<b>Third Party Risk</b>	<p>Third party risk arises when the Society relies on external organisations to deliver services or activities on its behalf and where failures in the third party's performance, resilience, or compliance affects the Society's ability to operate effectively, meet regulatory expectations or maintain service continuity for members.</p> <p>Third parties are also in turn reliant on their suppliers ("4th parties"), whose failures can affect the Society. The Society has material reliance on third parties, in particular for systems and internal audit.</p>	<p>The Society recognises that effective management of third-party risk is fundamental to maintaining operational resilience and protecting members' interests.</p> <p>During the year, we have further strengthened the design, implementation and assurance of this framework, including acting on the findings from an internal audit review.</p> <p>All material third party arrangements undergo periodic reviews proportionate to their criticality, with explicit consideration of operational resilience requirements. This includes assessing the resilience, financial soundness and control environment of key suppliers, along with exit planning where appropriate.</p>	<p>There have been no material issues with third parties in the year.</p> <p>Strengthened oversight and maturing resilience arrangements continue to support stable operations and protect member outcomes.</p> <p>Recognising the material reliance the Society has on third parties, <b>the Directors have reassessed the risk as low/medium.</b></p>

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Financial Crime Risk</b>	<p>Financial crime risk arises where the Society is used to facilitate financial crime through application fraud, laundering the proceeds of crime or the financing of terrorism. One of the Society's specialist areas of lending is to expats - British citizens who live overseas - who live in a wide range of countries, including countries assessed as High Risk by the global financial crime watchdog, the Financial Action Task Force.</p> <p>In addition, the rise in scams is an area we consider to be of particular concern to our deposit customers.</p>	<p>We have developed specialist expertise and capability to manage financial crime risks. The use of Enhanced Due Diligence in higher-risk situations coupled with continued review of, and investment in, systems and controls mitigate many of the risks insofar as is possible. We also invest in education and awareness for our customers to help prevent them falling victim to scams, Authorised Push Payment and Account Takeover fraud.</p>	<p>Global conflict has remained a significant concern during the year, with an increased risk of financial crime from overseas threat actors. In addition, an increase in cyber incidents and data breaches increases the financial crime risk profile.</p> <p>The increase in expat borrowers, including from High Risk jurisdictions, also increases the inherent financial crime risk.</p> <p>Application fraud attempts, post application frauds such as Authorised Push Payment and Account Takeover, have remained static across the industry. The criminal use of AI has also started to manifest, which has the potential to further.</p> <p>Due to the effectiveness of the controls adopted, <b>the Directors consider that the level of risk has remained medium.</b></p>
<b>People Risk</b>	<p>People risk arises where the Society's staff lack the capacity or capability to deliver their responsibilities. This includes factors such as errors, misconduct, inadequate skills or training.</p>	<p>The Society monitors a range of metrics around key people risk monthly and reports these to Operational Risk Committee and Board Risk &amp; Compliance Committee to ensure appropriate action is taken where appropriate.</p>	<p>Due to continued investment in capability, recruitment has continued to be high with a number of new employees joining the business. Attrition has been within expected levels but the extent of change underway has created capacity constraints in some areas of the business.</p> <p>Accordingly, <b>the Directors consider that the level of risk has increased to low/medium.</b></p>

## Strategic Report (continued)

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Process Risk</b>	Process risk is the risk of loss arising from inadequate processes, or non-adherence to defined processes.	Operational risk is managed by 'Risk Owners' - who maintain Risk & Control Self Assessments (RCSAs) for their areas of operation. RCSAs identify their key risks, associated controls, the residual level of risk and any required actions to reduce the residual risk to minor. The Risk team perform periodic reviews of RCSAs and report the outcomes to Operational Risk Committee.  Risk metrics are measured monthly and reported to Operational Risk Committee and Board Risk & Compliance Committee. Colleagues are expected to identify and promptly report as risk events all process failures that result in a non-minor impact. The Risk team ensure that risk events are recorded, mitigated and process improvements are implemented to reduce the likelihood or impact of further risk events occurring.	Risk events that occurred in the year were identified promptly, with appropriate and effective mitigation and control improvements implemented once the root cases were understood.  Most processes are well established and stable and there have been a limited number of non-minor risk events.  During the year, RCSA reviews and identified risk events confirm that the Society remains reliant on material manual and complex processes, some of which are inherently error prone. Whilst actions are underway to mitigate this risk there remains some residual risk whilst these actions are being delivered.  Accordingly, <b>the Directors have re-assessed the level of risk and increased it to low/medium.</b>
<b>Operational Resilience Risk</b>	Operational resilience risk arises from the possibility that the Society is unable to prevent, adapt to, respond to, recover or learn from operational disruption. Failure to maintain resilient people, processes, systems and third party arrangements could lead to prolonged service interruption, regulatory non-compliance, financial loss or reduced ability to support members during periods of stress.	The Society has continued to strengthen its operational resilience framework by identifying Important Business Services, refining impact tolerances, and testing its ability to remaining within these tolerances under severe but plausible scenarios. These activities provide assurance that the Society is well prepared to respond to disruption, minimise harm to customers, and maintain continuity of critical services.	The Society has remained within impact tolerances throughout the year and the Society continues to demonstrate strong capability to maintain continuity of key services. Improvements to service mapping, operational controls, third party oversight and recovery planning have further strengthened confidence in the Society's ability to withstand and recover from disruption.  Accordingly, <b>the Directors consider that the level of risk has remained low.</b>

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Information &amp; Technology Risk</b>	Information and Technology Risk arises from potential failures of technology systems, infrastructure, data management or third-party technology services.  The Society acknowledges the risk of disruption caused by technology failure, a data breach or a successful cyber-attack on core IT systems, which may result in the loss or inappropriate use of data or sensitive information.  The Society's core systems are dependent upon the continuing availability, resilience and performance of both internal technology and key third party managed services.	The Society maintains a robust IT Governance and Controls framework, supported by regular assurance activities over both internal operations and third party service providers.  We work closely with suppliers and insurers to ensure timely incident response and to minimise any disruption to members.  The Society continues to invest in technologies designed to strengthen resilience and ensure the confidentiality, integrity and availability of data. Significant investment has been made in cyber security, including enhanced monitoring, testing and detection capabilities. Controls include 24/7 threat monitoring, vulnerability management, incident response toolsets and employee training. Regular simulated phishing exercises, cyber attack scenarios and system outage tests help ensure colleagues are prepared to respond effectively to emerging threats.	Threat levels remain elevated across the UK due to increased activity from both organised cyber criminals and overseas threat actors.  Whilst attempts such as phishing, ransomware and credential harvesting remain common, the Society's controls and heightened vigilance have prevented any material impact on systems or data during the year.  In response to the elevated threat, the Board has tightened its risk appetite to require alignment with industry best practice and work is underway to meet this higher standard. The Society continues to strengthen defensive capabilities, improve resilience across its technology environment and ensure member data is protected through continuous investment and active cyber management.  Accordingly, <b>the Directors consider that the level of risk has remained at medium.</b>

## Strategic Report (continued)

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Model Risk</b>	<p>The Society does not use models for Pillar 1 capital requirements. It does use a range of spreadsheets and software in the form of models to support planning, pricing, credit risk and affordability assessments.</p> <p>These tools carry a risk of producing outputs that may be wrong or unreliable due to weaknesses in design, assumptions, data, controls or user actions.</p> <p>Given the Society's size, it relies on a limited number of specialist staff which heightens vulnerability, especially where manual spreadsheet processes are involved. If a model fails to perform as intended, it could result in poor management decisions, flawed risk assessments, customer detriment, or non compliance with regulatory expectations.</p>	<p>The Society operates a proportionate Model Risk Framework covering model design, documentation, validation and oversight. It requires all material models to be independently reviewed by staff not involved in their development or daily use.</p> <p>Key controls include version management, peer review of assumptions, data reconciliations and periodic benchmarking against actual results or external data, with sensitivity testing applied where appropriate.</p> <p>Given the Society's size, the Board and executive teams maintain close oversight through regular governance reporting to ensure transparency and effective challenge.</p>	<p>Recognising the impact of model risk, the Society has invested in developing the model risk management framework, improving the design and calibration of the key models and enhancing implementation.</p> <p>Accordingly, <b>the Directors consider that the level of risk has remained low.</b></p>
<b>Legal Risk</b>	<p>Legal risk arises from the potential for losses or liabilities due to unclear or unenforceable contracts, failure to meet legal or regulatory obligations, disputes or claims, inadequate protection of intellectual property, or changes in legislation. As the Society continues to modernise systems and work with key suppliers, the legal environment remains complex and closely linked with conduct and compliance expectations.</p>	<p>The Society manages legal risk with the support of an in house legal function, to ensure legal considerations are integrated into strategic and operational decision making. External counsel may be engaged on complex matters or where specialist advice is required. This is supported by risk indicators that promote early visibility of potential risks, horizon scanning to spot legislative changes, and risk-based review of key legal documents, including mortgage and savings terms and conditions, to ensure clear allocation of rights and obligations.</p>	<p>Major supplier and technology contracts continue to present the greatest potential for legal exposure. A failure in these relationships could give rise to financial loss, operational disruption, an adverse reputational impact or regulatory scrutiny. While such matters are actively managed, they illustrate the potential for legal risks to crystallise if not closely monitored.</p> <p>Therefore, <b>the Directors consider the overall legal risk remains medium.</b></p>

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
<b>Compliance Risk</b>	<p>The Society's business is based on the sale of regulated products, including savings and residential mortgages. Regulation from both the FCA and the PRA have a critical impact on the Society's business. Products are also subject to significant tax rules, in particular for ISAs and savings interest.</p> <p>This is the risk to the business, through financial loss or reputational damage that arises from a lack of compliance with relevant laws and regulations, including failure to respond appropriately to regulatory change.</p> <p>Failure to meet regulatory expectations could result in significant fines, restrictions on business and personal consequences for the Society's Senior Managers. Regulations are complex and subject to significant change.</p>	<p>The Society monitors regulatory change, ensuring appropriate impact assessments and escalation to the Change &amp; Investment Committee. All staff have access to compliance advice and undertake regular mandatory training on compliance matters, including Consumer Duty and Data Protection.</p> <p>The Risk &amp; Compliance team review Financial Promotions, new product proposals and are represented in all management committees and project Steering Committees.</p>	<p>There continues to be significant regulatory focus on Consumer Duty, Operational Resilience and changes in capital requirements known as "Basel 3.1". These changes continue to require significant attention from the Society.</p> <p>During the year the Society agreed to introduce a structured compliance monitoring programme and work is underway to expand the resources in the compliance team and implement this programme.</p> <p>We also introduced enhanced procedures during the year to ensure ongoing tax compliance.</p> <p><b>The Directors consider that the level of risk has increased to low/medium.</b></p>
<b>Conduct Risk</b>	<p>This risk can arise when a firm's actions or behaviours result in poor outcomes for customers.</p> <p>The Society has a customer-focused culture that is in line with the principle of an organisation which is owned by its members.</p>	<p>Conduct Risk is assessed and monitored through the Society's Board Risk and Compliance Committee, including via its Product and Customer Committee which considers the Society's key customer interactions and metrics.</p> <p>The Society has a simple product range that aims to reduce potential exposure to conduct risk. All products are subject to periodic review under Consumer Duty rules.</p> <p>All staff who engage with customers receive appropriate training in accordance with the relevant Training and Competency Scheme to ensure customers are treated fairly.</p>	<p>The Society has worked on embedding the Consumer Duty Regulations within the business.</p> <p>The Society continues to receive a low number of complaints and none that indicated any material conduct risk.</p> <p>As set out in the Strategic Report above, the Society's Net Promoter Scores continues to remain high and above our peers, demonstrating an improved customer experience for our new mortgage customers.</p> <p>Accordingly, <b>the Directors consider that the level of risk has remained low.</b></p>



# Strategic Report (continued)

## Financial risks from climate change

The Society classifies climate risks as either physical (physical manifestations of climate change such as increased flooding, extreme weather and rising sea levels) or transitional (risks that arise directly as a result of moving to a low-carbon economy).

Climate Risk	Business Impact
<p><b>Physical Risks</b> – the risk that damage arising from extreme weather events linked to climate change adversely impacts the Society’s balance sheet or operations.</p>	<ul style="list-style-type: none"> <li>Reduction in the value of collateral held.</li> <li>Properties become uninsurable or premiums unaffordable.</li> <li>Damage to Society premises.</li> </ul>
<p><b>Transition Risks</b> – the risk that upgrades to homes/properties to meet new legislative requirements are not completed adversely impacting the value of assets/security held by the Society.</p>	<ul style="list-style-type: none"> <li>Changes to government policy lead to a fall in the value of collateral held as security.</li> <li>Failure of the Society to adapt to changing customer preferences could impact profitability.</li> <li>Increased costs due to the rising cost of carbon and/or carbon offsetting schemes impacting profitability.</li> </ul>

The Society’s approach to climate risk management comprises four core elements, namely:

- Governance;
- Strategy;
- Risk Management; and
- Metrics and targets.

### Governance

The Chief Financial Officer, is ultimately responsible for execution of the Society’s approach to climate change risk.

Under the Society’s Enterprise Risk Management Framework (ERMF), Climate Change Risk has a Board approved Climate Change Risk Appetite Statement. Monitoring against this risk appetite statement, is undertaken and reported through the Society’s governance structure and up to Board Risk and Compliance Committee, and Board, where appropriate.

### Strategy

The Board approved strategy retains Climate as one of the strategic pillars.

The key deliverables of this strategic pillar continue to develop as our understanding of the risks posed by climate change evolve. This is achieved through active participation with regulation, the industry, and supported by external expertise and to propose and agree specific carbon reduction targets.

### Risk Management

The Society maintains a dedicated climate change risk register that contains both physical and transition related risks, which are monitored by the Credit Risk Committee. The register is aligned to the Board approved Climate Change Risk Appetite Statement, which confirms that the Society has no appetite for unexpected or unprovided for credit losses arising from climate related impacts.

Particular attention is given to emerging transitional pressures, including potential changes to Energy Performance Certificate (EPC) requirements for Buy to Let properties. The Society monitors and models the financial implications for borrowers arising from anticipated legislative changes to better understand potential impacts on affordability, property values and long term loan viability.

A suite of climate related metrics and exposure indicators is monitored throughout the year to enable early identification of emerging risks and ensure performance remains within our climate risk appetite. Climate related risks are also incorporated into the Society’s Internal Capital Adequacy Assessment Process (ICAAP), forming a core part of capital planning and stress testing.

To undertake the scenario analysis of our ICAAP review, the Society engages within an external firm, Landmark Valuation Services, to assess the level of risk that climate change currently presents to the Society, whilst ensuring that the requirements specified by the PRA are met. Landmark consider a wide range of both physical and transition risks aligned to the widely accepted Representative Concentration Pathways levels, to identify the value of a potential realised loss under each carbon emissions scenario. The scenario analysis is undertaken on an annual basis with the outcomes of the report being reported within the current governance framework.

Regulatory and market expectations continue to evolve – including through the PRA’s release of Supervisory Statement SS5/25, which brings heightened focus on governance and scenario analysis. A gap analysis is underway to ensure the Society remains compliant with these emerging requirements and continues to strengthen its approach to managing climate related risk.

### Metrics and Targets

The Society monitors and reports its emissions by means of the tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) metric for scope 1, scope 2 and scope 3 emissions.

Scope 1 and Scope 2 emissions arise from activities under the Society’s operational control. Scope 1 emissions relate to the combustion of gas at the Society’s premises, while Scope 2 emissions relate to purchased electricity consumed at our sites.

Scope 3 emissions relate to other indirect emissions arising from the Society’s value chain. For the current reporting period these include employee homeworking and commuting, together with emissions associated with purchased goods and services.

To provide a more complete picture of the Society’s operational carbon footprint, prior year comparative figures (2025) have been restated to include purchased goods and services within Scope 3 emissions. This expanded Scope 3 boundary has been applied consistently in the current year. While disclosure of Scope 3 emissions is voluntary, the Board considers that these emissions represent a material component of the Society’s overall environmental impact and are therefore reported.

The increase in reported Scope 3 emissions in the current year does not reflect a material change in the Society’s underlying activities. Rather, it arises almost entirely from an update to the UK Government’s DEFRA emissions factors applicable to purchased goods and services, which has increased the calculated emissions intensity for this category across the economy.

Scope 2 emissions remain nil for the period, reflecting the Society’s renewable energy tariff arrangements.

Total emissions intensity is presented as tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) per £m of mortgage assets, which the Board considers to be an appropriate indicator of operational emissions relative to the scale of the Society’s core lending activity.

Scope	2026	2025
Scope 1	1.0	2.9
Scope 2	-	-
Scope 3	1,738.6	1,130.9
<b>Total tonnes of CO<sub>2</sub>e</b>	<b>1,739.6</b>	<b>1,133.8</b>
<b>Total tonnes of CO<sub>2</sub>e per £m of Mortgage Assets</b>	<b>3.1</b>	<b>2.2</b>
Year-on-year change – tCO <sub>2</sub> e	605.8	-
Year-on-year change – %	53.4	-

## Sustainability

### Introduction

Our focus on having a positive social, environmental and economic impact is central to the Society’s identity as a mutual organisation. The Society’s seeks to ‘help people build better lives—for themselves, their families, and their communities’. We do this not only through the financial products we provide but through the wider support we deliver across our branch network, in our communities, and to our colleagues.

Our approach spans four areas: Customers, Community, People and Climate. Together, these reflect how we create positive impact across our organisation and the region we serve.

### Our Customers

Our current and future members are at the heart of every decision we make. Over the past year, we strengthened our understanding of customer needs through continued work with external partners and customer research. This confirmed that our understanding of customer need exceeds the sector average and continues to guide the evolution of our products and services.

Our focus on service excellence is reflected in our customer satisfaction scores. Through independent assessments by Smart Money People, we achieved an overall rating above 90, with a Net Promoter Score of 95 and an overall satisfaction rating of 4.94 out of 5, both well above industry benchmarks. Intermediary partner NPS has also increased by 168% over the last two years, demonstrating sustained confidence in the way we support our distribution partners.

# Strategic Report (continued)



We've also continued to invest in our branch network, opening a new permanent branch in Bridgnorth and introducing support locations in Shifnal and Halesowen. This brought face to face financial services to communities populated by over 80,000 people at a time when the media reports on High Street banks that are withdrawing from this important channel. We have also enhanced the services we provide across the network, including card payment capability and assisted onboarding, allowing online accounts to be opened in a branch environment. These changes are a true demonstration of our commitment to supporting our customers in managing their finances whenever and wherever they desire.

Our mortgage offering also expanded. The launch of our Skilled Worker mortgage supports people with valuable skills to establish themselves within our communities. We also maintained a lending approach that supports those with complex incomes or those rebuilding their financial position, helping more people achieve sustainable home ownership.

All this work is underpinned by our commitment to good customer outcomes, in line with the FCA's Consumer Duty. Throughout the year, we strengthened how we monitor customer outcomes and established a Vulnerable Customer Working Group to ensure that those with additional needs receive the tailored support they deserve.

## Our Community

Our ambition is to be The Community Building Society – an organisation that brings about meaningful, long term change in the places we serve. This commitment is embedded in our culture and demonstrated daily by colleagues who support members not only with financial needs but through volunteering and community engagement.

In the last year, employees continued to dedicate their time supporting local initiatives including Russells Hall Hospital and Brierley Hill Baby Bank. We strengthened local partnerships, including becoming a recognised partner of Stop Loan Sharks to raise awareness of illegal money lending, and an official partner of Bridgnorth Lions, who support vulnerable and disadvantaged people in the local area.

This year we also launched our flagship community programme, Prosper – designed to create real, sustainable change in people's lives. Recognising that financial education alone isn't enough, Prosper provides holistic support through five expert led workshops covering topics such as behaviour change, goal setting, nutrition, sleep, and financial resilience. This is complemented by one to one mentoring and an online learning platform.

Our first cohort completed the programme in November 2025 and saw transformative improvements, including significantly increased financial confidence, motivation, and a one third uplift in emotional wellbeing. The results and feedback have been overwhelmingly positive:

Benchmark Area	Start Avg	End Avg*	% Change	Classification
Financial Confidence	2.54	4.00	+57%	Transformational
Opportunity, Confidence & Contribution	2.92	4.00	+37%	Very Strong
Thoughts & Feelings	2.48	3.40	+37%	Very Strong
Health, Energy & Connection	3.12	3.50	+12%	Moderate
Goals, Motivation & Habits	2.63	4.00	+52%	Transformational

### Methodological note:

End averages are based on completed responses to date; full cohort end data is being collated.

Percentage-change classifications ("moderate", "strong", "very strong", "transformational") follow recognised frameworks used by NESTA, The Behavioural Insights Team and Public Health England, which typically measure change over 6-18 months. Gains above 50% are classified as transformational. Such gains in 12 weeks is rare and highly encouraging.

"The programme is amazing... I honestly don't think I'd ever have got my diabetes under control without it... This programme has honestly changed my life – not just my health, but how I feel, how I act, and how my family are."

Following this success, two further Prosper cohorts will run in 2026/27, extending its impact into more households and communities.



## Our People

Our people remain central to the Society's success. Over the past year we have continued to focus on fostering a positive and enabling culture, helped our people develop their skills and ensured colleagues feel supported, valued and able to deliver for our members and communities.

We embedded our updated Behaviour Framework, setting clear expectations for how we work and collaborate. We also enhanced our performance management approach, improving the quality of objectives, feedback and calibration to support a more consistent and higher performance culture.

To reinforce these expectations, we rolled out a new performance related bonus scheme, ensuring that high performance is recognised and rewarded. The scheme enables colleagues to earn an additional reward based on Society performance and individual contribution, helping to differentiate strong and outstanding performance in a fair and transparent way. This strengthens accountability and ensures colleagues who make the greatest impact are appropriately recognised.

We continued to invest in colleague development through leadership programmes, high potential pathways and professional learning opportunities, building the capability we need for the future while supporting career growth and retention.

Our Total Reward proposition remains a strong differentiator, combining competitive pay with a comprehensive range of wellbeing, family and development benefits. This year we enhanced our family leave offer, increasing paternity leave from the statutory 2 weeks to 12 weeks' full pay. We also accelerated our external pay benchmarking review to maintain fairness, competitiveness and consistency across the Society.

Employee engagement remains strong, supported by open communication, low turnover and a culture built on care, collaboration and continuous improvement. We were proud to be certified as a Great Place to Work for the second-year running.



## Our Climate

The Board remains fully committed to operating in a way that is environmentally responsible and aligned with the long term interests of our members. Climate impact is a key pillar of our strategy, reflecting the risks and opportunities that climate change presents both now and in the future.

We maintained carbon neutral status for the fifth consecutive year and expanded our annual footprint assessment to include supply chain emissions, which represent 86% of our total footprint. We are engaging directly with significant suppliers to better understand their environmental targets and support improvements.

Our priority for the year ahead is to develop a Climate Action Plan, aligned to B Corp standards, and set carbon reduction targets aligned with Net Zero ambitions. As these commitments become fully embedded in our operations and our member offering, they will help us strengthen our position as a building society that delivers meaningful, positive difference through responsible and sustainable practice.



# Directors' Report for the year ended 31 March 2026

The Directors have pleasure in presenting their annual report, which should be read in conjunction with the Chair's Statement, Chief Executive Officer's Review and Strategic Report.

## Information presented in other sections

Business objectives and activities	Strategic Report (page 12)
Business review and future developments	Strategic Report (page 12)
Principal Risks and Sub Risks	Strategic Report (page 12)
Disclosure requirements under CRD IV Country by Country reporting	Country by Country Disclosure (Page 117)

## Directors

The following persons were directors on the date of signing the accounts:

Peter Hubbard	Chair of the Board
Michael Hudson	Non-Executive Director Vice-Chair
Nicole Coll	Non-Executive Director Senior Independent Director
Tariq Khatri	Non-Executive Director
Michelle Andrews	Non-Executive Director (appointed 1 February 2026)
Gavin Morris	Non-Executive Director (appointed 1 May 2026)
James Paterson	Chief Executive Officer
Michael Bhopal	Chief Financial Officer

Nicole Coll will retire from the board at the coming annual general meeting.

Michelle Andrews will stand for election for the first time at the annual general meeting.

The remaining directors will all stand for re-election.

Gavin Morris will stand for election for the first time at the 2027 annual general meeting.

## Engaging with our Stakeholders

The Society's Board is committed to operating in line with best practice standards of corporate governance as set out in the UK Corporate Governance Code ("the Code"). To comply with the Code, firms are required to explain how the directors have considered the views of stakeholders as part of the long-term decision-making process in the form of a 'Section 172' statement.

Although the Society is not a company limited by shares, which means s.172 of the Companies Act 2006 does not apply, members voted to amend the Society's Rules in 2023 to include equivalent provisions. This change - the move to a triple bottom line approach - coincided with the Society's preparations to apply for B Corp certification, which it obtained in June 2024.

The Rule changes mean the directors must act in the way they consider, in good faith, would be most likely to promote the success of the Society for the benefit of its members as a whole, and in doing so have regard to:

- the likely consequences of decisions in the long term;
- how we engage with and take account of employees' interests;
- how we foster effective working relationships with wider stakeholders such as suppliers;
- the community and environmental impacts of our operations and decisions;
- how a reputation for high standards of business conduct can be maintained; and
- the need to act fairly and balance the interests of members.

A summary of the Society's engagement with its key stakeholders is presented opposite.

Stakeholder Group	Why are they important?	How the Society engages with them
<b>Savings and Borrowing Members</b>	As a mutual organisation, our members are the owners of the Society. The Board recognises that in order to achieve long-term success, it is critical to understand and address the needs of our members, whilst ensuring delivery of the Strategy.	<p>The Board is committed to communicating with members and customers in ways that are convenient to them. This could be through our branch network, which we are expanding to serve more communities, or via social media and e-mail communications.</p> <p>In addition to this we are committed to providing additional help and support wherever we can, in areas such as fraud awareness, financial education or broader, holistic support, for example through our community programme, Prosper.</p> <p>The Society also engages with its members and customers by collecting feedback via an independent review platform, Smart Money People, who undertake consumer reviews on behalf of the Society. All feedback is considered to further improve our customer experience.</p> <p>Each year the Society encourages members to attend and vote at the AGM, a key event in the governance calendar. Members who are unable to attend may nominate a proxy to vote for them, or vote online.</p>
<b>Employees</b>	Our people are critical in the successful delivery of the Strategy. By listening to and acting upon the views of our people, we will create a culture where the needs of our members are addressed through outstanding customer service, driven by our employees' experiences.	<p>The Society has engaged with employees through a variety of meaningful and consistent initiatives.</p> <p>The CEO hosted three "Keeping in Touch" sessions during the year, providing an open forum for updates and two-way dialogue. A monthly performance update is given by a rotating member of executive leadership, ensuring our employees are taken on the journey of the Society's performance and progress throughout the year. Regular newsletters keep everyone informed, with Society and people news, including life events and both personal and professional achievements.</p> <p>To support continuous learning, we have introduced a monthly "Curious Hour," where employees explore topics related to the Society's work.</p> <p>We have an employee-led Wellbeing forum as well as an equality, diversity and inclusion-focused "We Belong" group, which helps to maintain an inclusive culture through thoughtful initiatives and policy development.</p>

# Directors' Report (continued)

Stakeholder Group	Why are they important?	How the Society engages with them
<b>Third Parties</b>	Our third parties that we work with are critical in helping us to operate the Society and deliver quality service to our members.	Regular review meetings are held with the Society's third parties by key contacts in the Society, as well as routine updates by email, phone call or face to face meetings.  For our lending partners, the key contacts are the Distribution team, who are responsible for ensuring that the sourcing systems are kept up to date with relevant underwriting criteria and product changes.  Contact with third parties has increased over the year, as a result of the focus on operational resilience and the implementation of revised procurement and outsourcing policies.
<b>Environment</b>	It is our duty to fully understand the impact that the Society's operations may have on the environment thus ensuring our members can be served now and in the future.	The Board is fully committed to operating the Society in a sustainable way that works in an environmentally friendly manner as climate change presents a risk to the Society and its members both in the immediate present and in the future.  The Board believes in making a significant positive contribution towards reducing the potentially adverse impacts of climate change, with climate continuing to be one of the key strategic pillars.  The Society is reviewing the way the business operates to manage its carbon footprint in the short term, with a view to setting the longer-term climate targets.
<b>Regulators</b>	Open and cooperative relationships with our regulators builds trust, supports constructive supervision and reduces regulatory risk. This protects members' and customers' interests and promotes long-term stability.	Members of executive management engage with the PRA via routine supervisory meetings, and take part in formal periodic evaluations. The reviews cover governance and risk management as well as the Board's capital and liquidity assessments, to ensure the business has sufficient resources to protect members. The Society does not have a dedicated FCA supervisor. The Society also engages with the PRA and FCA via the BSA on policy developments.

## Other matters

### Creditor Payment Policy

The Society's continuing policy concerning the payment of its trade creditors is to pay within the agreed terms of credit, once the supplier has discharged its contractual obligations. Trade creditor days at 31 March 2026 amounted to 20 days (2025: 26 days).

### Donations

During the year, charitable donations totalling £1,117 (2025: £860) were made. There were no donations for political purposes.

### Employees

The Society aims to attract and retain appropriately qualified and experienced employees to ensure its Corporate Plan can be delivered in addition to excellent customer service.

The Society actively supports employees engaged in professional qualifications, offering assistance with course and examination fees and providing paid periods for study and exam leave. The Society takes seriously the need for all of our employees to be aware of regulations to which we are subject, and all are required to attest to a number of the Society's policies on an annual basis.

### Auditor

During 2019 the Society tendered for external audit services resulting in the appointment of PricewaterhouseCoopers LLP. The process was led by the Board Audit Committee who recommended the appointment to the Board.

The Board is recommending that PricewaterhouseCoopers LLP are re-appointed as external auditors of the Society for the 2026/27 year-end.

A resolution for their appointment will be proposed to the forthcoming AGM of the Society.

## Going Concern

The Directors are required to consider whether the Society will continue as a going concern for a period of not less than twelve months from the date of signing the accounts. In making the assessment, the Directors have reviewed the Society's corporate plan and considered risks that could impact on the Society's capital position, financial position and liquidity over that period.

The Directors have also prepared forecasts to consider the effect on the Society's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions. A range of sensitivities have also been applied to these forecasts, including stress scenarios relating to macro-economic indicators. Having reviewed these forecasts alongside the Society's ICAAP and ILAAP documents the Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future.

Accordingly, the accounts continue to be prepared on a going concern basis.

This statement does not represent a guarantee as to the Society's ability to continue as a going concern indefinitely, because it is not possible to predict all future events or conditions. Based upon the assessments undertaken for the purpose of the going concern review, the Directors are confident that the Society will continue to be able to operate as a going concern for at least the next three years.

### Events since the year end

The Directors consider there has been no other event since the end of the financial year which would have a material effect on the financial position of the Society as disclosed in the Annual Accounts.

### Pillar 3 disclosures

The Society operates as a Small Domestic Deposit Taker (SDDT) under the PRA's Strong and Simple Framework and is not required to publish Pillar 3 disclosures. Accordingly, no Pillar 3 disclosures have been produced for the year ended 31 March 2026.

### Board approval

The 2026 accounts were approved by the Board on 2 June 2026 and signed on its behalf by



**James Paterson**  
Chief Executive Officer  
2 June 2026

# Corporate Governance Report

## for the year ended 31 March 2026

### Dear Member

**I am pleased to present, on behalf of your Board, the Society's Corporate Governance Report for 2025/26. This report sets out how the Society's governance arrangements have operated over the year and how they have supported the Board in overseeing the Society's strategy, performance, culture and risk profile. As Chair, I remain personally committed to leading an effective Board that acts in your best interests and whose work has a positive and lasting impact on all our stakeholders. Strong governance is fundamental to this and to the Society's long-term success. This report reflects your Board's continued focus on maintaining high standards of corporate governance and ensuring that our practices remain aligned to evolving regulatory expectations and best practice.**

**Peter Hubbard  
Chair**

### Corporate Governance Code 2024 (the "Code")

The Code represents best practice for listed companies in the UK. Although the Society is not 'listed' or a company limited by shares, your Board is committed to applying the Code in a manner that is relevant and appropriate to building societies. This includes explaining where we are unable to comply with the Code because we are a mutual, or if we have deviated from its provisions. For 2025/26 the areas of non-compliance or modified application are:

- Provision 3 requires the Chair to discuss governance matters with major shareholders. As a mutual, all eligible members have one vote each, so this specific requirement does not apply to the Society.
- Provision 5 recommends that one or a combination of a workforce director, a formal workforce advisory panel or a designated non-executive director be used to facilitate workforce engagement. The Board has considered these options but has concluded that, given the size, structure and culture of the organisation, it is able to achieve the objectives of the Code through existing engagement mechanisms, while remaining committed to keeping its arrangements under review.
- Provision 36 states that remuneration schemes should promote long-term 'shareholdings' by executive directors. This provision is designed for companies limited by shares. Even so, the Board ensures that remuneration arrangements support long-term, sustainable success, including through the introduction of a bonus 'clawback'.

- Provision 39 states that pension contribution rates for executive directors should be aligned with those available to the wider workforce. The Society's executive directors receive an employer pension contribution of 11%, which is higher than the maximum 8% available to employees joining the Society today. Remuneration Committee is keeping this matter under review.

Other than the points above, the Board is satisfied that the Society has complied with the Code during 2025/26.

### Purpose, values and strategy

During 2025/26 the Board has continued to anchor the Society's strategy in our purpose of being "There to help people live better lives" and in the five strategic pillars of Confidence, Capability, Customer, Community and Climate. Our ambitions for the year remain focused on growing mortgages and savings safely while strengthening the resilience and scalability of the balance sheet; further enhancing organisational capability through continued investment in culture, people, technology and risk management; expanding our specialist products and propositions to play to our strengths and deliver consistently good customer outcomes; and deepening our positive impact within our Black Country heartland and across wider society.

### Culture and conduct

During 2025/26 the Board has continued to prioritise building a culture in which colleagues can thrive, with a strong focus on enhancing the employee experience through opportunities for personal and professional development. As part of this, the Society has expanded its leadership development programmes—supporting current and aspiring leaders to build capability, strengthen management skills and role model the behaviours needed for a high performing, values led organisation. This investment reflects the Board's ambition to deepen organisational capability, support high performance and foster a strong sense of purpose and belonging across the Society.

The Board is therefore pleased that the Society has again been recognised as a Great Place to Work. This independent accreditation, together with consistently strong colleague feedback, highlights the progress made in shaping an inclusive and supportive culture.

As a member owned organisation, the Board believes there is a direct link between high levels of employee engagement and the positive experiences delivered to our members. A motivated and well supported workforce—underpinned by strong leadership capability—helps ensure good customer outcomes, reinforces our duty to consumers and supports the regulatory expectations on culture within financial services.

### Approach to corporate governance

The Society's approach to corporate governance is grounded in achieving its business objectives and long-term success in a way that is responsible, sustainable and aligned to our purpose. It reflects the wider social, regulatory and market contexts in which we operate, including the expectations of the PRA, FCA and the UK Corporate Governance Code.

Our governance framework provides clear decision-making processes, robust controls and effective oversight to ensure sound risk management, accountability and transparency. This enables the Board to take decisions that support the long-term resilience of the Society while ensuring that the interests of our members, customers, colleagues and wider stakeholders are properly considered.

### Stakeholder engagement

The Board recognises its responsibilities as a mutual organisation and its important role within the communities we serve. As a member owned Society, understanding and engaging with our stakeholders—particularly our members, customers, colleagues and the wider Black Country community—is central to how the Board exercises its duties and oversees the long term success of the Society.

The Society engages with members throughout the year through regular newsletters, digital communications, social media channels and periodic surveys that encourage members to share views on products, service and strategic priorities. In addition, eligible members are entitled to attend, speak at and vote at our Annual General Meeting, ensuring they have a formal voice in key decisions. Further detail on our stakeholder engagement activities is set out on page 37.

In practical terms, the Board requires authors of all decision and noting papers to explain the potential impacts of proposals on relevant stakeholder groups, including any trade-offs. This structured approach ensures that stakeholder interests—including those of members, customers, colleagues, regulators and the communities in which we operate—are properly considered as part of the Board's deliberations. This aligns with the Society's Rules, which were updated in 2023 to include a provision similar in intent to Section 172 of the Companies Act 2006, requiring the Board to act in the best interests of members while having regard to wider stakeholder needs, long term consequences and the Society's broader social purpose.

During the year, the Society also began a programme of work to assess its position against B Lab's revised B Corp standards ahead of submitting its recertification application in 2026/27. This review supports the Board's

commitment to responsible business practices and provides a structured external benchmark against which to evaluate our environmental, social and governance performance. The principles underpinning B Corp certification are consistent with our mutual ethos, our culture led approach and our ambition to operate sustainably for the benefit of members and the communities we serve.

By embedding stakeholder considerations into governance processes, maintaining open channels of communication and aligning with recognised standards of responsible business, the Board ensures that decision-making reflects our values, supports good outcomes for customers and reinforces our purpose-driven approach.

### The Board's role

The Board is the Society's overall governing body, comprising Directors elected by the Society's members. It is ultimately responsible for the Society's strategic direction and for the oversight of its business, affairs, conduct and culture. In accordance with its terms of reference, the Board sets the Society's strategic direction, business objectives and risk appetite; allocates financial and non financial resources to deliver those objectives; and monitors organisational culture, performance and progress against strategy. It is also responsible for ensuring that the Society is managed responsibly, in compliance with all applicable law, regulation and its Memorandum and Rules, and that effective systems of internal control and risk management are maintained.

The Board may exercise all powers of the Society except those reserved to members in general meeting and may delegate authority to Board committees and individuals in line with the Society's Rules. It operates collectively as a unitary Board, with all directors whether executive or non-executive sharing responsibility for decisions, and individual directors additionally accountable for their Senior Management Function responsibilities under the Senior Managers & Certification Regime.

The Board's terms of reference, including details of the matters that are reserved for Board decision, are available on the Society's website.

# Corporate Governance Report (continued)

## Board calendar and forward agendas

During the year, the Board met 12 times. In addition, the Board held a Strategy Day in November as part of an interactive strategy development process, during which it reconfirmed the broad strategic direction it had set in 2023 and agree priorities for the next 12-18 months. The Executive attended the Strategy Day and participated in the discussions, ensuring alignment between strategic direction and operational delivery.

In addition, the non-executive directors met regularly without the executive directors present, typically immediately before scheduled Board meetings. These sessions provided the Chair with valuable insight to help shape forthcoming discussions and support more effective and focused formal meetings.

A record of directors' attendance at Board and Board Committee meetings is on page 45.

The executive management team attended and participated in the discussions.

To support the effective use of Board time, the General Counsel & Secretary maintains an annual calendar of Board and Committee meetings together with a forward schedule of agenda items. This ensures that the Board receives the information it needs at the right time across the annual cycle. Regular Board business includes consideration of the external strategic and market environment, performance reporting from the Chief Executive Officer and Chief Financial Officer, and escalations from the Board's committees. Examples of the Board's work during the year are set out below.

## Focus areas

### Strategy

During the year the Board concentrated on ensuring that strategic choices translated into tangible progress for members and the long-term sustainability of the Society. It approved the Strategy & Corporate Plan 2025/26, using this as the foundation for strategic debate and performance monitoring throughout the year. Through a structured and iterative planning cycle, the Board strengthened the link between the external environment, capital needs, risk appetite and organisational capability. Its challenge directly shaped the prioritisation of key initiatives, reinforced the need for disciplined investment sequencing, and ensured that the Society's growth, transformation and resilience ambitions remained realistic. The Board's oversight also underpinned the continued success of the regional savings strategy and specialist-lending propositions.

## Board composition, appointments and capability

The Board made several appointments to support strategic delivery, including reappointing experienced non-executive directors Peter Hubbard and Nicole Coll to maintain stability and expertise. The Board also strengthened its collective skills by appointing Michelle Andrews (from 1 February 2026) as a non-executive director and Gavin Morris as Chair of the Board Audit Committee (Designate) (from 1 May 2026), subject to regulatory approval, ensuring the Society's capability keeps pace with its growing regulatory and strategic responsibilities. The Board's Composition Policy guided long-term succession planning decisions.

## Capital, liquidity, risk management and regulatory confidence

A core focus for the Board was a continued strengthening of the Society's resilience. Supported by Board Risk & Compliance Committee, it approved updated risk appetite statements, initiated a multiyear programme to modernise risk categorisation and reporting, and received regular updates on the development of a stronger risk culture—particularly the embedding of first line ownership. The Board scrutinised and approved the ICAAP, ILAAP, and Recovery Plan & Solvent Exit Analysis, testing scenario assumptions, management actions and capital implications. It also oversaw progress on the Enterprise Risk Management Framework and considered supervisory feedback from the PRA, ensuring regulatory expectations were fully incorporated into planning and decisions. Through regular monitoring of liquidity, margin trends, provisioning and the control environment, the Board ensured that the Society maintained a prudent and sustainable financial footing.

## Operational resilience, technology and transformation

The Board's decisions materially advanced the Society's operational and technological transformation. It approved the renewal of the Society's material core banking platform, following detailed assessment of legal, operational and strategic risks. Supported by Mortgage Origination Project Oversight Committee, it monitored progress of the Mortgage Origination Project, emphasising quality, resilience and readiness for transition.

The Board approved the annual Operational Resilience Self Assessment, supported improvements in Important Business Services and recovery capabilities, and authorised a strengthened cyber strategy and Board level training. The Board also oversaw the development of a structured technology roadmap and ensured that data governance, cyber security and resilience were prioritised as foundational enablers of long term strategy.

## Customer outcomes, Consumer Duty and product governance

The Board reaffirmed its commitment to ensuring good customer outcomes, including by retaining the role of Consumer Duty Champion. It received and approved the Society's annual Consumer Duty Board Report and strengthened product governance so that material extensions to product specialisms require Board approval, supported by clear escalation criteria. The Board's attention to employee engagement, culture alongside customer and intermediary advocacy helped drive improvements in service quality and supported continued growth in specialist lending.

## Financial reporting, performance and forecasting

The Board approved the 2025/26 Annual Report & Accounts as well as the annual operating budget. It monitored performance closely through the year, challenging management on drivers of margin performance, early redemption trends, impairment methodology and volatility in fair value movements. The Board approved periodic reforecasts where appropriate and monitored corrective actions arising from control weaknesses and external audit findings through the Board Audit Committee.

## Culture, leadership and organisational effectiveness

The Board continued to monitor and influence organisational culture, receiving updates on engagement trends, the Society's Great Place to Work status and leadership development initiatives. The Board challenged management on wellbeing, leadership and the capability required to sustain strategic transformation. It maintained oversight of changes to the executive committee structure, ensuring clarity of accountability and alignment with strategic priorities.

## Board and executive governance

The Board undertook a number of governance enhancements during the year, updating its terms of reference, the Schedule of Reserved Matters, and committee terms of reference to align with best practice and regulatory expectations. It oversaw the evolution of executive management committees including the creation of a dedicated ESG Committee to drive focus on the Society's environmental and social objectives, including the ongoing programme of work toward B Corp recertification.

# Corporate Governance Report (continued)

## Board structure

The Board is a unitary board, meaning it comprises both executive and non-executive directors. The independent non-executive directors are responsible for using their knowledge, skills and experience to provide constructive challenge; and to support the executive management team. Having a clear majority of independent non-executive directors supports the board's oversight function and is in line with best practice.

### Independent non-executive directors

Peter Hubbard (Board Chair & Chair of Nominations Committee)

Michael Hudson (Vice-chair, Chair of Board Risk & Compliance Committee)

Nicole Coll (Senior Independent Director, Chair of Board Audit Committee & Chair of Mortgage Origination Project Oversight Committee)

Tariq Khatri (Chair of Remuneration Committee)

Michelle Andrews (since 1 February 2026)

### Executive directors

James Paterson (Chief Executive Officer & Chair of Non-executive Director Remuneration Committee)

Michael Bhopal (Chief Financial Officer)

**More information on the directors and their experience is on page 22 in the Annual Financial Summary Report.**

## Board committees

The Board delegates certain specialist matters to its committees. Each committee is chaired by an independent non-executive director and has members that are all independent non-executive directors (other than Nominations Committee, which includes the Chief Executive Officer). The committees' principal functions are summarised below, and their terms of reference are available on the Society's website.

### Board Audit Committee

#### Members

Nicole Coll (Committee Chair)

Michael Hudson

Tariq Khatri

#### Principal function

Oversees the integrity of the Society's financial reports and effectiveness of its internal control framework (see also Board Audit Committee Report on page 54).

### Board Risk & Compliance Committee

#### Members

Michael Hudson (Committee Chair)

Michelle Andrews (since 27 March 2026)

Nicole Coll

Tariq Khatri (since 22 May 2025)

#### Principal function

Considers and recommends to the Board the Society's risk appetite, reviews capital and liquidity plans, and monitors risk, resilience, conduct and compliance arrangements (see also Board Risk & Compliance Committee Report on page 50).

### Mortgage Origination Project Oversight Committee

#### Members

Nicole Coll (Committee Chair)

Michael Hudson

Tariq Khatri (since 30 May 2025)

#### Principal function

Oversees the delivery of a material IT change programme to enhance the Society's mortgage origination capability.

### Nominations Committee

#### Members

Peter Hubbard (Committee Chair)

Michelle Andrews (since 27 March 2026)

Nicole Coll

Michael Hudson

Tariq Khatri

James Paterson

### Principal function

Leads the process for Board appointments, oversees executive and non-executive succession planning, and evaluates board and non-executive director performance.

### Remuneration Committee

#### Members

Tariq Khatri (Committee Chair)

Michelle Andrews (since 27 March 2026)

Nicole Coll

Peter Hubbard

Michael Hudson

#### Principal function

Keeps under review the Society's approach to remuneration to ensure pay is aligned with long-term strategy, performance and culture (see also Directors' Remuneration Report on page 56).

### Non-executive Director Remuneration Committee

#### Members

James Paterson (Committee Chair)

Peter Hubbard

Michael Bhopal

#### Principal function

Keeps non-executive director fees under review and recommends changes to the Board.

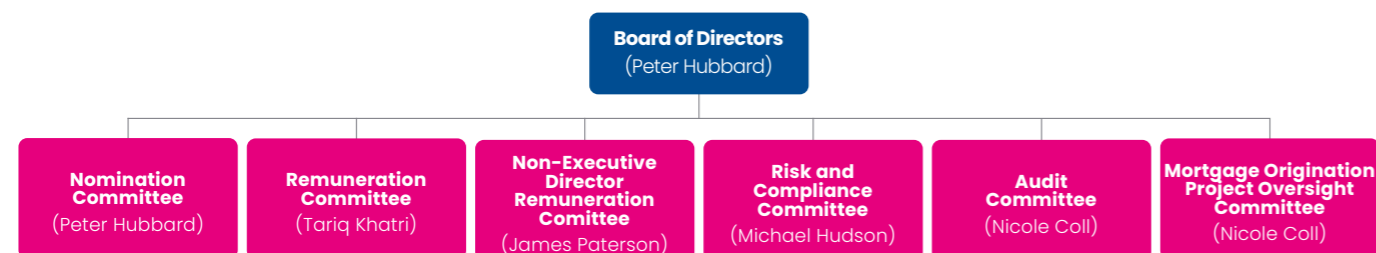
## Record of meeting attendance

	Board	Board Audit Committee	Board Risk & Compliance Committee	Mortgage Origination Project Oversight Committee	Nominations Committee	Remuneration Committee	Non-Executive Director Remuneration Committee
Peter Hubbard	11 of 11				10 of 10	5 of 5	2 of 2
Nicole Coll	10 of 11	8 of 8	8 of 8	11 of 12	10 of 10	5 of 5	
Michael Hudson	11 of 11	8 of 8	8 of 8	11 of 12	10 of 10	5 of 5	
Tariq Khatri	11 of 11	8 of 8	8 of 8	5 of 11	10 of 10	5 of 5	
Michelle Andrews	2 of 2		1 of 1		1 of 1	1 of 1	
James Paterson	10 of 11				9 of 10		2 of 2
Michael Bhopal	11 of 11						2 of 2

### Notes

- All directors receive meeting papers and may provide feedback even if they are unable to attend meetings.
- Optionally, non-executive directors may attend meetings of which they are not members, which is not shown above.

## The Board's committees



The name in brackets is the Chair of each Committee as at 31 March 2026

# Corporate Governance Report (continued)

## Board composition

The Nominations Committee leads the process for Board and Board Committee appointments and keeps under review the Society's leadership needs, both executive and non executive. During the year, the Committee received updates on succession planning, ensuring that leadership capability continued to support the Society's strategic ambitions and regulatory expectations.

The Committee reviewed the Board's structure, size and composition, assessing directors' individual and collective knowledge, skills, experience, diversity, working styles and tenure. This helped the Committee evaluate whether the Board remained appropriately balanced and capable of overseeing the Society's evolving strategy, transformation agenda and risk profile. The Committee also formed a forward-looking view of the Board's future needs, supporting orderly succession planning and the development of a sustainable, high performing leadership pipeline.

## Diversity

Diversity in all its forms remains an important consideration in Board and Executive Committee appointments, alongside the overriding principle that all appointments are made on merit. To demonstrate its commitment to improving gender balance in senior leadership, the Board set a target for 30% female representation on both the Board and the Executive Committee and became a signatory to the Women in Finance Charter in 2024/25. During the year, Board female representation had moved to 29%. While this remains below the Society's stated ambition, the Board continues to consider practical steps to improve gender diversity and ensure that senior leadership reflects the Society's values and long term commitments under the Charter.

## Board changes

Nominations Committee led the search for two non-executive directors. The first was a person with extensive commercial, lending and retail banking experience. The second was for an experienced chief financial officer to join the Board as Chair of Board Audit Committee and succeed Nicole Coll. Following two extensive searches and rigorous selection processes, the Board appointed Michelle Andrews and Gavin Morris. Nominations Committee engaged independent search firms Thorburn McAlister and Sayer Haworth to assist it with the non-executive searches. Neither firm has any connection to the Society or any of its directors.

Michelle joined the Board as a Notified Non-executive Director on 1 February 2026, and Gavin joined the Board on 1 May 2026 as Chair of the Board Audit Committee (Designate) and will assume the role (subject to regulatory approval) from 1 July 2026.

The Board is delighted to welcome Michelle and Gavin to the Society.

Nicole Coll very kindly agreed to remain on the Board to provide continuity having previously indicating that she would step down in January 2026, which would have marked six years on the Board. As the Board has now appointed a successor, Nicole intends to retire and not stand for re-election at the 2026 AGM.

The Board is very grateful for Nicole's support during this transitional period.

## Appointment, election and re-election

In line with the Code, the Board has resolved that all directors will stand for re-election annually. This means that, as now, all directors must stand for election for the first time following their appointment in accordance with the Society's Rules and annually in later years at the Society's annual general meeting.

Non-executive directors are appointed for a three-year period initially and this may be extended. During the year the Board resolved to enter into new letters of appointment with each of the Society's non-executive directors to align re-appointment dates with the annual general meeting election cycle.

Nominations Committee is responsible for making recommendations to the Board concerning the re-appointment or re-election of directors having regard to their performance, commitment and their ability to contribute to the Board given its needs. Directors ordinarily serve no more than nine years.

## Independence

None of the Society's non-executive directors has any direct business relationship with the Society, other than as the holder of a savings account, or any personal or family relationships with any of the Society's professional advisors, other directors or senior personnel. The Board considers that all the Society's non-executive directors, including the Chair, were independent on appointment and have continued to remain so.

## Time commitment

Nomination Committee keeps under review each non-executive directors' time commitments and ability to contribute to the Board. Each of the Society's non-executive directors is expected, where required by their role, to chair a Board Committee and the expected time commitment reflects this. The Chair assesses non-executive directors' ability to commit the required time as part of the annual performance review process.

## Conflicts of interest

All directors are required to notify the Chair in advance of assuming any other roles in case doing so may result in a conflict of interest, impinge on the director's ability to contribute the required time to their responsibilities, or breach regulatory 'over-boarding' limits. In addition, each director is required to declare any actual or potential conflict of interest they may have in a matter to be considered at a meeting of the Board or one of its committees. All such declarations and, if a conflict does arise, the Board's authorisation and any conditions or limitations it may decide to impose, are recorded in the meeting minutes.

## Service contracts and notice periods

Executive directors are engaged under service contracts. They can be terminated by either the Society or the relevant director giving notice. The Chief Executive Officer is subject to one year's notice. The Chief Financial Officer is subject to six months' notice. The provisions are mutual. The contracts continue unless terminated.

Non-executive directors are engaged under letters of appointment for a fixed term.

The directors' service contracts are available for inspection by contacting the Society Secretary.

## Division of responsibilities

The offices of Chair and Chief Executive are held by different directors, in line with established best practice and the requirements of the UK Corporate Governance Code.

The Chair, acting in a non executive capacity, is responsible for leading the Board. The Board's collective role is to set the Society's strategic direction and to oversee its performance, conduct, operations and culture. The Chair is accountable for the Board's overall effectiveness, including ensuring a climate of openness, constructive challenge and robust debate.

The Chief Executive Officer is responsible for delivering the strategy set by the Board; leading the Executive Committee and executive management team; and managing the Society within the agreed risk appetite and in compliance with legal and regulatory obligations.

The Society has a Senior Independent Director (SID), whose principal role is to act as a sounding board for the Chair and as an intermediary for other directors as required. Ahead of the Nominations Committee recommending the Chair for re election at the 2026 annual general meeting, the SID conducted a review of the Chair's contribution and performance.

## Information, time and resources

The Board keeps under regular review the quality and suitability of the information it receives, ensuring it enables directors to exercise effective oversight and make well informed decisions. With the support of the Society Secretary, the Board has continued to evolve its materials, to drive continuous improvement in the clarity and purpose of Board submissions.

The Board expects meeting papers to be circulated in good time ahead of meetings. Directors are encouraged to engage with authors—and with each other—to clarify points of detail or raise issues in advance. This approach supports more productive meetings, enabling the Chair to focus discussion on the most material aspects of each matter and to ensure that time is spent on the areas where scrutiny, challenge and decision making are most needed.

## Board performance review

The Board has recently completed an internal performance review, facilitated by the General Counsel & Secretary, which focused on the Board's contribution to the Society in terms of setting and monitoring strategic direction, acting in the best interests of members and wider stakeholders, and the effectiveness of its committees. The review involved a deep analysis of the materials submitted to the Board and its Committees and the minutes of those meetings, as against their terms of reference. In addition, each of the directors was asked to assess the effectiveness of each committee and suggest ways for improvement. The review confirmed that the Board and its committees operate effectively, are well-led with a culture that is respectful yet appropriately challenging, receive effective secretariat support and committees that contribute meaningfully to board oversight. There are opportunities to improve information and performance reporting, through the clarification and timeliness of board papers, to support board discussions and decision-making.

## Director individual performance and development

The Chair holds regular 121 meetings with individual directors and performance review meetings in line with the Society's performance management policy. The directors undertake regular mandatory elearning and engage in role-specific continuous professional development. Alongside this the Board received knowledge updates during the year.

## Corporate Governance Report (continued)

### Independence of internal and external audit

The Board has delegated responsibility for the management and oversight of internal and external audit activities, and for ensuring the integrity of the Society's financial reports to Board Audit Committee (see page 54).

### Financial reporting and accounts

After making enquiries and on review of management reports and completion of the external audit, the Board is satisfied that this Annual Report & Accounts document, taken as a whole, is fair, balanced and understandable, and provides the information necessary for members to assess the Society's performance, business model and strategy.

The Directors' responsibilities in relation to preparation of the Annual Report & Accounts can be found on page 60, and the statement that the Society's accounts are prepared on a going concern basis can be found on page 39.

### Principal risks and internal controls

The Board has delegated responsibility for the oversight of risk management to Board Risk & Compliance Committee. Further details on the principal risks to which the Society is or might be exposed is in the Strategic Report on page 12. Information on the Society's approach to risk management is set out on page 50.

Information on Board Audit Committee's role in relation to the internal control framework is on page 54.

### Remuneration policies and practices

The Board is committed to ensuring remuneration policies and practices support the Society's long-term success. More information on the directors' remuneration and the Remuneration Committee's work is in the Directors Remuneration Report on page 56.

### Workforce policies and procedures

The Board is responsible for approving key employee-related policy documents – e.g. relating to remuneration, health and safety and whistleblowing – to ensure the desired culture, values and behaviours are demonstrated throughout the organisation.

On workforce engagement, the Board has considered the three Code options as summarised on p.40, but has concluded that, given the size, structure and culture of the organisation, it is able to achieve the objectives of the Code through existing engagement mechanisms. These include regular colleague briefings, structured staff surveys, direct engagement between senior management and the workforce, and periodic workforce discussions at Board level.

The Board believes that these arrangements provide an effective workforce voice and enable directors to have regard to workforce views and interests when discharging their duties. Accordingly, the Board has chosen not to adopt one of the specified mechanisms at this time, while remaining committed to keeping its workforce-engagement arrangements under review.



# Board Risk & Compliance Committee Report

## Committee Chair's Statement

The Board Risk & Compliance Committee has delegated responsibility from the Board to ensure that the members of the Society and their deposits are kept safe and secure. A key part of this is overseeing risk management activities and making sure that the Society holds adequate capital and liquidity.

As Chair of the Committee, I am pleased to present this report which sets out how the Committee has ensured that your Society continues to be safe and secure well into the future.

## Role and membership

In the year, the Committee comprised four independent non-executive directors: Michael Hudson (Chair and Consumer Duty Champion), Nicole Coll, Tariq Khatri, and Michelle Andrews (since 27 February 2026). The Chair of the Board, Chief Executive Officer, Chief Financial Officer, Chief Risk & Compliance Officer, Chief Transformation Officer, General Counsel & Secretary and other members of executive and senior management attended meetings as appropriate. The Committee met eight times in the year.

## Role and responsibilities

The Committee assists the Board in overseeing the principal risks to which the Society is exposed, in particular lending credit risk, operational risk and regulatory compliance risk. It also advises the Board on risk strategy, and monitors the effectiveness of the Society's Enterprise Risk Management Framework (the "ERMF").

## The Committee's main responsibilities are to:

- advise the Board on risk appetite, monitor risk exposures and oversee management's strategies for responding to risks;
- review and challenge capital, liquidity, operational resilience and recovery assessments and plans;
- promote a culture that supports effective risk management, ensuring the risk and compliance functions are independent and have adequate resources, access and authority;
- oversee the design and implementation of the risk management and control framework; and
- oversee regulatory compliance, including monitoring and assurance plans and the ongoing delivery of good customer outcomes.

The Committee receives a report from the Chief Risk & Compliance Officer at each meeting which details current and potential risk exposures, comments on the control environment, and identifies emerging risks through horizon scanning.

The report is supported by management information detailing risk appetite positions against internal and external limits.

The Board and Committee are supported in the management of risk by management committees as set out on page 52. Any changes to Risk Appetite Statements, risk limits or relevant policies are first discussed and endorsed by the relevant management committee before being presented to the Committee.

The Committee is also responsible for recommending key regulatory documents to the Board for approval.

## During 2025/26, the Committee focused on the following areas:

### 1. RISK MANAGEMENT AND CULTURE

- The Committee oversaw enhancements to the ERMF, clarifying roles and responsibilities and strengthening first line ownership and management of risk metrics.
- It carried out regular reviews of the Society's risk profile, including economic, geopolitical, and regulatory exposures, with particular attention to lending in the Middle East, model risk, and cyber risk.
- The Committee oversaw management actions to embed a positive risk culture and develop contingency action plans.

### 2. REGULATORY COMPLIANCE AND OVERSIGHT

- The Committee reviewed and recommended updates to key policies, including the Procurement & Third Party Risk Policy, Project Governance Policy, and Credit Risk Policy.
- Oversight of compliance and financial crime was maintained through regular reporting and deep dives, including responses to audit findings.
- The Committee considered the implications of regulatory changes, such as the withdrawal of the PRA's Building Societies Sourcebook, and ensured the Society's internal limits and controls remained robust and aligned with strategic objectives.

### 3. CAPITAL, LIQUIDITY, AND STRESS TESTING

- The Committee recommended for Board approval key prudential documents, including the ICAAP, ILAAP, Recovery Plan, and Solvent Exit Analysis, following reviews by the risk and internal audit recommendations.

- Stress testing scenarios were reviewed and enhanced, with particular focus on capital preservation, liquidity management, and contingency planning for adverse events.

- The Committee challenged management to provide detailed analysis and credible management actions, including benchmarking against sector standards and engaging external assurance.

- The Committee approved changes to the Credit Risk Model, incorporating the results of external calibration of Propensity to Default and reviewing the use of the model.

### 4. CONSUMER DUTY AND CUSTOMER OUTCOMES

- The Committee recommended for Board approval the annual Consumer Duty Board Report, evidencing the Society's commitment to delivering good customer outcomes, supporting vulnerable customers and embedding Consumer Duty principles.

- The Committee oversaw customer complaints processes and outcomes, including actions to improve complaint handling, reporting, and benchmarking against industry standards.

### 5. OPERATIONAL RESILIENCE AND THIRD-PARTY RISK

- The Committee discussed operational risks associated with critical third-party providers, following a review of contingency arrangements and peer practices.

- Material IT changes and cyber security strategy updates were reviewed, with emphasis on testing, staff training, and strengthening oversight of third-party risks.

- The Committee recommended for Board approval impact tolerances for important business services, to safeguard members against foreseeable harm, and the annual Operational Resilience Self-assessment, a review of the Society's ability to manage significant disruptions and forward-looking investment plans to continuously build resilience.

## Contribution to Strategic Objectives

### The Committee's activities directly supported the Society's strategic objectives by:

- Ensuring robust risk management and compliance frameworks that underpin sustainable growth and financial resilience
- Monitoring the delivery of the Society's Risk Strategy, which aligns with the Society's overall Strategy and Corporate Plan and ensures that risk management capabilities are strengthened as the Society grows
- Supporting product innovation and diversification, including the launch of new mortgage products and refinement of credit risk policies
- Enhancing customer outcomes and embedding Consumer Duty, thereby strengthening the Society's reputation and member trust
- Overseeing capital and liquidity planning, stress testing, and contingency arrangements to safeguard the Society's long-term viability
- Promoting a culture of continuous improvement, transparency, and accountability in response to regulatory feedback and internal audit findings.

On behalf of the Board



**Michael Hudson**

Chair of the Board Risk & Compliance Committee  
2 June 2026

## Management Committees

Committee	Chair	Relevant Risks
<b>Executive Committee</b>	James Paterson (Chief Executive)	Business Risk
<b>Credit Risk Committee</b>	Michael Bhopal (Chief Financial Officer)	Lending Credit Risk Concentration Risk Climate Change Risk (Financial)
<b>Assets &amp; Liabilities Committee</b>	Michael Bhopal (Chief Financial Officer)	Capital Risk Funding Risk Interest Rate Risk Liquidity Risk Treasury Credit Risk
<b>Operational Risk Committee</b>	Lorraine Breese-Price (Chief Transformation Officer)	Operational Resilience Risk Third Party Risk Process Risk People Risk Financial Crime Risk Information & Technology Risk Legal Risk Compliance Risk Model Risk
<b>Product &amp; Customer Committee</b>	James Paterson (Chief Executive)	Conduct Risk
<b>ESG Committee</b>	Christian Fleischmann (Society Secretary & Head of Legal)	Climate Change Risk (Non-financial)
<b>Change and Investment Committee</b>	Lorraine Bresse-Price (Chief Transformation Officer)	Change Risk



# Board Audit Committee Report

## Committee Chair's Statement

I am pleased to present the Board Audit Committee's annual report for 2025/26, which sets out the Committee's role, membership, activities and impact during the year. The nature of the Committee's work demands that its members are proactive as well as willing and capable of asking probing questions of management, with the benefit of independent perspectives from internal and external auditors. The Committee has continued to do so this year, working to ensure the integrity of the Society's financial and narrative statements, the effectiveness of its internal controls, and the ongoing protection of members' interests.

During the year, the Board concluded its search for my successor, and welcomed Gavin Morris on 1 May 2026, as Chair of the Board Audit Committee (Designate) and he will assume the role from July 2026. I am pleased to have remained on the Board to provide continuity during this transition having previously signalled my intention to leave at the end of my second term. Although I retire from the Board at the coming AGM, I will continue to support the Society from the sidelines in the future, and I wish Gavin all the best in his role.

## Role and membership

During the year, the Committee comprised three independent non-executive directors: Nicole Coll (Chair), Tariq Khatri and Michael Hudson. The Chief Executive Officer, Chief Financial Officer, Chief Risk & Compliance Officer, other members of executive and senior management, and the internal and external auditors attend meetings as appropriate. The Board is satisfied that the Committee had recent and relevant financial experience during 2025/26. The Committee operates under Board-approved terms of reference, which were reviewed to ensure they remained fit for purpose, in line with best practice and regulatory expectations. The Committee met six times in the year.

## Key responsibilities

The Committee's main responsibilities are to:

- oversee the integrity of the Society's financial reports and the effectiveness of its internal control framework
- manage relationships with the Society's internal and external auditors, including monitoring their independence, effectiveness and resourcing
- review reports from the auditors to inform the Committee's oversight of management
- advise the Board on significant accounting policies, management judgements and estimates
- oversee whistleblowing, anti-bribery and anti-corruption arrangements.

## Significant areas of judgement and estimates

When assessing the accounts, the Committee considered areas that were subject to management judgement and estimate, as described below.

### Impairment losses and provisions

The Committee reviewed the key assumptions and significant judgements underpinning the impairment provision for loans and advances, including the methodologies used to determine Probability of Default (PD) and Loss Given Default (LGD).

During the year, management recommended to the Committee that the post-model overlay was no longer required and the risk of loss was covered in the incurred loss assessment used to calculate the level of provision held. The Committee agreed to release the overlay in line with the Society's risk profile and the requirements of FRS 102.

The Committee concluded that the resulting impairment provision was appropriate and consistent with the Society's prudent approach to risk management.

Further information on impairment losses is provided in Note 14 of the accounts.

### Effective Interest Rate (EIR)

The Committee reviewed and approved the assumptions and methodology underpinning the EIR model, including the treatment of early redemption charges and standard variable rate customers. The Committee was satisfied that the accounting treatment remained appropriate and consistent with industry practice.

### Going concern

The Committee reviewed and challenged management's assessment of going concern, including stress and scenario testing, noting available capital and liquidity resources. The Committee concluded that it was appropriate to adopt the going concern basis of accounting and recommended the same to the Board.

### Fair, balanced and understandable

The Committee considered whether the Annual Report & Accounts, taken as a whole, were fair, balanced and understandable. This was informed by a review carried out by the Chief Risk & Compliance Officer and the Committee's own scrutiny of the Society's financial and narrative disclosures. The Committee advised the Board that the Annual Report & Accounts met this requirement.

# Board Audit Committee Report (continued)

## Effectiveness of internal controls

The Committee reviewed the Society's internal control framework, which was informed by reports from the Chief Risk & Compliance Officer and the internal auditor, including the internal auditor's annual audit conclusion, acting as the Society's second and third lines of defence respectively. The Committee has had visibility of the combined assurance activities of both functions to satisfy itself that coverage is appropriate. Further information on the Society's risk management framework is set out on page 17.

## Internal Audit

The Society uses an outsourced internal audit provider, Deloitte LLP. This gives the Society access to a wide pool of specialists. The Committee approved the Charter, Internal Audit Plan, budget and (in line with revised Global and UK Internal Audit Standards) an internal audit strategy and set of performance measures for 2025/26. Internal and external factors such as the Society's strategy, business model, risk profile and appetite, and areas of regulatory focus informed Internal Audit's focus. Key areas included responsible lending, IT & cyber security controls, capital adequacy, operational resilience, change management relating to the mortgage origination project, recovery planning and solvent exit analysis, and deposit-taking.

The Committee received interim progress reports alongside individual internal audit reports at each meeting for review and challenge. The latter set out the gradings given, and details of audit findings and control weaknesses identified in each case. The Committee also monitored trends in control gradings and the timely closure of actions. The Committee placed particular emphasis on audits that were graded as significant improvement required, with members of executive management asked to explain why control weaknesses had arisen and what action was being taken to make improvements.

In May, the Committee received the internal auditor's annual audit opinion, which enabled the Committee to advise the Board that the Society's material internal controls had operated effectively or, where improvements were considered necessary or desirable, were receiving sufficient management attention.

The Committee is satisfied that internal audit operated independently, had an appropriate level of resource to deliver the Internal Audit Plan and that it discharged its responsibilities effectively.

## External Audit

The Committee evaluates and approves the scope and content of the external audit, including PwC LLP's letter of engagement and audit fees. The Committee reviewed PwC's year-end report, including key audit matters, uncorrected misstatements and formal opinions. The Committee considered the FRC's audit quality inspection results and was satisfied with PwC's effectiveness and independence, as well as its resources, and competence. The Committee met with both the internal and external audit without management present.

A review of the provision of external audit services ordinarily happens every three years. The Committee deferred its review in 2024/25 while the Board concluded the search for a successor Chair of Board Audit Committee. Having concluded the search, the Committee intends to return to the matter in 2026/27.

## Whistleblowing, anti-bribery and -corruption

The Committee reviewed and approved the Society's Whistleblowing and Anti-Bribery & Corruption Policy and received the annual whistleblowing report. The Committee was satisfied the arrangements remained effective.

## Committee effectiveness and impact

The Committee reviewed its effectiveness during the year and is satisfied that it has discharged its responsibilities in line with its terms of reference and the Board's expectations.

Also in the year, the Committee reviewed its terms of reference, proposing changes to reflect the expanded disclosure requirement in Provision 29 of the UK Corporate Governance Code 2024 in relation to controls effectiveness declarations. This change applies to financial years beginning on or after 1 January 2026. Accordingly, the Committee will oversee management's programme of work in this area during 2026/27.



**Nicole Coll**  
Chair of the Board Audit Committee  
2 June 2026

# Directors' Remuneration Report

## Committee Chair's Statement

As Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year. I am proud to lead the committee which oversees the Society's remuneration policy and practices, including both fixed pay and performance related bonus with a particular emphasis on executive pay, ensuring alignment with the UK Corporate Governance Code (the Code), regulatory requirements and the Society's strategic objectives. The Committee's work supports the Society's purpose, values, culture, and long-term sustainable success. During the year, the Board agreed an expanded remit for the Committee, which now includes people, capability, leadership and performance matters.

## Remuneration Committee

### Role and membership

The Committee comprises five independent non-executive directors: Tariq Khatri (Chair), Peter Hubbard, Nicole Coll, Michael Hudson, and Michelle Andrews (since 27 February 2026). The Chief Executive Officer, People Director and General Counsel & Secretary attend meetings where appropriate. The Committee operates under a set of Board-approved terms of reference which are subject to annual review to ensure they are fit for purpose and in line with the Code and regulatory requirements. The Committee met seven times.

## Focus areas and decisions

### Remuneration Policy and governance

The Committee reviewed and recommended updates to the Society's Remuneration Policy, to ensure continued alignment with the Code, and regulatory expectations in relation to performance related bonus. The policy emphasises long-term value creation, ethical conduct, and effective risk management. It supports recruitment, retention and motivation of employees with the skills and capabilities necessary to deliver the Society's strategic objectives, ensuring that remuneration practices are affordable and aligned with members' interests. The Policy updates coincided with the first year of the Society's performance-related pay bonus scheme.

The Committee recommended updated terms of reference, clarifying its remit over all executive remuneration, and the oversight of material risk takers and control functions, in line with the Code and PRA Rulebook.

At the same time, the Board created a new Non-Executive Director Remuneration Committee – comprising the Chief Executive Officer, Chief Financial Officer and Chair of the Board – to strengthen governance in this area and ensure independence and clarity of decision making. Further information on Non-Executive Directors' fees is in Note 7 to the Accounts.

The Board also approved an extension to the Committee's remit to include a focus on organisational capability, leadership and performance, to strengthen alignment between pay and performance.

### Executive remuneration

The Society's remuneration policy for Executives is designed to support the delivery of its strategy, promote long term sustainable performance, and reinforce a strong risk and conduct culture. Remuneration structures are intended to attract, retain and motivate high calibre leaders, while ensuring that pay outcomes are aligned with members' interests, the Society's purpose and values, and regulatory expectations.

The remuneration of Executive Directors and Executives is designed to reflect their individual roles, responsibilities, and contribution to the ongoing success of the Society. The Committee is responsible for setting the overall package, which includes a base salary and a range of benefits and performance related bonus. Performance metrics are selected to reflect both financial and non financial priorities, ensuring balanced outcomes and discouraging excessive risk taking or short term decision making. Remuneration is structured to be market competitive while maintaining a clear link between pay and performance.

Remuneration is reviewed annually. This process was informed by benchmarking data from comparable organisations, including building societies and relevant financial services firms. Every three years the Society sources independent external benchmarking data from a third-party to provide additional market insight, which it did in the year, to ensure salary levels remain appropriate.

## Executive Directors

James Paterson and Michael Bhopal have service contracts dated 1 May 2022 and 1 February 2025 which have mutual notice periods of twelve months and six months respectively. There are no contractual entitlements to bonuses, deferred remuneration, or enhanced terms in the event of a transfer of engagements.

Both Executive Directors receive a range of benefits, including access to an electric car scheme, a healthcare cash plan, private medical insurance, and an employee discount portal. Also, they receive an employer pension contribution of 11% of base salary.

This is in line with what is available to some longer-serving employees, while new employees receive a lower employer contribution, increasing through employee matching. To address this disparity, the Committee has asked for a plan to close the gap over a 3-5 year period.

Further information on Executive Directors' remuneration is detailed in Note 7 to the Accounts.

## Performance related bonus

The Committee oversaw the introduction and first year of operation of a new performance related bonus scheme, which applies to all employees, including Executives and Executive Directors. The scheme reinforces a collective focus on the delivery of strategic and business outcomes.

Awards are determined using a balanced scorecard of financial and non financial measures: Profit, Growth, Advocacy and Engagement. Each measure directly supports the Society's strategic priorities: profit underpins financial resilience, growth supports long term sustainability, advocacy reflects member value and trust, and engagement reinforces culture and capability. Targets were set at the start of the financial year and aligned with the Corporate Plan.

During the year, the Society fully achieved two of the four scorecard measures (advocacy and engagement). In relation to the profit measure, one element was fully achieved and the second was achieved at 97%. Following detailed discussion, the Committee unanimously agreed it was appropriate to exercise discretion and award the bonus payment in respect of the profit measure. As a result, three elements of the scorecard were reflected in the bonus outcome for employees, representing 75% of the total available bonus opportunity.

The Committee considered the resulting quantum to be fair and proportionate, and satisfied that it appropriately reflected both the level of performance delivered and the quality and sustainability of outcomes, including leadership behaviours, strategic execution, and the experience of members and employees.

A formal risk underpin assessment was undertaken covering conduct, compliance, risk management effectiveness and member outcomes. No issues were identified that warranted adjustment, and no downward discretion was applied.

Executives and employees performing senior management or controlled functions remain subject to bonus clawback provisions. During the year, the clawback period was extended from three to seven years in line with supervisory best practice.

## Overall approach to remuneration

- The Committee regularly reviews remuneration levels to ensure they remain appropriate and proportionate. This assessment considers both internal and external factors, including the scale and complexity of the Society, individual responsibilities, performance, and progression.
- This year an external benchmarking consultant reviewed salaries across the market, both regionally and nationally considering pay against comparable building societies and relevant financial services organisations.

- The Committee also considers internal relativities, including wider workforce pay, pension arrangements and overall affordability. Pay ratios and pay gaps are monitored to ensure executive remuneration remains fair and aligned with broader employee reward outcomes, and to support transparency and trust across the Society.

## Workforce and Stakeholder Engagement

The remuneration framework has been designed to align executive remuneration with the wider workforce pay policy. The performance related bonus scheme applies to all employees, including Executive Directors, promoting a collective focus on delivery and reinforcing a shared performance culture.

During the year, the Committee did not undertake direct engagement with members specifically on remuneration matters. However, feedback from wider stakeholder interactions and annual meeting discussions was considered, and no significant concerns were raised in relation to the Society's approach to executive remuneration.

Engagement with the workforce took place through leadership briefings, internal communications and manager cascades to explain how remuneration outcomes aligned with Society performance and the wider employee reward framework. The Committee has engaged with management to ensure that executive pay decisions are communicated transparently, supporting employee understanding of how senior leadership rewards reflect organisational performance, values and fairness considerations.

## Alignment with strategic objectives

The Committee's work during the year directly supported the Society's strategic objectives:

- Sustainable growth. By ensuring remuneration policies are competitive and linked to performance, the Committee has supported the Society's ambition to grow its balance sheet and deliver value to members, ensuring affordability.
- Talent retention. The Committee's focus on benchmarking and performance related bonus ensures the Society can attract, retain and motivate high-performing leaders.
- Risk management and culture. The integration of risk and compliance metrics into performance management and pay decisions reinforces a culture of prudent risk-taking and ethical conduct.
- Member value and fairness. The Committee's approach to pay increases, performance related bonus, and pension parity reflects a commitment to fairness, transparency, and alignment with member interests.

## Directors' Remuneration Report (continued)

### Committee effectiveness and impact

The Committee is satisfied that the remuneration policy operated as intended during the year, both in terms of supporting performance and delivering appropriate pay outcomes. The introduction and first year of operation of the performance related bonus scheme reinforced alignment between pay, performance and risk outcomes across the Society.

No fundamental changes to the remuneration framework are proposed for the coming year, though the Committee will continue to refine performance measures as the strategy evolves.



**Tariq Khatri**  
**Chair of the Remuneration Committee**  
Chair of the Board Audit Committee  
2 June 2026



# Statement of directors' responsibilities in respect of the Annual Report and Accounts

The directors are responsible for preparing the Annual Report, Annual Business Statement, Directors' Report and the Accounts in accordance with applicable law and regulation. The Building Societies Act 1986 requires the directors to prepare accounts for each financial year. Under that law the directors have prepared the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under the law, directors must not approve the accounts unless they are satisfied that they 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 accounts, 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 accounts on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

The directors are 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 also 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 accounts comply with the Building Societies Act 1986.

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.

## Directors' confirmations

The directors consider that the Annual Report, Annual Business Statement, Directors' Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the Society's auditors are unaware; and
- they have taken all the 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.



**Peter Hubbard**  
Chair  
2 June 2026

## Independent auditors' report to the members of Dudley Building Society

### Report on the audit of the annual accounts

#### Opinion

In our opinion:

- Dudley Building Society's accounts (the "annual accounts") give a true and fair view of the state of the Society's affairs as at 31<sup>st</sup> March 2026 and of the Society's income and expenditure and cash flows for the year then ended;
- the annual accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law) and
- the annual accounts have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the annual accounts, included within the Report and Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31<sup>st</sup> March 2026; the Income Statement, Statement of Comprehensive Income, Statement of Change in Members' Interest and Cash Flow Statement, for the *year* then ended; and the notes to the annual accounts.

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

#### Basis for opinion

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

#### Independence

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

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

### Our audit approach

#### Overview

##### Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment of the operations of the Society.
- Audit procedures were performed over all material account balances and financial information of the Society.

##### Key audit matters

- Impairment of loans and advances to customers.

##### Materiality

- **£340k (2025: £325k)**
- Based on approximately 1% of Society's Net Assets
- Performance materiality £255k (2025: £244k)

### The scope of our audit

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

### Key audit matters

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

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p><b>Impairment of loans and advances to customers</b></p> <p>Refer to note 1 for accounting policies, accounting judgements and estimation uncertainties and to note 14 and note 26 for detailed disclosures around impairment provision and credit risk.</p> <p>An impairment provision of £973k (2025: £1,006k) is recognised by the Society against loans and advances to customers. The loans and advances represent mortgages secured against residential property or land.</p> <p>The impairment provision represents management's best estimate of the incurred loss within the portfolio at the balance sheet date, calculated in accordance with IAS 39. Management uses an impairment model to calculate the specific and collective provision on an account level basis. The provision consists of a specific provision of £382k (2025: £336k) and a collective provision of £591k (2025: £670k).</p> <p>The estimation of impairment remains inherently judgemental.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> <li>We understood, evaluated and challenged the appropriateness of management's impairment methodology, including key assumptions used to determine Probability of Default and Loss Given Default for both specific and collective provision.</li> <li>We have verified key data inputs relating to property valuations utilised within the provision impairment calculation, including inspecting third party origination valuation reports and assessing the reasonableness of indexation applied to the origination valuation.</li> <li>Where appropriate we have assessed the impact of utilising alternative assumptions to determine the reasonableness of the assumptions used.</li> <li>We independently recalculated the provision to validate the accuracy of the calculations.</li> <li>We have evaluated the adequacy of the disclosure of estimation uncertainty relating to impairment of loans and advances to customers.</li> </ul>

### How we tailored the audit scope

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

All of the Society's activities are in the United Kingdom with a single line of business being the provision of mortgages and savings products to the members and other customers. The accounting records for the Society are located at the Society's principal office in Dudley. Audit procedures were performed over all material account balances and financial information of the Society.

We did not require involvement of any component auditors.

The audit procedures performed provided us with sufficient audit evidence as a basis for our opinion on the Society's annual accounts as a whole.

### The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Society's accounts and support the disclosures made in relation to climate change in the Annual Report.

In addition to enquiries with management, we also:

- Read the Society's documented Climate Change Risk Assessment and considered whether it was consistent with information obtained during the audit;
- Considered the exposure of the Society's mortgage portfolio to physical and transition risks by examining the output of assessments performed by management during the year; and
- Considered the consistency of the disclosures in relation to climate change within the Annual Report and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the accounts as a whole, or our key audit matters for the year ended 31st March 2026.

### Materiality

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

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

<b>Overall materiality</b>	£340k (2025: £325k).
<b>How we determined it</b>	Approximately 1% of Society's Net Assets.
<b>Rationale for benchmark applied</b>	The Society's principal activity is the provision of long-term residential mortgages to borrowers, financed by personal savings from members. The strategy is not one purely of profit maximisation but to provide a secure place for customer investments in a mutual environment. Therefore, we base our materiality calculation on net assets, as an appropriate benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £255k (2025: £ 244k).

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

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £34k (2025: £16k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

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

- A risk assessment to identify factors that could impact the going concern basis of accounting, including the current and forecast financial performance, regulatory metrics and the sector in which the Society operates. As part of our risk assessment, we reviewed and considered the Society's corporate plan, regulatory correspondence and management reports provided to key governance forums;
- Evaluation of the reasonableness of the Society's corporate plans, covering the going concern period, including testing key assumptions using our understanding of the Society and its financial and operating performance obtained through the course of our audit. We have also considered the historical accuracy of the budgeting in the previous corporate plans as part of this assessment;
- Evaluation of the Society's access to the Bank of England funding facilities; and
- Testing of the appropriateness of the disclosures made in the Annual Report.

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

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

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

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

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## Reporting on other information

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

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

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

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

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

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

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the Directors' Report for the year ended 31<sup>st</sup> March 2026 is consistent with the accounting records and the annual accounts; and
- the information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we did not identify any material misstatements in the Annual Business Statement and the Directors' Report.

## Responsibilities for the annual accounts and the audit

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

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

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

- Discussions with management and those charged with governance including consideration of known or suspected non-compliance with laws and regulations and fraud;
- Reading key correspondence with the Financial Conduct Authority and the Prudential Regulation Authority;
- Review of internal audit reports in so far as they related to the annual report;
- Reviewing relevant meeting minutes including those of the Board Audit Committee;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Challenging assumptions and judgements made by management in their views of significant accounting estimates; and
- Identifying and testing journal entries meeting certain risk-based criteria, including unusual or unexpected account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion. Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

### *Use of this report*

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

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## Other required reporting

### **Building Societies Act 1986 exception reporting**

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

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

We have no exceptions to report arising from this responsibility.

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## Appointment

Following the recommendation of the Board Audit Committee, we were appointed by the members of the Society on 19<sup>th</sup> September 2019 to audit the annual accounts for the year ended 31<sup>st</sup> March 2020 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31<sup>st</sup> March 2020 to 31<sup>st</sup> March 2026.

Nikhil Dhiri (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Birmingham  
02 June 2026





## Income Statement

FOR THE YEAR ENDED 31 MARCH 2026

	Note	2026 £000s	2025 £000s
Interest receivable and similar income	2	35,497	36,148
Interest payable and similar charges	3	(20,468)	(22,597)
<b>Net interest receivable</b>		<b>15,029</b>	<b>13,551</b>
Fees and commissions receivable		8	34
Fees and commissions payable		(246)	(229)
Other operating income		11	17
<b>Total operating income</b>		<b>14,802</b>	<b>13,373</b>
Fair value (losses)/gains on financial instruments	4	(226)	393
<b>Total income</b>		<b>14,576</b>	<b>13,766</b>
Administrative expenses	5	(13,150)	(12,102)
Depreciation and amortisation	16, 17	(456)	(542)
<b>Operating profit before impairment gains/(losses)</b>		<b>970</b>	<b>1,122</b>
Impairment gains/(losses) on loans and advances	14	33	(78)
<b>Profit before tax</b>		<b>1,003</b>	<b>1,044</b>
Tax expense	8	(218)	(264)
<b>Profit for the financial year</b>	<b>25</b>	<b>785</b>	<b>780</b>

The notes on pages 73 to 115 form part of these accounts. The above results are all derived from continuing operations.

## Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2026

	2026 £000s	2025 £000s
<b>Profit for the Financial Year</b>	<b>785</b>	<b>780</b>
Other comprehensive income for the financial year net of tax	-	-
<b>Total comprehensive income for the financial year</b>	<b>785</b>	<b>780</b>

## Statement of Change in Members' Interests

FOR THE YEAR ENDED 31 MARCH 2026

2026	General Reserves £000s	Total £000s
Balance as at 1 April 2025	33,268	33,268
Profit for the year	785	785
Other comprehensive income for the year	-	-
<b>Total Comprehensive Income for the year</b>	<b>785</b>	<b>785</b>
<b>Balance as at 31 March 2026</b>	<b>34,053</b>	<b>34,053</b>

2025	General Reserves £000s	Total £000s
Balance as at 1 April 2024	32,488	32,488
Profit for the year	780	780
Other comprehensive income for the year	-	-
<b>Total Comprehensive Income for the year</b>	<b>780</b>	<b>780</b>
<b>Balance as at 31 March 2025</b>	<b>33,268</b>	<b>33,268</b>

The notes on pages 73 to 115 form part of these accounts. The above results are all derived from continuing operations.

## Statement of Financial Position

AS AT 31 MARCH 2026

	Note	2026 £000s	2025 £000s
<b>Assets</b>			
<b>Liquid Assets</b>			
Cash in hand and balances with the Bank of England	9	69,530	82,632
Loans and advances to credit institutions	10	1,521	2,028
Debt securities	11	44,982	19,051
		<b>116,033</b>	<b>103,711</b>
Derivative financial instruments	12	1,525	996
<b>Loans and advances to customers</b>			
Loans fully secured on residential property	13	557,720	516,903
Other loans - loans fully secured on land	13	248	254
		<b>557,968</b>	<b>517,157</b>
Other debtors	15	2,576	1,339
Tangible fixed assets	16	617	664
Intangible fixed assets	17	876	1,146
<b>Total Assets</b>		<b>679,595</b>	<b>625,013</b>
<b>Liabilities</b>			
Shares	19	591,467	553,980
Amounts owed to other customers	20	52,250	35,168
		<b>643,717</b>	<b>589,148</b>
Derivative financial instruments	12	166	723
Other liabilities	21	749	808
Deferred tax liability	18	240	340
Accruals and deferred income	22	670	726
<b>Reserves</b>			
General Reserves	25	34,053	33,268
<b>Total Liabilities and Equity</b>		<b>679,595</b>	<b>625,013</b>

The accounts on pages 73 to 115 were approved by the Board of Directors on 2 June 2026 and were signed on its behalf by:

Peter Hubbard  
Chair

James Paterson  
Chief Executive Officer

Michael Bhopal  
Chief Financial Officer

# Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2026

	2026 £000s	2025 £000s
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>1,003</b>	<b>1,044</b>
Depreciation and amortisation	456	542
Impairment of intangible fixed assets	-	-
Impairment (gains)/ (loses) on loans and advances to customers	(33)	78
Cash interest movement on debt securities	1,999	(349)
Changes to the fair value adjustment of hedged risk	1,328	(809)
	<b>4,753</b>	<b>506</b>
<b>Changes in operating assets and liabilities</b>		
Movement in derivative financial instruments	(1,086)	583
Decrease in loans and advances to credit institutions	-	-
Increase/(decrease) in amounts owed to credit institutions	1,083	(1,011)
Increase/(decrease) in accruals and deferred income	(56)	(482)
Increase in Other assets	(1,237)	(267)
Purchase of debt securities	(52,930)	(35,819)
Maturity of debt securities	26,999	16,768
Cash interest movement on debt securities	(1,999)	349
Increase/(decrease) in Other liabilities and provision for liabilities	(101)	213
Net increase in loans and advances to customers	(42,097)	(39,596)
Net increase/(decrease) in shares	37,478	(5,684)
Net Increase/(decrease) in amounts owed to other customers	15,999	(4,177)
Tax paid	(276)	(349)
<b>Net cash outflow from operating activities</b>	<b>(13,470)</b>	<b>(68,966)</b>
<b>Cash flows from investing activities</b>		
Purchase of tangible and intangible fixed assets	(139)	(499)
<b>Net cash outflow from investing activities</b>	<b>(139)</b>	<b>(499)</b>
<b>Net (Decrease) in cash</b>	<b>(13,609)</b>	<b>(69,465)</b>
Cash and cash equivalents at start of year	84,400	153,865
<b>Cash and cash equivalents at end of year</b>	<b>70,791</b>	<b>84,400</b>
<b>Cash and cash equivalents comprises:</b>		
Cash in hand and balances with the Bank of England	9	69,530
Loans and advances to credit institutions repayable on demand	10	1,261
	<b>70,791</b>	<b>84,400</b>

The notes on pages 73 to 115 form part of these accounts.

# Notes to the Accounts

## 1. Accounting Policies

### 1.1 BASIS OF PREPARATION

Dudley Building Society (the "Society") has prepared these annual accounts in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS102"). The Society has also chosen to apply the recognition and measurement provisions of IAS 38 Intangible Assets and IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU). The presentation currency of these annual accounts is sterling because that is the functional currency of the primary economic environment in which the Society operates. All amounts in the annual report and accounts have been rounded to the nearest £1,000 unless otherwise stated.

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

The preparation of these accounts in conjunction with FRS102 requires the Directors to make judgements and estimates and use assumptions in the application of these policies that have significant effect on the values of reported assets and liabilities with a significant risk of material adjustment in the next year. Although these estimates are based on management judgement and best knowledge of the events, actions or amounts, taking into account historical evidence and any other relevant factors, actual results may differ from these estimates. The judgements and estimates applied in these accounts are discussed in Note 1.13.

### Going concern

The Directors are required to consider whether the Society will continue as a going concern for a period of not less than twelve months from the date of signing the accounts. In making the assessment, the Directors have reviewed the Society's corporate plan and considered risks that could impact on the Society's capital position, financial position and liquidity over that period. The Directors have also prepared forecasts to consider the effect on the Society's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions. A range of sensitivities have also been applied to these forecasts, including stress scenarios relating to macro-economic indicators. Having reviewed these forecasts alongside the Society's ICAAP and ILAAP documents the Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. Accordingly, the accounts continue to be prepared on a going concern basis.

### 1.2 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 available-for-sale debt securities.

### 1.3 INTEREST

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' (EIR) 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 future credit losses.

The calculation of the effective interest rate includes all contractual transaction costs and fees paid or received where the future cash flow can be measured reliably. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the Income Statement include:

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

Fair value changes on other derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through the Income Statement, are presented in Total Income.

### 1.4 FEES AND COMMISSION

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, sales commission and other fees, are recognised as the related services are performed.

## Notes to the Accounts (continued)

### 1.5 EXPENSES

#### Operating Leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in administrative expenses in the Income Statement on a straight-line basis over the term of the lease.

#### Administrative Expenses

Administrative expenses are recognised in the Income Statement in the period in which they are incurred.

### 1.6 TAXATION

Tax on the profit or loss for the year comprises amounts for current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting 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 expense in tax assessments in periods different from those in which they are recognised in the annual accounts. The following timing difference is not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

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 reporting date. Deferred tax balances are not discounted.

### 1.7 FINANCIAL INSTRUMENTS

#### Recognition

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

#### Classification

##### Financial Assets

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

- **Loans and Receivables**

'Loans and Receivables' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Society does not intend to sell immediately or in the near term.

Loans and Receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method (see 1.3 above).

- **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. All available-for-sale investments are measured at fair value after initial recognition. Subsequent changes in fair value, other than impairment losses, are recognised in the Statement of Comprehensive Income (SOCi) until sale or maturity of the assets, following which the cumulative gains or losses are removed from the SOCi and recycled to the Income Statement.

- **Held-to-Maturity**

Held-to-Maturity investments are non-derivative investments that are designated as held-to-maturity. Held-to-Maturity investments comprise the Society's portfolio of treasury bills. All held-to-maturity investments are measured at amortised cost after initial recognition. Impairment losses are recognised in the Income Statement as they are incurred.

Interest income is recognised in profit or loss using the effective interest method (see 1.3 above).

## Notes to the Accounts (continued)

- **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 Income Statement. 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 instrument(s) and hedged item(s), 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 instrument(s) is / (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results for each hedge are within a range of 80–125%.

#### Fair Value Hedges

Where a derivative financial instrument is designated as a hedge against the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. 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 the income statement (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 profit or loss using the effective interest method over the remaining life of the hedged item.

#### Financial Liabilities

The Society classifies all of its financial liabilities, other than derivatives, as measured at amortised cost or fair value through other comprehensive income.

#### Measurement

##### Amortised Cost Measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount

recognised and the maturity amount, minus any reduction for impairment.

#### 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.

#### De-recognition of financial instruments

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 other comprehensive income is recognised in the Income Statement. 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.

#### Impairment of financial assets not measured at fair value

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.

## Notes to the Accounts (continued)

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;
- 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 loan type characteristics.

In assessing collective impairment, the Society reviews the historical arrears performance to determine the probability of default, the timing of potential recoveries and the value of loss given default. The Society makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are reviewed regularly to reflect experience against actual outcomes to ensure that they remain appropriate.

Further details on the judgements applied in the derivation of the impairment provision are disclosed in note 1.13.

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.

The Society has a closed portfolio of equity release mortgage loans, representing 0.4% of total loans and advances to customers (2025: 0.5%). 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 Income Statement within the 'Interest receivable and similar income' category. Within the Statement of financial position (page 71), the mortgage asset along with any impairment, if there were any, is disclosed in line with IAS 39. The insurance risk liability associated with the non-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.

## Notes to the Accounts (continued)

### Forbearance

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

- Temporary transfer to an interest only arrangement;
- Temporary reduced monthly payment;
- Product review;
- Capitalisation of arrears;
- Extension of mortgage term.

Before being granted a forbearance option, customers will need to provide evidence to support their request which is likely to include a budget planner, statement of assets and liabilities, bank / credit card statements, payslips and similar items, in order that the request can be properly assessed without prejudice. 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.

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

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

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the available-for-sale reserve. The cumulative loss that is reclassified from reserves to profit or 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 or 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 the Income Statement; otherwise, any increase in fair value is recognised through the Statement of Other Comprehensive Income (SOCl). Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in the SOCl.

### 1.8 CASH AND CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash comprises cash in hand and unrestricted loans and advances to credit institutions repayable on demand.

### 1.9 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. 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 tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account 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 premises – 50 years
- Short Leasehold property – the term of the lease
- Equipment, fixtures, fittings and motor vehicles – 3-7 years

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

## Notes to the Accounts (continued)

### 1.10 INTANGIBLE FIXED ASSETS

#### Computer Software

Purchased software and costs directly associated with the internal development of computer software are capitalised and recognised as intangible assets where the software is an identifiable asset controlled by the Society, which will generate future economic benefits and where costs can be reliably measured. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense incurred. Intangible assets are stated at cost less cumulative amortisation and any impairment charges.

#### Amortisation

Amortisation begins when the asset becomes available for operational use in accordance with the Directors' expectations and is charged to the Income Statement over the estimated useful life of the asset, which the Society estimates to be seven years or the contractual term, whichever best reflects the rate that the economic benefit is consumed. Where the capitalised cost represents an enhancement to an existing intangible asset, the estimated useful economic life is considered to be the remaining contractual period of the asset that is being enhanced. The Society reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are tested for impairment in accordance with Section 27 of FRS102 when there is an indication of impairment.

### 1.11 IMPAIRMENT EXCLUDING FINANCIAL ASSETS AND DEFERRED TAX ASSETS

The carrying amounts of the Society'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. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

### 1.12 EMPLOYEE BENEFITS

#### Pensions - Defined contribution plans and other long-term employee benefits

The Society operates a defined contribution scheme funded by contributions from the Society and employees. Society contributions are charged to the Income Statement as incurred.

A defined contribution plan is a post-employment benefit plan under which the Society pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

### 1.13 ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

In applying the Society's accounting policies, the Society is required to make estimates and apply judgements that can have a material effect on the carrying amounts of assets and liabilities. Such estimates and judgements are continually evaluated and are based on historical experience and expectations of future events believed to be reasonable under current circumstances.

## Notes to the Accounts (continued)

The key judgements and estimates are set out below:

### Impairment Provisions (£973,000, 2025: £1,006,000)

The Society reviews the mortgage portfolio on a monthly basis to assess for impairment. A degree of judgement is required when undertaking this evaluation. Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and expected cash flows. Estimates are applied in respect of house prices 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 and compared with actual experience.

The three main contributing factors towards the provisioning requirement are: the movement in house prices (measured using a house price index), the likelihood of default by the borrower (measured by the Probability of Default - "PD") and the value of the discount to be applied to a property if a forced sale is required. The factors are combined in the calculation of the impairment provision as this is derived as the probability of default multiplied by the loss given default.

To ensure that the impairment methodology appropriately reflects the level of risk associated with each category within the mortgage book (including any payment related issues not yet identified), the probability of default is extrapolated from the actual historical loss experience and is applied across the arrears performance categories and subsequently the main loan categories within the mortgage portfolio. The loss given default is defined as the value of financial loss to which the Society is exposed in the event of the disposal of a property that has been taken into possession on default of a mortgage loan and reflects the underlying financial risk in the asset taken as security against the loan.

The impairment methodology allocates each mortgage loan to a cohort depending on historical arrears performance. Loans that are in arrears are allocated to the specific cohort. All other loans are allocated to the collective cohort.

The Society's mortgage portfolio continues to perform very well with the number of accounts being more than 3 months in arrears at 31 March 2026 being 10 accounts (2025: 5) and the number of properties in possession is four (2025: two). As a result, the Board acknowledges that the derivation of an impairment provision based solely on the historic payment experience may understate the value of the provision and expose the Society to the risk of increased financial loss and as a result further elements need to be incorporated into the basis of the calculation.

The Board considers it prudent to provide for any impairment losses that would be incurred as a result of the macro-economic environment that were present at the balance sheet date but have yet to manifest themselves in the form of increased arrears or rates of default within the current time to sell assumptions within the provision methodology. The justification for which is set out below.

House prices have remained broadly flat compared to the prior year and those accounts with a higher loan to value ratio have a significantly reduced capacity to absorb a reduction in the value of the house that is used as security for the loan. This increases the risk of a loss given default.

Similarly, borrowers with accounts with a higher loan to value ratio tend to have a higher loan to income ratio and as a result their ability to maintain the contractual monthly payment is more sensitive to changes in the cost of living that may result from those macro-economic environment. This increases the risk of an account falling into arrears and default.

Within the impairment methodology, this risk has historically been addressed through a post-model overlay applied to loans above a defined LTV threshold, with the level of adjustment increasing across predetermined LTV bands based on the LTV at the balance sheet date.

During the year, management recommended to the Committee that the post-model overlay was no longer required and the risk of loss was covered in the incurred loss assessment used to calculate the level of provision held. The Committee approved the release of the post-model adjustment overlay in line with the Society's risk profile and FRS 102 requirements.

As noted above, house prices have remained broadly flat throughout the year and the Directors expect this to remain the situation in the near term. Accordingly a sensitivity analysis has been undertaken on the impact on the value of the impairment provision for movements in the probability of default as changes to this value result from past events. Under an adverse scenario, the collective provision would be sufficient to absorb an increase and a 10% increase on the propensity to default on customers already in arrears (specific provision) would result in an increased provision requirement of £4,000.



## 2. Interest Receivable and Similar Income

	2026	2025
	£000s	£000s
On loans fully secured on residential property	30,783	29,041
On other loans	20	24
On other liquid assets	4,463	5,771
Net interest income on derivatives	231	1,312
	<b>35,497</b>	<b>36,148</b>

Interest on loans fully secured on residential property includes interest accrued on impaired and past due residential mortgage assets of £110,000 (2025: £114,000).

## 3. Interest Payable and Similar Charges

	2026	2025
	£000s	£000s
On shares held by individuals	20,100	22,286
On deposits and other borrowings	350	212
Net interest charge / (income) on derivatives	18	99
	<b>20,468</b>	<b>22,597</b>

## 4. Fair Value (Losses)/Gains on Financial Instruments

	2026	2025
	£000s	£000s
Gain/(Loss) on derivatives in designated fair value hedge relationships	968	(544)
Adjustments to hedged items in fair value hedge accounting relationships	(928)	789
(Loss)/Gain on derivatives not in designated fair value hedge relationships	(266)	148
	<b>(226)</b>	<b>393</b>

The net loss from derivative financial instruments of £226,000 (2025: gain £393,000) represents the net fair value movement on derivative instruments that are matching risk exposure on an economic basis and the fair value movement of the derivative instruments that are transacted to mitigate interest rate risk on mortgage loan commitments. Some fair value volatility arises on the those instruments that are subject to matching risk due to accounting ineffectiveness on designated hedges, or because hedge accounting is not achievable on certain items.

## 5. Administrative Expenses

	2026			2025		
	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Wages and salaries	6,263	-	6,263	6,173	-	6,173
Social security costs	817	-	817	654	-	654
Contribution to defined contribution plans	477	-	477	438	-	438
	<b>7,557</b>	<b>-</b>	<b>7,557</b>	<b>7,265</b>	<b>-</b>	<b>7,265</b>
Other administrative expenses	5,060	533	5,593	4,464	373	4,837
	<b>12,617</b>	<b>533</b>	<b>13,150</b>	<b>11,729</b>	<b>373</b>	<b>12,102</b>

	2026			2025		
	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Other administrative expenses include:						
Operating lease costs:						
Land and buildings	259	-	259	195	-	195
	<b>259</b>	<b>-</b>	<b>259</b>	<b>195</b>	<b>-</b>	<b>195</b>

Auditor's remuneration: The remuneration of the external auditor which is included within other administrative expenses above is set out below (excluding VAT):

	2026			2025		
	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Audit of these annual accounts	218	-	218	216	-	216
Amounts receivable by the Society's auditor and its associates in respect of:						
Audit-related assurance services	1	-	1	1	-	1
	<b>219</b>	<b>-</b>	<b>219</b>	<b>217</b>	<b>-</b>	<b>217</b>

The non-recurring administrative expenses of £533,000 (2025: £373,000) comprises the investment in the Mortgage Originations platform and the customer proposition in the form of the new branches and the core system platforms.

## 6. Employees

The average number of persons employed by the Society (including Executive Directors) during the year was as follows:-

	2026	2025
<b>Full Time</b>		
Principal Office & administration centre	84	83
Branch Offices	16	16
	<b>100</b>	<b>99</b>
<b>Part Time</b>		
Principal Office & administration centre	26	24
Branch Offices	14	14
	<b>40</b>	<b>38</b>
<b>Total full time and part time</b>	<b>140</b>	<b>137</b>

## 7. Remuneration of and Transactions with Directors

	2026 £000s	2025 £000s
<b>(a) Remuneration of Directors</b>		
Directors' emoluments		
Services as Directors (Non-Executive Directors)	180	198
Services in connection with Management (Executive Directors)	500	555
	<b>680</b>	<b>753</b>
<b>Details of individual Directors' emoluments are as follows:-</b>	<b>2026</b>	<b>2025</b>
<b>Non-Executive</b>	£000s	£000s
Nicole Coll	42	42
Peter Hubbard	55	54
Michael Hudson	41	36
Tariq Khatri	36	36
Joanna Baldwin (Resigned: 9 December 2024)	-	30
Michelle Andrews (Joined: 1 February 2026)	6	-
<b>Total</b>	<b>180</b>	<b>198</b>

Non-Executive Directors receive only fees for their services.

## 7. Remuneration of and Transactions with Directors (continued)

	Salary £000s	Benefits £000s	Pension Contributions £000s	Total £000s
<b>2026</b>				
<b>Executive</b>				
James Paterson	289	1	32	322
Michael Bhopal	160	-	18	178
<b>Total Executive 2026</b>	<b>449</b>	<b>1</b>	<b>50</b>	<b>500</b>

	Salary £000s	Benefits £000s	Pension Contributions £000s	Total £000s
<b>2025</b>				
<b>Executive</b>				
James Paterson	286	1	31	318
Michael Bhopal (Appointed: 1 February 2025)	27	-	3	30
Kieron Blackburn (Appointed: 2 April 2024; Resigned 31 August 2024)	76	-	5	81
Stephen Heeley (Resigned: 18 September 2024)	117	-	9	126
<b>Total Executive 2025</b>	<b>506</b>	<b>1</b>	<b>48</b>	<b>555</b>

### b) Directors' loans and transactions

At 31 March 2026, there were no outstanding mortgage loans (2025: nil) granted in the ordinary course of business to Directors or connected persons amounting to £nil (2025: £nil).

A register is maintained at the Head Office of the Society, under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and their connected persons. A statement of the appropriate details contained in the Register, for the financial year ended 31 March 2026 will be available for inspection upon request for a period of 15 days up to and including the Annual General Meeting.

## 8. Tax Expense

	2026 £000s	2025 £000s
<b>The taxation charge for the year comprises:-</b>		
Current tax at 25% (2025: 25%)	318	245
Deferred Taxation charge / (credit) (See note 18)	(100)	19
<b>Total Tax</b>	<b>218</b>	<b>264</b>

### Reconciliation of Total Tax charge

	2026 £000s	2025 £000s
<b>Profit on ordinary activities before tax</b>	<b>1,003</b>	<b>1,044</b>
Profit on ordinary activities before tax multiplied by the standard rate of Corporation Tax in the UK of 25% (2025: 25%)	251	261
Fixed asset differences	(36)	5
Expenses not deductible for tax purposes	2	2
Impact of change in tax rate	-	-
Other short term timing differences	1	(4)
<b>Tax Charge</b>	<b>218</b>	<b>264</b>

Current tax has been provided at the rate of 25% (2025: 25%). Deferred tax balances at 31 March 2026 have been calculated at a rate of 25% (2025: 25%).

## 9. Cash in Hand and Balances with the Bank of England

	2026 £000s	2025 £000s
Cash in hand	563	511
Bank of England Reserve Account	68,967	82,121
<b>Balance included in cash flow statement</b>	<b>69,530</b>	<b>82,632</b>

## 10. Loans and Advances to Credit Institutions

	2026 £000s	2025 £000s
Repayable on demand - included within liquid assets	1,261	1,768
In not more than three months	260	260
<b>Total loans and advances to credit institutions</b>	<b>1,521</b>	<b>2,028</b>

At 31 March 2026 £260,000 (2025: £260,000) of cash has been pledged by the Society against derivative contracts.

## 11. Debt Securities

	2026 £000s	2025 £000s
Treasury Bills	44,982	19,051

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 'liquid assets' in the Statement of Financial Position.

During the year, the Society transacted a number of debt securities in the form of Treasury Bills solely for the purposes of interest rate risk management arising from the net fixed rate liabilities in the savings book with the interest received being derived from the resulting economic hedge. The Society has increased Treasury Bill transactions during the year, relative to the prior year, to support the management of interest rate risk.

Movements in debt securities during the year are summarised as follows:

	2026 £000s	2025 £000s
At the beginning of the year	19,051	-
Additions	52,930	35,819
Disposals and maturities	(26,999)	(16,768)
<b>At the end of the year</b>	<b>44,982</b>	<b>19,051</b>

## 12. Derivative Financial Instruments

	Contractual / Notional Amount £000s	Assets Fair Values £000s	Liabilities Fair Values £000s
<b>2026</b>			
Derivatives designated as fair value hedges:			
Interest rate swaps	219,550	1,416	(156)
Derivatives not designated as fair value hedges:			
Interest rate swaps	16,750	109	(10)
<b>Total recognised derivative assets / (liabilities)</b>	<b>236,300</b>	<b>1,525</b>	<b>(166)</b>

	Contractual / Notional Amount £000s	Assets Fair Values £000s	Liabilities Fair Values £000s
<b>2025</b>			
Derivatives designated as fair value hedges:			
Interest rate swaps	218,700	986	(695)
Derivatives not designated as fair value hedges:			
Interest rate swaps	15,500	10	(28)
<b>Total recognised derivative assets / (liabilities)</b>	<b>234,200</b>	<b>996</b>	<b>(723)</b>

At 31 March 2026 £260,000 of collateral was pledged against the Society's derivative contracts (2025: £260,000) where the fair value of those derivative contracts was not in the favour of the Society. The Society received £1,622,000 of pledged collateral for those derivative contracts (2025: £539,000) where the fair value of those contracts were in the favour of the Society – see note 20. The Society provided no collateral to any other parties during the year, other than the Bank Of England – see notes 11 and 13 (2025: £nil).

## 13. Loans and Advances to Customers

The maturity of advances secured on residential property, and advances secured on land from the reporting date is as follows:-

	2026 £000s	2025 £000s
Loans fully secured on residential property	559,600	517,497
Provision for impairment losses (see Note 14)	(973)	(1,006)
Fair value adjustment for hedged risk	(907)	412
	<b>557,720</b>	<b>516,903</b>
Loans fully secured on land	248	254
	<b>557,968</b>	<b>517,157</b>

	2026 £000s	2025 £000s
On call and at short notice	-	-
In not more than three months	5,766	5,969
In more than three months but not more than one year	11,361	9,608
In more than one year but not more than five years	80,239	75,286
In more than five years	462,104	426,328
	<b>559,470</b>	<b>517,191</b>
Less allowance for impairment (see Note 14)	(973)	(1,006)
Unamortised Effective Interest rate balances	(529)	972
	<b>557,968</b>	<b>517,157</b>

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

In common with most mortgage lenders, the Society anticipates that many loans will be repaid earlier than the contractual maturity dates disclosed above.

As a participant to the Bank of England's funding schemes, £192,123,000 of mortgage assets were pledged to the Bank of England as collateral (2025: £58,468,000).

## 14. Impairment (Losses) / Gains on Loans and Advances

	Loans fully secured on residential property £000s	Other loans fully secured on land £000s	Total £000s
<b>Specific provision</b>			
At 1 April 2025	336	-	336
Amounts written off	-	-	-
Charge for the year	46	-	46
<b>At 31 March 2026</b>	<b>382</b>	<b>-</b>	<b>382</b>
<b>Collective provision</b>			
At 1 April 2025	670	-	670
Credit for the year	(79)	-	(79)
<b>At 31 March 2026</b>	<b>591</b>	<b>-</b>	<b>591</b>
<b>Specific provision</b>			
At 1 April 2024	167	-	167
Amounts written off	-	-	-
Charge for the year	169	-	169
<b>At 31 March 2025</b>	<b>336</b>	<b>-</b>	<b>336</b>
<b>Collective provision</b>			
At 1 April 2024	760	1	761
Credit for the year	(90)	(1)	(91)
<b>At 31 March 2025</b>	<b>670</b>	<b>-</b>	<b>670</b>
<b>Charge/(Credit) to the Income Statement in 2025 / 26</b>			<b>(33)</b>
<b>Charge/(Credit) to the Income Statement in 2024 / 25</b>			<b>78</b>

In determining the level of the impairment provision of £973,000 (2025: £1,006,000), the Society considers the level of the probability of default, the movement in house prices (measured by a house price index), the value of the asset taken as security against the loan and the value of the forced sale discount. Of these factors, the Board consider that movement in the probability of default presents the greatest risk of financial loss to the Society. At the balance sheet date, the impairment provision reflects that the additional risk factor was nil (2025: £133,000). During the year, a previously recognised post-model overlay was released, with the risk of loss covered in the incurred loss assessment used to calculate the level of provision held.

2026	Underlying requirement £000s	Post model adjustment £000s	Total £000s
Specific	382	-	382
Collective	591	-	591
	<b>973</b>	<b>-</b>	<b>973</b>
2025	Underlying requirement £000s	Post model adjustment £000s	Total £000s
Specific	336	-	336
Collective	537	133	670
	<b>873</b>	<b>133</b>	<b>1,006</b>

## 15. Other Debtors

	2026 £000s	2025 £000s
<b>Prepayments and Accrued Income</b>		
Due within 1 year	2,422	1,219
Due in more than 1 year	154	120
	<b>2,576</b>	<b>1,339</b>

## 16. Tangible Fixed Assets

	Leasehold Land and Buildings £000s	Equipment, Fixtures, Fittings and Vehicles £000s	Computer Equipment £000s	Total £000s
<b>Cost or valuation</b>				
At 1 April 2025	1,430	259	774	2,463
Additions	-	111	30	141
Disposals	(4)			(4)
<b>At 31 March 2026</b>	<b>1,426</b>	<b>370</b>	<b>804</b>	<b>2,600</b>
<b>Accumulated Depreciation</b>				
At 1 April 2025	1,010	154	635	1,799
Charge for the year	81	29	74	184
<b>At 31 March 2026</b>	<b>1,091</b>	<b>183</b>	<b>709</b>	<b>1,983</b>
<b>Net Book Value</b>				
<b>At 31 March 2026</b>	<b>335</b>	<b>187</b>	<b>97</b>	<b>617</b>
<b>At 31 March 2025</b>	<b>420</b>	<b>104</b>	<b>139</b>	<b>664</b>

All land and buildings are occupied by the Society for its own use.

## 17. Intangible Fixed Assets

	2026 £000s	2025 £000s
<b>Cost or valuation</b>		
At 1 April	5,589	5,132
Additions	166	457
Reclassified	(164)	-
<b>At 31 March</b>	<b>5,591</b>	<b>5,589</b>
<b>Accumulated Amortisation</b>		
At 1 April	4,443	4,070
Charge for the year	272	373
<b>At 31 March</b>	<b>4,715</b>	<b>4,443</b>
<b>Net Book Value</b>		
<b>At the start of the year</b>	<b>1,146</b>	<b>1,062</b>
<b>At the end of the year</b>	<b>876</b>	<b>1,146</b>

Intangible assets at 31 March 2026 comprise of the cost of investment in the development of Computer Software, the online e-savings portal and the new mortgage origination platform. As at 31 March 2026 £396,000 (2025: £452,000) of assets are in the course of construction. Amortisation is charged against these assets when they become ready for use by the business over an estimated useful life of either seven years or the remaining contractual term for these costs capitalised. During the year, £164,000 of costs capitalised in FY25 relating to the mortgage origination platform were reassessed and reclassified to prepayments, reflecting amounts that relate to services to be received in future accounting periods.

## 18. Deferred Tax Liability

	2026 £000s	2025 £000s
<b>Deferred taxation at 25% (2024: 25%) in respect of timing differences</b>	<b>240</b>	<b>340</b>
Comprising:		
Accelerated capital allowances	256	352
Other timing differences	(16)	(12)
<b>At 31 March – Deferred tax liability</b>	<b>240</b>	<b>340</b>

	2026 £000s	2025 £000s
<b>The movement on the deferred tax liability during the year was as follows:</b>		
At the beginning of the year as previously reported – liability	340	321
Deferred taxation (credit)/charge to the income statement (see note 8)	(100)	19
<b>At the end of the year</b>	<b>240</b>	<b>340</b>

## 19. Shares

	2026 £000s	2025 £000s
Held by individuals	591,451	553,973
Fair value adjustment for hedged risk	16	7
	<b>591,467</b>	<b>553,980</b>
<b>Shares are repayable with remaining maturities from the reporting date as follows:</b>		
Accrued interest	16	5,572
On demand	300,240	259,105
In not more than three months	132,613	131,881
In more than three months but not more than one year	97,363	90,863
In more than one year but not more than five years	59,421	64,770
In more than five years	1,814	1,789
	<b>591,467</b>	<b>553,980</b>

## 20. Amounts owed to other customers

Amounts owed to other customers are repayable from the reporting date in the ordinary course of business as follows:-

	2026 £000s	2025 £000s
Amounts owed to Bank of England	13,002	-
Amounts owed to credit institutions	1,622	539
Amounts owed to other customers	37,626	34,629
	<b>52,250</b>	<b>35,168</b>
Accrued interest	-	54
Repayable on demand	10,277	6,247
In not more than three months	15,482	12,985
In more than three months but not more than one year	23,976	10,721
In more than one year	2,514	5,161
	<b>52,250</b>	<b>35,168</b>

At 31 March 2026 £1,622,000 collateral was received against the Society's derivative contracts (2025: £539,000) where the fair value of those derivative contracts was in the favour of the Society. The Society has utilised the Bank of England's Indexed Long-Term Repo (ILTR) facility, part of the Sterling Monetary Framework, under which funds are drawn against eligible collateral. Amounts outstanding were £13,000,000 as at 31 March 2026 (2025: £nil).

## 21. Other Liabilities

	2026 £000s	2025 £000s
<b>Falling due within one year:-</b>		
Corporation tax	189	147
Social security costs	211	172
Other creditors	349	489
	<b>749</b>	<b>808</b>

## 22. Accruals and Deferred Income

	2026 £000s	2025 £000s
<b>Accruals falling due in less than 1 year</b>	<b>670</b>	<b>726</b>

## 23. Provision for Liabilities

### Financial Services Compensation Scheme (FSCS) Levy

As at the balance sheet date, the Society has no further exposure to the FSCS Levy.

## 24. Employee Benefits

### Retirement Benefits

All current members of staff are offered membership of a defined contribution pension scheme. The assets of the scheme are held separately from those of the Society in an independently administered fund.

Contributions payable by the Society (including death in service premium) and the charge for the year was £477,000 (2025: £458,000). There were outstanding contributions of £64,000 (2025: £50,000) at the end of the year.

## 25. General Reserves

	2026 £000s	2025 £000s
At the beginning of the year	33,268	32,488
Profit for the financial year	785	779
Other Comprehensive Income	-	1
<b>At the end of the year</b>	<b>34,053</b>	<b>33,268</b>
General Reserves	34,053	33,268
	<b>34,053</b>	<b>33,268</b>

## 26. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset or financial liability. Dudley Building Society is a retailer of financial instruments in the form of mortgages and savings products and uses wholesale financial instruments to invest in liquid assets, raise wholesale funding and to manage risks arising from its operations.

Instruments used for risk management purposes include derivative financial instruments (derivatives) which are contracts or agreements whose value is derived from one or more of underlying price, rate or index inherent in the contract or agreement, such as interest rates.

Derivatives are only used by the Society in accordance with the Building Societies Act 1986 (as amended by the Building Societies Act 1997) to reduce the risk of loss arising from changes in interest rates or other factors specified in the legislation.

Derivatives are not used in trading activity or for speculative purposes.

The Society reduces its exposure to interest rate risk applying fair value hedging techniques as follows:

Activity	Risk	Hedging technique
Fixed rate mortgage lending	Sensitivity to increases in interest rates	Society pays fixed rate and receives variable interest
Fixed rate savings products and funding	Sensitivity to falls in interest rates	Society received fixed rate and pays variable interest

The fair value of derivative financial instruments held at 31 March 2026 is shown in Note 12 - Derivative Financial Instruments on page 88.

## 26.1 Financial Instruments (continued)

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

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

Financial Instrument	Terms and Conditions	Accounting Policy
Loans and advances to credit institutions and debt securities	<ul style="list-style-type: none"> <li>Fixed interest rate</li> <li>Fixed term</li> <li>Short to medium term maturity</li> </ul>	<ul style="list-style-type: none"> <li>Loans and receivables at amortised cost</li> <li>Accounted for at settlement date</li> </ul>
Loans and advances to customers	<ul style="list-style-type: none"> <li>Secured on residential property or land</li> <li>Typical standard contractual term of 25 years</li> <li>Fixed or variable rate of interest</li> </ul>	<ul style="list-style-type: none"> <li>Loans and receivables at amortised cost</li> <li>Accounted for from date of advance</li> </ul>
Shares	<ul style="list-style-type: none"> <li>Fixed or variable term</li> <li>Fixed or variable interest rates</li> </ul>	<ul style="list-style-type: none"> <li>Amortised cost</li> <li>Accounted for from the date of deposit</li> </ul>
Amounts owed to credit institutions	<ul style="list-style-type: none"> <li>Fixed interest rate</li> <li>Fixed term</li> <li>Short to medium term maturity</li> </ul>	<ul style="list-style-type: none"> <li>Amortised cost</li> <li>Accounted for at settlement date</li> </ul>
Amounts owed to other customers	<ul style="list-style-type: none"> <li>Fixed or variable rate of interest</li> <li>Fixed term</li> <li>Short to medium term maturity</li> </ul>	<ul style="list-style-type: none"> <li>Amortised cost</li> <li>Accounted for at settlement date</li> </ul>
Derivative Financial Instruments	<ul style="list-style-type: none"> <li>Fixed interest received / paid converted to variable interest paid / received</li> <li>Based on the notional value of the derivative</li> </ul>	<ul style="list-style-type: none"> <li>Fair value through profit and loss</li> <li>Accounted for at trade date</li> </ul>

### Categories of financial assets and liabilities

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. Note 1.7 '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 following tables analyse the Society's assets and liabilities by financial classification:

## 26.1 Financial Instruments (continued)

### Carrying values by category

31 March 2026	Held at amortised cost		Held at fair value				Total
	Loans and receivables	Other Financial assets and liabilities at amortised cost	Available-for-sale	Derivatives designated as fair value hedges	Unmatched derivatives	Non-financial assets and liabilities	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Assets</b>							
Cash in hand and balances with the Bank of England	69,530	-	-	-	-	-	69,530
Loans and advances to credit institutions	1,521	-	-	-	-	-	1,521
Debt securities	44,982	-	-	-	-	-	44,982
Derivative financial instruments	-	-	-	1,416	109	-	1,525
Loans and advances to customers	557,968	-	-	-	-	-	557,968
Other assets	-	-	-	-	-	4,069	4,069
<b>Total Assets</b>	<b>674,001</b>	<b>-</b>	<b>-</b>	<b>1,416</b>	<b>109</b>	<b>4,069</b>	<b>679,595</b>
<b>Liabilities</b>							
Shares	-	591,467	-	-	-	-	591,467
Amounts owed to other customers	-	52,250	-	-	-	-	52,250
Derivative financial instruments	-	-	-	156	10	-	166
Other liabilities	-	-	-	-	-	1,659	1,659
<b>Total Liabilities</b>	<b>-</b>	<b>643,717</b>	<b>-</b>	<b>156</b>	<b>10</b>	<b>1,659</b>	<b>645,542</b>

## 26.1 Financial Instruments (continued)

### Carrying values by category

31 March 2025	Held at amortised cost		Held at fair value				Total
	Loans and receivables	Other Financial assets and liabilities at amortised cost	Available-for-sale	Derivatives designated as fair value hedges	Unmatched derivatives	Non-financial assets and liabilities	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Assets</b>							
Cash in hand and balances with the Bank of England	82,632	-	-	-	-	-	82,632
Loans and advances to credit institutions	2,028	-	-	-	-	-	2,028
Debt securities	19,051	-	-	-	-	-	19,051
Derivative financial instruments	-	-	-	986	10	-	996
Loans and advances to customers	517,157	-	-	-	-	-	517,157
Other assets	-	-	-	-	-	3,149	3,149
<b>Total Assets</b>	<b>620,868</b>	<b>-</b>	<b>-</b>	<b>986</b>	<b>10</b>	<b>3,149</b>	<b>625,013</b>
<b>Liabilities</b>							
Shares	-	553,980	-	-	-	-	553,980
Amounts owed to other customers	-	35,168	-	-	-	-	35,168
Derivative financial instruments	-	-	-	695	28	-	723
Other liabilities	-	-	-	-	-	1,874	1,874
<b>Total Liabilities</b>	<b>-</b>	<b>589,148</b>	<b>-</b>	<b>695</b>	<b>28</b>	<b>1,874</b>	<b>591,745</b>

## 26.2 Financial Instruments (continued)

### Valuation of financial instruments carried at fair value

The Society holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy (see below).

#### Valuation techniques

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

Level 1: The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Society's Level 1 portfolio mainly comprises debt securities for which traded prices are readily available.

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

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

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

	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total £000s
<b>31 March 2026</b>				
<b>Financial assets</b>				
<b>Fair value through profit and loss</b>				
Interest Rate Swaps	-	1,525	-	1,525
	<b>-</b>	<b>1,525</b>	<b>-</b>	<b>1,525</b>
<b>Financial liabilities</b>				
<b>Fair value through profit and loss</b>				
Interest Rate Swaps	-	(166)	-	(166)
	<b>-</b>	<b>(166)</b>	<b>-</b>	<b>(166)</b>

#### 31 March 2025

##### Financial assets

##### Fair value through profit and loss

Interest Rate Swaps	-	996	-	996
	<b>-</b>	<b>996</b>	<b>-</b>	<b>996</b>

##### Financial liabilities

##### Fair value through profit and loss

Interest Rate Swaps	-	723	-	723
	<b>-</b>	<b>723</b>	<b>-</b>	<b>723</b>

##### Financial assets pledged as collateral

At 31 March 2026, £155,882,000 of mortgage assets held by the Society (2025: £58,468,000 of mortgage assets) were pledged to the Bank of England as collateral under the Index Long Term Repo (ILTR) scheme under the Sterling Monetary Framework (SMF) Facilities.

## 26.3 Financial Instruments (continued)

### Credit Risk

Credit Risk is the main risk for a mortgage lender; the risk of financial loss arising as a result of the Society's borrowers failing to meet their obligations. The cost of managing those exposures which are considered to carry high risk requires intensive management.

All loan applications are assessed with reference to the Society's lending policy. Treasury counterparty limits are approved and monitored by ALCO and the Board. Further information on the Society's management of credit risk can be found in the Strategic Report on page 12.

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

	2026 £000s	2025 £000s
Cash in hand and balances with the Bank of England	69,530	82,632
Loans and advances to credit institutions	1,521	2,028
Derivative financial instruments	1,525	996
Debt securities	44,982	19,051
Loans and advances to customers	557,968	517,157
<b>Total statement of financial position exposure</b>	<b>675,526</b>	<b>621,864</b>
<b>Off balance sheet exposure – mortgage commitments</b>	<b>21,131</b>	<b>30,136</b>
	<b>696,657</b>	<b>652,000</b>

## 26.4 Financial Instruments (continued)

### Loans and Advances to credit institutions, debt securities and derivative financial instruments

Industry Sector	2026	2026	2025	2025
	£000s	%	£000s	%
Banks	1,521	1.32	2,028	2.0
Central Banks	68,967	59.72	82,121	79.5
Central Government	44,982	38.96	19,051	18.5
<b>Total</b>	<b>115,470</b>	<b>100.00</b>	<b>103,200</b>	<b>100.0</b>

Geographic Region - Treasury Assets	2026	AA	A+	A	Other	2025
	£000s	%	%	%	%	£000s
United Kingdom	115,470	98.68	1.29	0.31	(0.28)	103,200

Geographic Region - Derivatives	2026	AA	A+	A	Other	2025
	£000s	%	%	%	%	£000s
United Kingdom	236,300	86.37	13.63	-	-	234,200

At 31 March 2026 none of the Society's treasury portfolio exposures were either past due or impaired (2025: none). There are no assets that would otherwise be past due or impaired whose terms have been renegotiated.

## 26.5 Financial Instruments (continued)

### Loans and Advances to Customers

Mortgages Geographic Region	2026	2025
	%	%
East Anglia	11	10
East Midlands	5	5
Greater London	20	20
Northern	2	2
North West	9	10
Outer South East	22	22
South West	12	12
Wales	3	3
West Midlands	10	10
Yorkshire and Humberside	6	6
	<b>100</b>	<b>100</b>

## 26.6 Financial Instruments (continued)

### Credit quality analysis of loans and advances to customers

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

	2026		2025	
	Loans fully secured on residential property	Loans fully secured on land - Other	Loans fully secured on residential property	Loans fully secured on land - Other
	£000s	£000s	£000s	£000s
<b>Neither past due nor individually impaired</b>	550,499	248	509,163	254
<b>Past due but not individually impaired</b>				
< 3 months	3,546	-	4,223	-
> 3 months but < 6 months	815	-	114	-
> 6 months but < 12 months	303	-	-	-
> 12 months	-	-	-	-
<b>Specifically impaired</b>				
Not past due	-	-	-	-
< 3 months	2,826	-	2,596	-
> 3 months but < 6 months	351	-	713	-
> 6 months but < 12 months	-	-	420	-
> 12 months	-	-	-	-
Possession	1,260	-	268	-
<b>Total</b>	<b>559,600</b>	<b>248</b>	<b>517,497</b>	<b>254</b>
<b>Allowance for impairment</b>				
Specific	382	-	336	-
Collective	591	-	670	-
<b>Total allowance for impairment</b>	<b>973</b>	<b>-</b>	<b>1,006</b>	<b>-</b>

## 26.7 Financial Instruments (continued)

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. 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 Halifax House Price Index.

	2026		2025	
	Collateral value held against Loans fully secured on residential property	Collateral value held against Loans fully secured on land	Collateral value held against Loans fully secured on residential property	Collateral value held against Loans fully secured on land
	£000s	£000s	£000s	£000s
Neither past due nor individually impaired	1,230,741	478	1,197,081	474
<b>Past due but not individually impaired</b>				
< 3 months	10,428	-	10,958	-
> 3 months but < 6 months	1,970	-	338	-
> 6 months but < 12 months	602	-	-	-
> 12 months	-	-	-	-
<b>Specifically impaired</b>				
Not past due	-	-	-	-
< 3 months	3,704	-	3,449	-
> 3 months but < 6 months	456	-	877	-
> 6 months but < 12 months	-	-	516	-
> 12 months	-	-	-	-
Possession	990	-	275	-
<b>Total collateral value</b>	<b>1,248,891</b>	<b>478</b>	<b>1,213,494</b>	<b>474</b>

Details of financial and non-financial assets obtained during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements and held at the year-end are shown below.

	2026 £000s	2025 £000s
<b>Property</b>	<b>1,540</b>	<b>275</b>

The Society's policy is to pursue the timely realisation of the collateral in an orderly manner as and when the circumstances arise.

## 26.8 Financial Instruments (continued)

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 Halifax House Price Index.

	2026 %	2025 %
<b>LTV ratio</b>		
0-50%	28.15	38.79
51-75%	44.29	38.44
76-90%	26.69	22.18
91-100%	0.65	0.56
>100%	0.22	0.03
<b>Weighted Average LTV</b>	<b>57.63</b>	<b>56.15</b>

## 26.9 Financial Instruments (continued)

### Forbearance

An explanation of what forbearance is, and the Society's forbearance strategies is provided in Note 1.7. The table below analyses the number of residential mortgage borrowers with renegotiated terms at the year-end date:

Type of forbearance	2026	2026	2025	2025
	Number	£000s	Number	£000s
Reduced Monthly Payment	3	516	1	1
	<b>3</b>	<b>516</b>	<b>1</b>	<b>1</b>

In accordance with previous years and with generally accepted practice for statutory disclosure, the above do not include cases where the full monthly contractual payment is being made but with Government support.

At 31 March 2026 the Society had 18 mortgages (2025: 18) with balances of £2,662,000 (2025: £2,721,000) in respect of deceased borrowers of which 3 (31 March 2025: 3) with balances of £1,512,000 (2025: £905,000) had been outstanding for more than 18 months since the date of the borrower's death.

## 26.10 Financial Instruments (continued)

### Liquidity risk

Liquidity Risk is the risk that the Society will be unable to meet its financial obligations as they fall due in both 'business as usual' conditions and stressed situations.

At the Society, the main form of liquidity risk arises from the mismatch in the maturity period of long-term mortgage loans and short-term savings deposits. The Society mitigates this risk by ensuring it holds adequate high-quality liquid assets to cover a variety of severe but plausible stress scenarios.

Further information on the Society's management of liquidity risk can be found in the Strategic Report on page 12.

The Society's liquid assets comprise of high quality liquid assets. The High-Quality Liquid Assets consist of balances in the Society's Bank of England reserve account and UK Government Treasury Bills. At 31 March 2026 liquid assets as a percentage of shares, deposits and loans was 18.0% compared to 17.6% at 31 March 2025.

### Maturity analysis for financial assets and financial liabilities

The tables below set out the remaining contractual maturities of the Society's financial liabilities and financial assets. In practice, contractual maturities are not always reflected in actual experience. For example, loans and advances to customers tend to repay ahead of contractual maturity and customer deposits (for example shares) are likely to be repaid later than on the earliest date on which repayment can be required.

## 26.10 Financial Instruments (continued)

31 March 2026

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	No specific maturity	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Assets</b>							
Cash in hand and balances with Bank of England	68,967	-	-	-	-	563	69,530
Loans and advances to credit institutions	1,261	260	-	-	-	-	1,521
Debt securities	-	20,548	24,434	-	-	-	44,982
Derivative financial instruments	-	18	121	1,386	-	-	1,525
Loans and advances to customers	-	5,766	11,361	80,239	462,104	(1,502)	557,968
Tangible Assets	-	-	-	-	-	617	617
Intangible Assets	-	-	-	-	-	876	876
Other Assets	-	1,650	772	153	-	-	2,576
<b>Total Assets</b>	<b>70,228</b>	<b>28,242</b>	<b>36,688</b>	<b>81,779</b>	<b>462,104</b>	<b>554</b>	<b>679,595</b>
<b>Liabilities</b>							
Shares	300,240	132,613	97,363	59,421	1,814	16	591,467
Amounts owed to other customers	10,277	15,482	23,976	2,514	-	-	52,249
Derivative financial instruments	-	4	29	133	-	-	166
Other Liabilities	-	-	-	-	-	1,660	1,660
Reserves	-	-	-	-	-	34,053	34,053
<b>Total Liabilities</b>	<b>310,517</b>	<b>148,099</b>	<b>121,368</b>	<b>62,068</b>	<b>1,814</b>	<b>35,729</b>	<b>679,595</b>
<b>Net Liquidity Gap</b>	<b>(240,289)</b>	<b>(119,857)</b>	<b>(84,680)</b>	<b>19,711</b>	<b>460,290</b>	<b>(35,175)</b>	<b>-</b>

## 26.10 Financial Instruments (continued)

31 March 2025

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	No specific maturity	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Assets</b>							
Cash in hand and balances with Bank of England	82,121	-	-	-	-	511	82,632
Loans and advances to credit institutions	1,768	260	-	-	-	-	2,028
Debt securities	-	9,273	9,778	-	-	-	19,051
Derivative financial instruments	-	8	67	921	-	-	996
Loans and advances to customers	-	5,969	9,608	75,286	426,328	(34)	517,157
Tangible Assets	-	-	-	-	-	664	664
Intangible Assets	-	-	-	-	-	1,146	1,146
Other Assets	-	201	79	-	-	1,059	1,339
<b>Total Assets</b>	<b>83,889</b>	<b>15,711</b>	<b>19,532</b>	<b>76,207</b>	<b>426,328</b>	<b>3,346</b>	<b>625,013</b>
<b>Liabilities</b>							
Shares	259,105	131,881	90,863	64,770	1,789	5,572	553,980
Amounts owed to other customers	6,247	12,985	10,721	5,161	-	54	35,168
Derivative financial instruments	-	25	238	460	-	-	723
Other Liabilities	-	-	-	-	-	1,874	1,874
Reserves	-	-	-	-	-	33,268	33,268
<b>Total Liabilities</b>	<b>265,352</b>	<b>144,891</b>	<b>101,822</b>	<b>70,391</b>	<b>1,789</b>	<b>40,768</b>	<b>625,013</b>
<b>Net Liquidity Gap</b>	<b>(181,463)</b>	<b>(129,180)</b>	<b>(82,290)</b>	<b>5,816</b>	<b>424,539</b>	<b>(37,422)</b>	<b>-</b>

## 26.11 Financial Instruments (continued)

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 March 2026

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	No specific maturity	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Liabilities</b>							
Shares	300,240	133,336	101,677	61,771	1,835	-	598,859
Amounts owed to other customers	10,277	15,484	24,522	2,563	44	-	52,890
Derivative financial instruments	-	4	29	133	-	-	166
Other Liabilities	-	-	-	-	-	1,659	1,659
<b>Total Liabilities</b>	<b>310,517</b>	<b>148,824</b>	<b>126,228</b>	<b>64,467</b>	<b>1,879</b>	<b>1,659</b>	<b>653,574</b>

### 31 March 2025

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	No specific maturity	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<b>Liabilities</b>							
Shares	260,392	133,848	97,554	68,543	1,848	-	562,185
Amounts owed to other customers	6,789	12,607	11,414	5,386	-	-	36,196
Derivative financial instruments	-	25	238	460	-	-	723
Other Liabilities	-	-	-	-	-	1,874	1,874
<b>Total Liabilities</b>	<b>267,181</b>	<b>146,480</b>	<b>109,206</b>	<b>74,389</b>	<b>1,848</b>	<b>1,874</b>	<b>600,978</b>

## 26.12 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 main market risk faced by the Society is interest rate risk. The Society's products are all based on market interest rates so are not exposed to other pricing risks.

Further information on the Society's management of interest rate risk can be found in the Strategic Report on page 12.

The analysis below summarises the Society's exposure to interest rate risk and present the Society's assets and liabilities by repricing date, along with the derivative financial instruments that are used in the management of interest rate risk exposures.

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. Standard scenarios that are considered on a monthly basis include a 200-basis point (bp) parallel fall or rise in interest rates.

Other interest rate exposures, for example, basis risk (the risk of loss arising from changes in the relationship between interest rates which have similar but not identical characteristics) and prepayment risk (the risk of loss arising from early redemption of fixed rate mortgages and loans) are also monitored closely and regularly reported to ALCO.

## 26.12 Financial Instruments (continued)

31 March 2026

	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	No specific maturity and loss provision	Total
	£000s	£000s	£000s	£000s	£000s	£000s
<b>Financial Assets</b>						
Liquid Assets	91,036	24,434	-	-	563	116,033
Loans and advances to customers	285,598	83,486	189,919	467	(1,502)	557,968
Derivative financial instruments	18	121	1,386	-	-	1,525
Other Assets	1,650	772	154	-	1,493	4,069
<b>Total Financial Assets</b>	<b>378,302</b>	<b>108,813</b>	<b>191,459</b>	<b>467</b>	<b>554</b>	<b>679,595</b>
<b>Financial Liabilities</b>						
Shares and amounts owed to customers	480,238	97,742	59,597	-	6,140	643,717
Derivative financial instruments	4	29	133	-	-	166
Other liabilities	-	-	-	-	1,659	1,659
Reserves	-	-	-	-	34,053	34,053
<b>Total Financial Liabilities</b>	<b>480,242</b>	<b>97,771</b>	<b>59,730</b>	<b>-</b>	<b>41,852</b>	<b>679,595</b>
Impact of Derivative Financial Instruments	181,700	(45,950)	(129,500)	(6,250)	-	-
<b>Interest rate sensitivity gap</b>						
Sensitivity to Profit and Reserves	79,760	(34,908)	2,229	(5,783)	(41,298)	-
<b>Parallel shift of +2%</b>	<b>(184)</b>	<b>514</b>	<b>(153)</b>	<b>457</b>	<b>-</b>	<b>634</b>

## 26.12 Financial Instruments (continued)

31 March 2025

	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	No specific maturity and loss provision	Total
	£000s	£000s	£000s	£000s	£000s
<b>Financial Assets</b>					
Liquid Assets	93,422	9,778	-	511	103,711
Loans and advances to customers	254,678	83,591	178,922	(34)	517,157
Derivative financial instruments	8	67	921	-	996
Other Assets	201	79	-	2,869	3,149
<b>Total Financial Assets</b>	<b>348,309</b>	<b>93,515</b>	<b>179,843</b>	<b>3,346</b>	<b>625,013</b>
<b>Financial Liabilities</b>					
Shares and amounts owed to customers	422,190	92,796	68,538	5,624	589,148
Derivative financial instruments	25	237	460	-	723
Other liabilities	-	-	-	1,874	1,874
Reserves	-	-	-	33,268	33,268
<b>Total Financial Liabilities</b>	<b>422,215</b>	<b>93,034</b>	<b>68,998</b>	<b>40,766</b>	<b>625,013</b>
Impact of Derivative Financial Instruments	142,750	(27,800)	(114,950)	-	-
<b>Interest rate sensitivity gap</b>					
Sensitivity to Profit and Reserves	68,844	(27,319)	(4,105)	(37,420)	-
<b>Parallel shift of +2%</b>	<b>(161)</b>	<b>355</b>	<b>184</b>	<b>-</b>	<b>378</b>

## 27. Operating Leases

Annual commitments under non-cancellable operating leases are as follows:

	2026 £000s	2025 £000s
Up to five years	232	182
Over five years	-	7

## 28. Related Parties

	No of key management personnel and their close family members	Amounts in respect of key management personnel and their close family members £000s	No of key management personnel and their close family members	Amounts in respect of key management personnel and their close family members £000s
<b>Mortgage Loans</b>				
At 1 April 2025	-	-	At 1 April 2024	-
Net Movements in the year	-	-	Net Movements in the year	-
<b>At 31 March 2026</b>	<b>-</b>	<b>-</b>	<b>At 31 March 2025</b>	<b>-</b>
<b>Deposit accounts and investments</b>				
At 1 April 2025	6	30	At 1 April 2025	7
Net Movements in the year	0	(18)	Net Movements in the year	(1)
<b>At 31 March 2026</b>	<b>6</b>	<b>12</b>	<b>At 31 March 2025</b>	<b>6</b>

At 31 March 2026, there were no (2025: nil) outstanding mortgage loans granted in the ordinary course of business to Directors or connected persons amounting to £nil (2025: £nil).

All Directors are required to maintain a savings balance of at least £1,000 each in the Society. At 31 March 2026 the aggregate balances held by Non-Executive and Executive Directors in Dudley Building Society savings accounts was £12,196 (2025: £30,232).

Key management personnel and their close family members paid interest totalling £Nil (2025: £Nil), received interest totalling £998 (2025: £1,081), and paid no fees and commissions during the year.

## 29. Capital

The Board's policy is to increase the value of capital by the Society to further strengthen the confidence members and other stakeholders have in the Society as well as support continued investment in the development of the business. The Society's capital requirements are set and monitored by the PRA. The Society operates a formal ICAAP to determine and demonstrate how these requirements are met. The ICAAP also sets out the framework for the Society's internal governance and oversight of its risk and capital management policies and is used to assist with the management of capital and risk exposures.

The Society's actual and forecast capital positions are reviewed against a risk appetite that requires capital to be maintained at a specific minimum level above regulatory capital requirements. There have been no material changes to the Society's management of capital in the year.

	Note	2026 £000s	2025 £000s
<b>Common Equity Tier 1</b>			
General reserve	25	34,053	33,268
Prudent valuation adjustment	-	(2)	(21)
Intangible assets	17	(876)	(1,146)
<b>Total common equity tier 1 capital</b>		<b>33,175</b>	<b>32,101</b>
<b>Tier 2 Capital</b>			
Collective provision	14	591	670
<b>Total tier 2 capital</b>		<b>591</b>	<b>670</b>
<b>Total regulatory capital</b>		<b>33,766</b>	<b>32,771</b>

## 30. Post Balance Sheet Events

The Directors do not consider that there have been any events since the year-end that have a material effect on the financial position of the Society as at 31 March 2026.



## Country by Country Disclosures

FOR THE YEAR ENDED 31 MARCH 2026

### Basis of preparation

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 introduced reporting obligations for institutions within the scope of the European Union's Capital Requirements Directive (CRD IV).

Article 89 of the Capital Requirements Directive IV (CRD IV) requires credit institutions and investment firms in the EU to report annually, specifying, by Member State and by third country in which they have an establishment, the following information on a Society basis for the financial year:

### Name, nature of activities and geographical location:

The Society only operates in the United Kingdom. The Society is a Credit Institution whose principal activities are deposit taking and secured lending.

### Average number of employees:

As disclosed in note 6 to the accounts.

### Annual turnover:

Equivalent to total income and, along with profit before tax, is as disclosed in the Income Statement on page 69.

### Corporation tax paid:

As disclosed in the Cash Flow Statement on page 72.

### Public subsidies:

There were no public subsidies received in the year.

# Independent auditors' report to the directors of Dudley Building Society

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

### Opinion

In our opinion, Dudley Building Society's country-by-country information for the year ended 31<sup>st</sup> March 2026 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31<sup>st</sup> March 2026 in the Country-by-Country Disclosure.

### Basis for opinion

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

### Independence

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

### Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to country-by-country information on page 117 of the Report and Accounts (the "Annual Report") which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

### Conclusions relating to going concern

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

- A risk assessment to identify factors that could impact the going concern basis of accounting, including the current and forecast financial performance, regulatory metrics and the sector in which the Society operates. As part of our risk assessment, we reviewed and considered the Society's corporate plan, regulatory correspondence and management reports provided to key governance forums;
- Evaluation of the reasonableness of the Society's corporate plans, covering the going concern period, including testing key assumptions and performance of sensitivity analysis using our understanding of the Society and its financial and operating performance obtained through the course of our audit. We have also considered the historical accuracy of previous budgeting included in the corporate plans as part of this assessment;
- Evaluation of the Society's access to the Bank of England funding facilities; and
- Testing of the appropriateness of the disclosures made in the Annual Report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

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

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

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

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

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

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation on Page 117 and for determining that the basis of preparation is acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Based on our understanding of the Society's industry, we identified that the principal risks of non-compliance with laws and regulations related to Financial Conduct Authority's regulations, the Prudential Regulation Authority's regulations and the UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management and those charged with governance including consideration of known or suspected non-compliance with laws and regulations and fraud;
- Reading key correspondence with the Financial Conduct Authority and the Prudential Regulation Authority;
- Review of internal audit reports in so far as they related to the Annual Report;
- Reviewing relevant meeting minutes including those of the Audit and Compliance committee;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Challenging assumptions and judgements made by management in their significant accounting estimates; and
- Identifying and testing journal entries meeting certain risk-based criteria, including unusual or unexpected account combinations.

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

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

#### Use of this report

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

The engagement partner responsible for this audit is **Nikhil Dhiri**.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
Birmingham  
2 June 2026

# Annual Business Statement

FOR THE YEAR ENDED 31 MARCH 2026

## 1. Statutory Percentages

	2026	2025	Statutory limit
	%	%	%
Lending limit	0.50	0.25	25.00
Funding limit	8.12	5.97	50.00

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

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

The funding limit measures the proportion of shares and borrowings other than those from individuals.

Business assets are the total assets of the Society as shown in the Statement of Financial Position plus impairment provisions, less tangible fixed assets and liquid assets.

Loans fully secured on residential property are the amount of principal owing by borrowers and interest accrued not yet payable. This is the amount shown in the Statement of Financial Position plus impairment provisions.

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

# Annual Business Statement (continued)

FOR THE YEAR ENDED 31 MARCH 2026

## 2. Other Percentages

	2026	2025
	%	%
<b>As a percentage of shares and borrowings</b>		
Gross capital	5.29	5.65
Free capital	5.25	5.57
Liquid assets	18.03	17.60
<b>As a percentage of mean total assets</b>		
Profit after tax	0.12	0.12
Administrative expenses	2.09	2.01

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

'Shares and borrowings' represent the aggregate of shares and amounts owed to credit institutions and other customers.

'Gross capital' comprises general reserves and Available-for-Sale reserves. 'Free capital' comprises gross capital and impairment provision less intangible fixed assets.

'Liquid assets' represents the total of cash in hand, treasury bills, loans and advances to credit institutions and debt securities as shown in the Statement of Financial Position.

'Mean total assets' are the average of the total assets at the beginning and end of the relevant financial years.

'Profit after taxation' represents the profit for the financial year as shown in the income statement.

'Administrative expenses' represent the aggregate of administrative expenses, depreciation and amortisation and other operating charges.

## Annual Business Statement (continued)

FOR THE YEAR ENDED 31 MARCH 2026

### 3. Information Relating to the Directors at 31 March 2026

Name	Date of Birth	Date of Appointment	Occupation	Other Directorships
Peter Hubbard	05/11/1955	16/01/2020	Non-Executive Director	Exeter Friendly Society Limited The Exeter Cash Plan The Exeter Cash Plan Holdings Limited
Nicole Coll	25/01/1976	16/01/2020	Non-Executive Director	Atrium Underwriting Group Limited Atrium Underwriters Limited Alopuc Limited DF Capital Bank Limited Distribution Finance Capital Holdings Plc Societe Generale International Limited PPL Technologies Limited The Ena Makin Educational Trust (non commercial)
Tariq Khatri	18/06/1968	13/12/2018	Management Consultant	
Michael Hudson	27/06/1965	01/01/2024	Non-Executive Director	Intelligence Forums (non commercial) StreamBank plc
Michelle Andrews	04/01/1969	01/02/2026	Non-Executive Director	
James Paterson	28/05/1984	01/05/2022	Chief Executive Officer	
Michael Bhopal	12/07/1983	01/02/2025	Chief Financial Officer	

Documents may be served on the above-named Directors at the Society's Registered Office at 7 Harbour Buildings, The Waterfront, Brierley Hill, DY5 1LN. James Paterson and Michael Bhopal have service contracts dated 1 May 2022 and 1 February 2025, respectively.

Twelve months' notice is required to be given by the Society to James Paterson and twelve months' notice by the individual. Six months' notice is required to be given by the Society to Michael Bhopal and six months' notice by the individual. There are no contractual arrangements in respect of bonuses, deferred consideration or amended arrangements in the event of a transfer of engagement.

## Annual Business Statement (continued)

FOR THE YEAR ENDED 31 MARCH 2026

### 4. Information Relating to the Other Officers at 31 March 2026

Name	Occupation	Other Directorships
Lorraine Breese-Price	Chief Transformation Officer	-
Andrew Turvey	Chief Risk Officer	Andrew Turvey Solutions Limited Free UK Genealogy Trading Limited
Robert Oliver	Distribution Director	Macclesfield Rugby Union Football Club Limited
Lisa Talbot	People Director	-
Robin Collett	Treasurer	-
Shelly McLaughlin	Treasury Specialist	-
Samantha Hendley	Head of Finance	-
Trevor Williams	Head of Technology	-
Rhian Stevens	Head of Change	-

# Appendix to the Annual Report (Unaudited)

## Performance highlights

### Net interest margin ratio

Net interest margin is calculated as the interest income and similar income less interest expense and similar charges for the financial year as a percentage of the mean total assets.

	2026 £000s	2025 £000s
Interest receivable and similar income	35,497	36,148
Interest payable and similar charges	(20,468)	(22,597)
<b>Net interest receivable</b>	<b>15,029</b>	<b>13,551</b>
Opening total assets	625,013	635,701
Closing total assets	679,595	625,013
<b>Mean total assets</b>	<b>652,304</b>	<b>630,357</b>
<b>Net interest margin</b>	<b>2.30%</b>	<b>2.15%</b>

### Administrative expenses ratio

The administrative expenses ratio is calculated as the aggregate of administrative expenses, depreciation and amortisation and other operating charges as a percentage of mean total assets.

	2026 £000s	2025 £000s
Administrative expenses	13,150	12,102
Depreciation and amortisation	456	542
<b>Recurring administrative expenses</b>	<b>13,606</b>	<b>12,644</b>
Opening total assets	625,013	635,701
Closing total assets	679,595	625,013
<b>Mean total assets</b>	<b>652,304</b>	<b>630,357</b>
<b>Administrative expenses ratio</b>	<b>2.09%</b>	<b>2.01%</b>

### Gross capital

Gross capital ratio is calculated as the aggregate of general reserves and available-for-sale reserves as a percentage of the aggregate of shares and amounts owed to other customers.

	2026 £000s	2025 £000s
General reserve	34,053	33,268
Available-for-sale reserve	-	-
<b>Gross capital</b>	<b>34,053</b>	<b>33,268</b>
Shares	591,467	553,980
Amounts owed to other customers	52,250	35,168
<b>Total shares and deposits</b>	<b>643,717</b>	<b>589,148</b>
<b>Gross capital ratio</b>	<b>5.29%</b>	<b>5.65%</b>

### Liquid assets (% of SDL)

Liquid assets ratio is defined as the aggregate of cash in hand and balances with Bank of England, loans and advances to credit institutions and debt securities as a percentage of the aggregate of shares and amounts owed to other customers.

	2026 £000s	2025 £000s
Cash in hand and balances with the Bank of England	69,530	82,632
Loans and advances to credit institutions	1,521	2,028
Debt securities	44,982	19,051
<b>Liquid assets</b>	<b>116,033</b>	<b>103,711</b>
Shares	591,467	553,980
Amounts owed to other customers	52,250	35,168
<b>Total shares and deposits</b>	<b>643,717</b>	<b>589,148</b>
<b>Liquid assets ratio</b>	<b>18.03%</b>	<b>17.60%</b>

### Mean total assets

Mean total assets is defined as the average of the total assets at the beginning and end of the relevant financial years.

	2026 £000s	2025 £000s
Opening total assets	625,013	635,701
Closing total assets	679,595	625,013
<b>Mean total assets</b>	<b>652,304</b>	<b>630,357</b>

### Customer feedback

The customer feedback rating is defined as the net promoter score. Based on the responses to a single survey question that is measured on an eleven-point scale from 0 to 10, the net promoter score is calculated as the percentage of responders who are deemed to be promoters (who answer the survey question with a score of 9 or 10) less the percentage of responder who are deemed to be detractors (who answer the survey question with a score of less than or equal to 6).

# Glossary of Terms

MEMBERS, PRODUCTS AND PEOPLE	
<b>AI</b>	Artificial Intelligence - technology used to support decision-making and processes.
<b>Arrears</b>	Mortgage payments that have not been made on time.
<b>Consumer Duty</b>	Rules from the Financial Conduct Authority requiring firms to deliver fair outcomes for customers.
<b>Great Place to Work</b>	An independent accreditation based on employee feedback and workplace culture.
<b>Intermediary</b>	A third party, such as a broker, who helps members and customers to choose and apply for mortgage products.
<b>Net Promoter Score (NPS)</b>	A measure of how likely members are to recommend the Society to others.
<b>Savings</b>	Money held by members in savings accounts with the Society.
<b>SID</b>	Senior Independent Director - an independent Board member with additional responsibilities.
<b>Smart Money People</b>	An independent platform used to collect feedback from members and customers on financial services providers.
<b>Specialist lending</b>	Lending designed for borrowers whose needs are more complex than standard mortgage criteria.
FINANCIAL PERFORMANCE, POSITION AND TECHNICAL TERMS	
<b>Capital</b>	The financial resources the Society holds to protect members, absorb losses and support long-term stability.
<b>Credit risk</b>	The risk that a borrower may not repay their mortgage.
<b>EIR</b>	Effective Interest Rate - a method of spreading fees and interest over the life of a product.
<b>Fair value</b>	The current market value of balances used to manage interest rate risk, which can change as interest rates move and may not always offset between related positions.
<b>FRS 102</b>	Financial Reporting Standard 102 - The accounting standard used to prepare the Society's financial accounts.
<b>HQLA</b>	High Quality Liquid Assets - cash or assets that can be accessed quickly if needed.
<b>ICAAP</b>	Internal Capital Adequacy Assessment Process - The Society's internal assessment of how much capital it needs to remain financially strong.
<b>ILAAP</b>	Internal Liquidity Adequacy Assessment Process - The Society's internal assessment of how much liquidity it needs to meet its obligations.
<b>Impairment</b>	A reduction in the value of a loan or asset to reflect the risk that it may not be fully repaid.
<b>LCR</b>	Liquidity Coverage Ratio - A measure of whether the Society holds enough readily available funds to meet expected cash outflows over a short period of stress.
<b>LGD</b>	Loss Given Default - an estimate of how much may be lost if a borrower does not repay.
<b>Liquidity</b>	Funds available to ensure the Society can meet its financial commitments as they fall due.
<b>PD</b>	Probability of Default - an estimate of how likely it is that a borrower may not repay their loan.

<b>Provision</b>	An amount set aside in the accounts to cover expected losses where a borrower may not repay their loan.
<b>Treasury</b>	The function that manages funding, liquidity and interest rate risk.
<b>Treasury Bills (T-bills)</b>	Short-term UK Government securities used to manage liquidity.
<b>Underlying profit</b>	A measure used to show the Society's underlying performance by excluding one-off or similar items.
REGULATION, RISK AND FRAMEWORKS	
<b>Basel 3.1</b>	Updated regulatory rules influencing how much capital financial institutions must hold.
<b>BSA</b>	Building Societies Association - the trade body for building societies.
<b>CRD IV</b>	Capital Requirements Directive IV - A regulatory framework covering prudential disclosures.
<b>CRR</b>	Capital Requirements Regulation - Rules setting requirements for capital and risk management.
<b>FCA</b>	Financial Conduct Authority - protects customers and ensures fair markets.
<b>Pillar 2A</b>	A regulatory capital requirement set for risks specific to the Society.
<b>Pillar 3</b>	Public disclosures explaining capital position, risks and risk management.
<b>PRA</b>	Prudential Regulation Authority - ensures financial safety and resilience.
<b>Risk appetite</b>	The level of risk the Board is willing to accept in running the Society.
<b>SDDT</b>	Small Domestic Deposit Taker - A simplified regulatory framework for smaller building societies and banks.
<b>Stress testing</b>	Assessing how the Society would perform under difficult economic conditions.
<b>Strong &amp; Simple Framework</b>	A regulatory approach simplifying rules for smaller firms.
PURPOSE AND SUSTAINABILITY	
<b>B Corp</b>	Certification recognising organisations with strong social and environmental standards.
<b>ESG</b>	Environmental, Social and Governance - how organisations manage their wider impact.
<b>Net Zero</b>	Reducing greenhouse gas emissions as far as possible and balancing any remaining emissions.



## Get in touch

### Principal Office

**Dudley Building Society**  
7 Harbour Buildings, The Waterfront,  
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### Bridgnorth

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### Brierley Hill

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### Dudley

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### Kingswinford

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kingswinford@dudleybuildingsociety.co.uk

### Perton

**6 Anders Square, Perton WV6 7QH**

01902 755540  
perton@dudleybuildingsociety.co.uk



### Opening hours\*

Monday, Tuesday, Thursday  
and Friday: 9.00am - 5.00pm

Wednesday: 9.30am - 5.00pm

Saturday: 9.00am - 12.00pm

Sunday: Closed

\*Bridgnorth opening times:

Wednesday - Friday: 9.30am - 4.30pm

## Stay in touch

From time to time, we'd like to contact you with all the latest news and updates from Dudley Building Society.

We think it is important for us to stay connected and for you to get the most out of your membership.

Please ensure your marketing preferences and contact details are up to date when talking to a member of our team or by registering with us online.

[dudleybuildingsociety.co.uk](https://www.dudleybuildingsociety.co.uk)



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Dudley Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority (registration number 161294).

