



Market Harborough  
BUILDING SOCIETY



# Annual report and accounts

## 2024

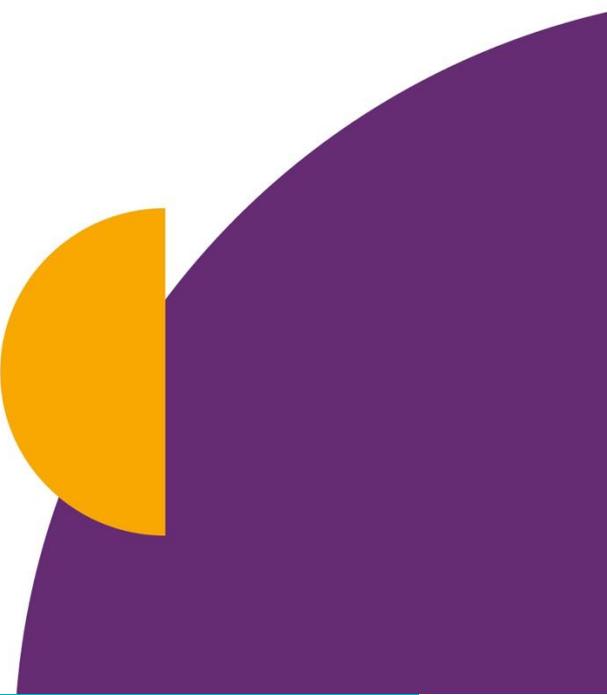


Together we thrive!



## Contents

Chairs Statement .....	3
Chief Executive Review .....	6
Corporate Governance Report .....	10
Nominations Committee Report .....	17
Audit and Compliance Committee Report .....	20
Remuneration Report .....	22
Directors' Report .....	27
Statement of Directors' Responsibilities .....	33
Independent auditor's report to the members of Market Harborough Building Society .....	34
Income Statements .....	43
Statements of Comprehensive Income .....	43
Statements of Financial Position .....	44
Statements of Changes in Members' Interests .....	45
Cash Flow Statements .....	47
Notes to the Annual Report and Accounts .....	48
Appendix 1 (Unaudited) .....	96
Annual Business Statement .....	97
Glossary .....	100



# Chair's Statement

## Chair's Welcome

**It's my pleasure to present to you the Annual Report and Accounts for 2024, which mark my first complete year as Chair of the Society.**

**Last year brought a lot of geo-political and economic uncertainty and kept pressure on everyone's finances. With the cost of living still high, interest rates falling, and political changes happening both at home and abroad, it was a difficult time for many.**

**Despite these challenges, I'm happy to share that our clear focus, along with the huge efforts of our team, resulted in another very strong performance for all our stakeholders. You can read more about how we've supported our members, colleagues, and communities in Iain Kirkpatrick's CEO update.**

## Celebrating 250 Years of Building Societies

2025 marks a significant milestone as we celebrate 250 years of the building society movement. We believe that building societies are more important than ever, offering essential services and support to our members and communities. We're delighted to celebrate this milestone with other societies and the Building Societies Association (BSA).

To mark this momentous occasion, we're delighted to announce a £250,000 donation to the MHBS Charitable Foundation which will support good causes across our communities. You can find out how this money will be used in Iain Kirkpatrick's CEO update, and we also plan to make this the focus of our AGM event in April.

We were delighted to see a record turnout at our AGM last year in our new head office space, and we hope to see even more members join us this year to learn more about how your support helps us support you, your fellow members, and your community.

**"We're delighted to announce a £250,000 donation to the MHBS Charitable Foundation which will support good causes across our communities..."**



# Chair's Statement Continued

## Our Board and Leadership

**This year we're saying goodbye to two valued Board members, Zoe Shapiro and Jon Fox, who will reach the end of their nine-year tenure. They've made significant contributions to the Society, and I'd like to thank them for their dedication and wish them well in their future endeavours.**

At the same time, we warmly welcome our new Board members, Francesca Hampton and Mark Record, who bring fresh perspectives and expertise to our team. You can read more about Francesca and Mark later in the report, and I invite you to come to meet them in person at the AGM.

With Jon retiring, Francesca will step into the role of Chair of the Remuneration Committee (RemCo) from April. Additionally, David Stunell will take over Zoe's responsibilities as Chair of the Risk Committee. I'm grateful to them for taking on these additional responsibilities and am confident they will embrace the opportunity.

**"I want to extend a heartfelt thank you to our colleagues and congratulate them on their significant achievements over the past year..."**



## Looking Ahead

As we move into 2025, we know that political and economic uncertainty, the current interest rate environment and strong competition in the mortgage and savings markets will continue to present challenges for us to navigate. While the external environment may remain challenging, we're confident in our strong financial position, dedicated colleagues, and clear purpose and direction for the future.

## Thank you!

I want to extend a heartfelt thank you to our colleagues and congratulate them on their significant achievements over the past year. Their support for our members, intermediary partners, local communities, and each other has made this another very successful year for the Society.

Most importantly, I want to thank you, our members, for your continued loyalty and support throughout 2024 and beyond.

**Lesley Titcomb,**  
**Chair**

# Chief Executive's Review

Iain Kirkpatrick,  
CEO



## Chief Executive Officer's Highlights

As I reflect on my second full year at the Society, I'm incredibly proud of the progress we've made and the resilience we've shown in what has been a very busy year for the Society.

The global economy performed better than we expected in 2024, despite being a year filled with multiple elections, high interest rates, and geopolitical uncertainty. Inflation steadily decreased throughout the year, allowing most central banks to begin lowering interest rates. As we head into 2025, we anticipate navigating the first prolonged period of falling interest rates in many years.

**Looking back at 2024, I'm proud to report that our financial performance remained strong, achieving a profit before tax of £3.4 million in a challenging market with increased competition in our key areas of lending and savings.**

I know how hard my colleagues have worked to achieve this, and I thank them for delivering another year of higher-than-budgeted profit. Of course, we couldn't have done this without our members, who remain at the heart of everything we do as we strive to be a relevant and sustainable Society for generations to come.

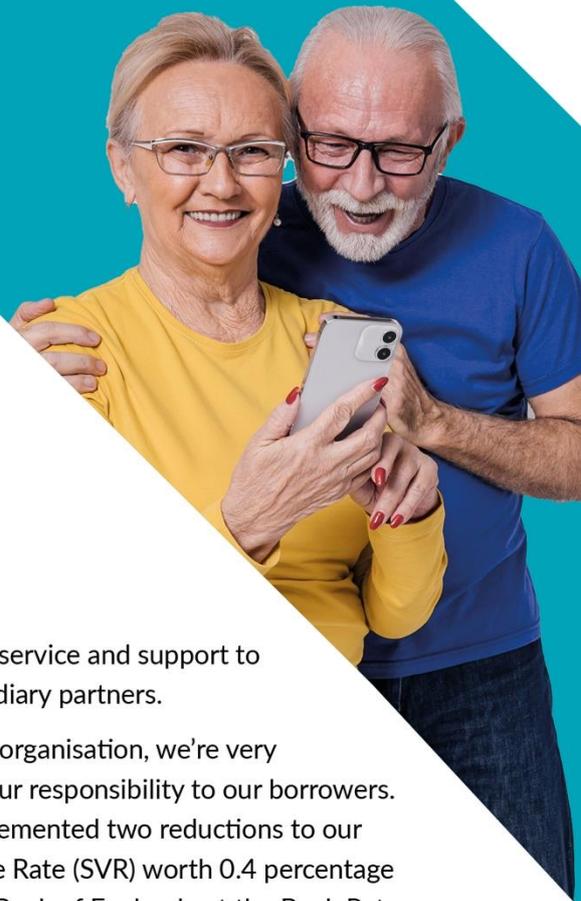
**"We're delighted to announce a £250,000 donation to the MHBS Charitable Foundation which will support good causes across our communities..."**

## Fighting together for our customers and communities to thrive

Last year, we developed a new purpose statement for the Society to focus all our energies on making a difference for our customers and communities. Our purpose, "fighting together for our customers and communities to thrive," has guided our efforts throughout 2024. We've made great strides in aligning our initiatives and actions with this purpose, ensuring that everything we do contributes to the well-being and success of those we serve.

# Chief Executive's Review Continued

**"We continue to support borrowers facing financial difficulties by providing tailored assistance and guidance..."**



## Customers

**Our commitment to helping borrowers with complex needs remains strong. This enabled us to deliver another year of record lending, growing our mortgage book by £66 million and contributing to 45% book growth over the last 3 years.**

**Our performance in the short-term bridging loan sector has been particularly strong, with organic advances up 60% year on year, which contributed to the Society being recognised as the Best Short-Term Lender at the Financial Reporter Awards.**

As part of our commitment to continue growing the business, we've expanded our team to increase our reach and provide even more support to our brokers. Our newly launched Broker Promise reflects our dedication to being the best for brokers, ensuring they receive the highest level of service and support. Additionally, we are proud to be a signatory to the Mental Health in Mortgages Charter, underscoring our commitment to promoting mental well-being within the industry.

Our brokers have expressed high levels of satisfaction with our services, as evidenced by over 60 five-star reviews on Feefo. We're proud to have been awarded the Platinum Service Award for the second year in a row, a testament to our commitment to providing

exceptional service and support to our intermediary partners.

As a mutual organisation, we're very conscious of our responsibility to our borrowers. In 2024, we implemented two reductions to our Standard Variable Rate (SVR) worth 0.4 percentage points, after the Bank of England cut the Bank Rate by 0.5 percentage points. We continue to support borrowers facing financial difficulties by providing tailored assistance and guidance. I'm pleased to say that overall, arrears fell in 2024 to just 0.5% of the loan book, and no repossessions were made.

I take great pride in the performance of our savings business. The Society grew total savings balances by £152 million, marking the third consecutive year of record-breaking inflows and comfortably beating past highs of £94 million in 2023 and £92 million in 2022. Most of the growth has come from members looking to lock in rates, ahead of what we expect will be a period of sustained interest rate reductions. Despite a falling interest rate environment, we've continued to look after our savers and have increased the average rate paid to savers by 0.36%.

**"In 2024, the Society grew total savings balances by £152 million, marking the third consecutive year of record-breaking inflows and comfortably beating past highs of £94 million in 2023 and £92 million in 2022."**

# Chief Executive's Review Continued



During the year we expanded our range of savings accounts to appeal to a broader range of customers and meet diverse needs. We introduced new options such as regular saver accounts, short-term notice accounts, and our innovative Planet Saver account.



CONSERVATION INTERNATIONAL



As a mutual, we have a responsibility to ensure the Society's sustainability for the future.

Sometimes, this means making difficult decisions that impact a few members for the benefit of the wider membership. After careful consideration, we have made the difficult decision to close our Corby branch.

We are committed to ensuring our customers are well looked after during this transition and making it as seamless as possible. We will continue to support our local communities by maintaining a high street presence across our heartland and expanding services where there is customer demand.

The Planet Saver account is designed for those who want to make a positive impact on the environment, with a percentage of the interest earned going to support projects delivered by Tusk, Conservation International & RSPB.



**Our members are highly satisfied with our services,**

**as reflected in our excellent rating on Trustpilot. The feedback highlights the brilliant service provided by everyone in our savings business, showcasing our dedication to meeting and exceeding our members' expectations.**

We were also thrilled to announce that we were named the Best Building Society Savings Provider by MoneyComms.



Best Building Society Savings Provider

# Chief Executive's Review Continued

## Communities

**Supporting our communities and the local causes our members care about is at the heart of who we are as a mutual. In 2024, we continued to build on our Thrive! Agenda making significant contributions to our communities.**

We donated £50,000 to the Leicestershire and Rutland Community Foundation to support various good causes, and £60,000 to the Leicester South Foodbank to support them with their move to new premises in Wigston. Additionally, we contributed £7,000 to Market Harborough Against Bullying, which was the profit earned on the extra 'Leap Day' we gained in 2024.

Our colleagues also dedicated an impressive 2,000 hours to volunteering. Some of the activities included organising food drives, participating in community clean-up events, mentoring young people, and supporting local schools with educational programmes. We also hosted our first Charities Connect event, bringing together more than 50 attendees across our heartland to foster mutual support and collaboration.

 **doshi**<sup>™</sup> We announced our partnership with Doshi to launch their innovative financial education app to our members. This app is designed to help users build essential financial skills and knowledge, empowering them to make informed decisions about their money. We're thrilled to offer this valuable resource to our members as part of our ongoing commitment to financial education and wellbeing.

Additionally, we launched a OneBanx kiosk in our Market Harborough branch to provide essential access to cash for both personal and business customers of any bank or building society.

This initiative comes at a crucial time, as more bank branches have left the high street. We're proud to be the first organisation in the Midlands to offer this service, ensuring our community continues to have access to important financial services.

Looking ahead to 2025, we are excited to announce a £250,000 donation to the Market Harborough Building Society Charitable Foundation to support good causes. This investment will focus on empowering young people by helping them build financial knowledge and resilience, develop employability skills, and enhance their overall mental wellbeing and resilience.

**"Looking ahead to 2025, we are excited to announce a £250,000 donation to the Market Harborough Building Society Charitable Foundation to support good causes..."**

We believe that focusing on the next generation is crucial, as it provides them with strong foundations on which to build thriving futures. To achieve this, we will be partnering with community groups, schools, and colleges, and offering valuable employment opportunities through internships and apprenticeships. By investing in our youth, we aim to create a positive and lasting impact on our communities.

This significant investment also coincides with the 250th anniversary of the building society movement. As we celebrate this milestone, we remain dedicated to the principles that have guided us for centuries – building stronger communities and supporting the financial wellbeing of our members.

# Chief Executive's Review Continued

**"We've hosted more than 60 community events for charities and local groups that need access to event and meeting space. This initiative has allowed us to further strengthen our ties with the community and support local causes..."**

## Supporting Our Colleagues to thrive

**In 2024, we made some fantastic strides in supporting our colleagues. Moving into our new head office has given us a modern workspace that has truly inspired collaboration and connections.**

The new environment has fostered a sense of community and has been the backdrop for numerous business and social events, helping to strengthen bonds among our team members. And our new head office isn't just for our colleagues; it's also a hub for the community. We've hosted more than 60 community events for charities and local groups that need access to event and meeting space. This initiative has allowed us to further strengthen our ties with the community and support local causes, demonstrating our commitment to making a positive impact beyond our immediate business.

We've also made some great improvements to colleague rewards. This includes offering free private healthcare for everyone, ensuring that our team has access to essential health services. Our Thrive! Awards recognition program has been a big hit, celebrating the hard work and achievements of our colleagues. Plus, we've invested heavily in personal development, providing opportunities for our team to grow and advance in their careers.



We're incredibly proud to have been recognised in the Top 100 Sunday Times Best Places to Work for the first time. This accolade is a testament to our commitment to creating a positive and supportive work environment. On top of that, we were honoured to be named the Overall Winner at the UK Employee Experience Awards and to receive the Gold Award for Best Culture and Change Management. These

recognitions highlight our dedication to fostering a culture of excellence and continuous improvement.

I want to extend my heartfelt thanks to our colleagues for their dedication and hard work. Their contributions have been instrumental in our success, I'm grateful for their continued commitment.

## Looking forward with a strong sense of optimism

**Reflecting on 2024, it's clear we've had a remarkable year, making significant progress for our customers, communities, and colleagues. We've achieved so much together, and it's all thanks to the unwavering support and dedication of everyone involved.**

**To our members, thank you for your loyalty and trust. To our communities, thank you for allowing us to be a part of your journey and for inspiring us to do more. And to our colleagues, thank you for your hard work, passion, and commitment.**

As we look forward to 2025, we're excited about the opportunities ahead and are confident that, together, we can continue to make a positive impact and build a brighter future for all.

Together we thrive!

## Corporate Governance Report

The Board governs the Society on behalf of its members and is committed to following best corporate governance practices. The Financial Reporting Council (FRC) issued a revised Code effective from January 2024, except for risk management and internal control updates, which take effect in January 2026. Although not required for mutual organisations, the Society adheres to the 2018 UK Corporate Governance Code principles applicable to a building society. How the Society believes it meets those principles are listed below. The Codes are on [www.frc.org.uk](http://www.frc.org.uk).

### BOARD LEADERSHIP AND COMPANY PURPOSE

*A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.*

The Board's role is to focus on strategic decisions within a framework of prudent and effective controls, which enable risk to be assessed and managed. The Board has a general duty to take decisions objectively in the interests of the Society and to ensure that the Society operates within its Rules and Memorandum, regulations and guidance issued by relevant regulatory authorities and all relevant legislation. In addition, it ensures that appropriate systems of control, human resources and risk management are in place to safeguard Members' interests.

The Board typically meets six times a year and holds further meetings as and when required. The Board met on six occasions during 2024 to attend to normal governance matters. At least once a year, the non-executive directors meet without the executive directors present.

A schedule of retained powers and those delegated by the Board is maintained. The day to day running of the Society is delegated to members of the senior management team and management committees.

The Senior Independent Director for the majority of 2024 was Jonathan Fox, with Andrew Merrick taking over in Q4 2024 ahead of Jonathan's impending retirement from the Board. It is the Senior Independent Director's role is to attend to any matters requiring to be dealt with independently from the Chair and Chief Executive.

To ensure the long-term sustainable success of the Society the Board approves the corporate plan, which includes appropriate funding plans, sets limits on delegated expenditure, and monitors the risk profile of the organisation and its capital position. The Board also has responsibility for the overall structure of the organisation, including the appointment and dismissal of directors. The Board approves major business developments as well as changes in key risk policies.

The Board looks to identify and manage any conflicts of interest which may arise through a declarations of interest schedule which is maintained by the Chief Risk Officer. Directors are required to seek the consent of the Board in advance of accepting any external directorship

appointment. Should a conflict of interest arise a Director will recuse himself/herself from the matter to be considered by the Board.

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

As a mutual financial institution, the Society has maintained the core values of a building society, providing value-based products to enable Members' savings to fund home ownership. The Society's ethos is to place Members at the heart of strategic and tactical decision-making processes. Commitment to our Members is manifested in the culture of the Society which, in turn is underpinned by strong corporate governance.

The Board believes in having a continuous focus on culture and values and ensures that the tone they set is reflected in the actions and behaviours of staff. Culture is monitored by the Board through the review of a culture dashboard which seeks to capture the Society's cultural aspirations, how the Society influences these cultural aspirations, how the Society measures its success in achieving these cultural aspirations and how the behaviours and beliefs of the Society underpin performance. The Society has also developed a behavioural toolkit for staff to embed the values of the Society in all staff behaviour.

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

The Society's governance structure is underpinned by five Board Committees, covering the areas of Audit and Compliance, Risk, Assets and Liabilities, Nominations and Remuneration. The Terms of Reference for each of the Board Committees can be found on the Society's website; [www.mhbs.co.uk](http://www.mhbs.co.uk). Each business area reports progress against the Society's objectives and key risks to the relevant committee, and this is subsequently reported to the Board. The management information presented at each committee includes a dashboard of key performance and risk indicators which are aligned to the Board's risk appetite.

## Corporate Governance Report (continued)

### BOARD LEADERSHIP AND COMPANY PURPOSE (CONTINUED)

The Board committees are described in more detail below:

#### Audit and Compliance Committee

The Audit and Compliance Committee meets at least four times a year and in 2024 was chaired by Andrew Merrick, its other members being Zoe Shapiro, David Stunell and Nala Worsfold. All members of the Committee have experience that is relevant to the role, with at least one member being required to have recent and relevant financial experience. All are non-executive directors.

The Audit and Compliance Committee is responsible for ensuring that the Board receives appropriate assurance over the effective operation as well as design of the risk framework. The Committee reviews both internal and external audit reports, assesses the effectiveness of the internal and external auditors and agrees the annual internal audit plan. The Committee also has responsibility for ensuring effective whistleblowing arrangements are in place, which enables any concerns to be raised by employees in confidence.

#### Risk Committee

The Risk Committee meets at least four times each year. The Committee is chaired by Zoe Shapiro; other members being Lindsay Forster, Jonathan Fox, Andrew Merrick, Nala Worsfold and David Stunell who joined the Committee in November; all of whom are non-executive directors. It is responsible for identifying and monitoring risks to the Society's strategy, operations and performance. The role of the Committee is to act as a second line of defence to the Society's risk management. It assists the Board in fulfilling its oversight responsibilities by receiving regular reports from the Executive Risk Committee and Management Committees which enable the Board Risk Committee to assess the risks involved in the Society's business (including those risks that would threaten its business model, future performance, solvency or liquidity) and to consider the principal and transversal risks identified by management and if they are appropriate. The Committee also provides advice, oversight, and challenge necessary to embed and maintain the Society's desired risk management culture.

#### Assets and Liabilities Committee

The Assets and Liabilities Committee (ALCO) meets at least four times each year; its purpose is to anticipate and identify emerging risks to the Society's position in relation to its balance sheet structure, and to guide the Board in defining the liquidity risk appetite and governance

framework and approve or recommend changes to financial policies or limits. In 2024, the Committee was chaired by David Stunell with other members being, Andrew Merrick, Lesley Titcomb, Nala Worsfold, Iain Kirkpatrick, Nicholas Fielden, and Martin Langlands.

#### Nominations Committee

The Nominations Committee is chaired by Lesley Titcomb, its other members being Jonathan Fox and Zoe Shapiro. The Committee meets at least annually to review succession planning, and also, whenever a Director vacancy is expected, to make recommendations for appointments to the Board. Board succession planning ensures that the correct mix of skills is represented on the Board and its Committees. The Board is mindful of the need for diversity, including gender, race and ethnicity. In 2016 the Board agreed a target of at least one third of the Board to be made up of the under-represented gender, whilst recruiting the best candidate for the role.

In sourcing suitable candidates for consideration, the Committee uses one or more of the following methods:

- Open advertising;
- The services of a search and selection agency; and
- Advertising to the Society's membership.

The appointment of Directors is based on objective skills based criteria as well as the ability to meet the requirements of the PRA's approved person's regime and the assurance that candidates can commit the time required to fulfil the role effectively.

Further information about the Committee, including its responsibilities and activities, can be found in the Nominations Committee Report.

#### Remuneration Committee

The Committee meets at least twice each year and is expected to lead the process for determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management. It consists of at least two non-executive directors, its current membership is: Jonathan Fox (Chair), Lindsay Forster and David Stunell. The remuneration policies for executive and non-executive directors are set out in the Directors' Remuneration Report.

## Corporate Governance Report (continued)

### BOARD LEADERSHIP AND COMPANY PURPOSE (CONTINUED)

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

The Society's members are all customers of the Society and engagement with them is undertaken in various ways, including face-to-face at the annual general meeting and via social media, regular communications and mainstream media.

The Society remains keen to learn its members' views so that it can continually improve. It provides a number of ways and opportunities to give their feedback. A dedicated email address ([asktheboard@mhbs.co.uk](mailto:asktheboard@mhbs.co.uk)) is promoted on the Society's website, inviting members to engage with the Board. Each enquiry receives a response and questions and answers are shared on the Society's website. The Society surveys a selection of its members on a regular basis through its customer satisfaction survey to provide input into the services and products it offers, the results of which are shared in Board meetings. Members of the Board continue to visit branches to engage with Society colleagues and meet with members as part of their role. The Society also encourages its members to attend its annual general meeting where they are able to ask questions and voice their opinions.

As part of the documentation issued ahead of the annual general meeting of members, the Society produces a members' magazine called 'Your Society' which provides news about the Society as well as information on its products and services. In addition, the Society also provides a copy of its summary financial statement which provides a condensed version of information contained within the Annual Report and Accounts.

The Board believes that the annual general meeting and other communications with its members provides the opportunity for members to give feedback to the Society on any aspect of its activities.

Workforce engagement is facilitated by the executive team who hold regular staff briefings (both online and face-to-face) and at least once a year an all-colleague meeting where the Society's strategic direction and objectives are communicated to colleagues. Additionally, a colleague represented engagement team seek feedback from employees and communicates this to the executive team and Senior Independent Director.

The Society is actively engaged with local communities and in 2024 supported local community good causes with a donation of £250,000 to the Market Harbourough Community Foundation to distribute to deserving causes over the next couple of years. This is alongside the 2,000 volunteering hours Society employees donated.

We have a transparent and open relationship with our regulators and have regular dialogue with them, both directly, and through our industry bodies. We monitor regulatory publications both from the regulators and wider stakeholder groups and act as required.

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

The Board engages with the Society's colleagues through employee surveys and non-executive directors visit Branches and Departments. A colleague engagement team has also been established to facilitate employee discussion, in the absence of management, on matters of importance to them and these may be escalated to the Society's Senior Management Team for consideration. The Society's Senior Independent Director is also available for colleagues to raise matters that may need to be considered independently from the Chair or Chief Executive and to whom whistleblowing reports may be made in accordance with the Society's 'Speak Up' policy. The Society's Senior Independent Director formally meets with the staff engagement team and reports back to the Board, or follows up issues raised in confidence, as appropriate.

The Board believes that these mechanisms fulfil the spirit of the Code in relation to colleague engagement.

The Board ensures that the Society invests in and rewards its workforce through ongoing training, both internally and externally, benchmarks all salaries annually and offers a range of benefits. Incentive schemes are also in place to reward high performing individuals.

### DIVISION OF RESPONSIBILITIES

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

The Chair sets the direction of the Board and promotes a culture of openness and debate by facilitating the effective contribution of non-executive directors and maintaining constructive relations between executive and non-executive directors. The Chair also ensures that the directors receive accurate, timely and clear information. This information is provided by executive directors and senior management, who are available to the Board to provide clarification and amplification where necessary. One of the independent non-executive directors is appointed as the Senior Independent Director, to provide a sounding board for the Chair and to serve as an intermediary for the other directors as necessary.

## Corporate Governance Report (continued)

### DIVISION OF RESPONSIBILITIES (CONTINUED)

The Society's Chair, Lesley Titcomb, was appointed in October 2023 following a rigorous selection exercise. The Senior Independent Director has responsibility for leading the appraisal of the Chair's performance.

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

During the year the Board consisted of seven non-executive directors and three executive directors. Temporarily in 2024 the Society had nine non-executive directors to allow for a transition period before Zoe Shapiro and Jonathan Fox stepped down. The size and composition of the Board is kept under review to ensure an appropriate balance of skills and experience for the requirements of the business. The Chair conducts a thorough review of all non-executive directors to assess their independence and their contribution to the Board. The Chair confirms that all non-executive directors continue to be effective and independent in character and collectively bring to the Society a wide range of valuable expertise. In addition, all non-executive directors are free of any relationships or circumstances that might materially interfere with their judgement.

The 'Strengthening Accountability in Banking: a regulatory framework for individuals' regime, effective from 7 March 2016, introduced a responsibilities framework where specific Senior Management Functions and Prescribed Responsibilities are allocated to individuals. The Board is content that the allocation of Senior Management Functions and Prescribed Responsibilities between the Directors and Senior Management is appropriate and meets the requirements of the regime.

The offices of Chair and Chief Executive are distinct with the Chair responsible for leading the Board and the Chief Executive responsible for managing the Society's business within the strategic framework set by the Board.

Throughout the year the Board determined that all the non-executive directors remained independent. The Board is content that any conflicts of interest which may arise can be appropriately managed. Following an assessment led by the Senior Independent Director, the Chair is also confirmed as being effective and independent in character and judgement. The assessment of independence takes account of the period of time that the Chair has served on the Board.

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

Directors are informed of the time commitment in their letter of appointment. The Nominations Committee evaluates the ability of Directors to commit the time required for their role prior to appointment. The formal

appraisal process carried out by the Chair each year also assesses whether Directors have demonstrated this ability during the year. The attendance record during the year of Directors at Board and Committee meetings is set out on page 16.

The non-executive directors are responsible for bringing independent judgement to the monitoring of performance and resources and for developing, scrutinising and providing effective challenge to the Board's discussions on strategic proposals, whilst supporting executive management. Their role requires an understanding of the risks in the business and the provision of leadership within a framework of prudent and effective risk management controls. The non-executive directors meet without the executives present on a regular basis.

The Board has two strategy days during which the Board's strategic debates throughout the year are consolidated in order to develop the strategic plans. Following these sessions, the executive directors produce a three-year corporate plan which the Board scrutinise and approve, offering constructive challenge to ensure the Society has a robust and sustainable strategy for the long-term interests of the Society and its members.

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

The Chair ensures that the Board receives sufficient information to enable it to discharge its responsibilities. The Board has access to the Board-approved policies, Board manual, Committee packs, minutes and other relevant information. The Society continuously improves management information to assist the Board and its Committees in discharging their terms of reference, and each committee annually reviews its effectiveness, including the quality and sufficiency of this information. All Directors have access to the advice of the Society Secretary and, if necessary, are able to take independent professional advice at the expense of the Society.

## Corporate Governance Report (continued)

On appointment, the Society requires non-executive directors to attend in-house induction training which includes sessions on Liquidity Risk, Capital Risk, Credit and Interest Rate Risk and Conduct Risk. There are also sessions to support non-executive director knowledge and development, e.g. IT Infrastructure and Security, if required. Additionally, new directors are expected to attend relevant training provided by the Building Societies Association, which covers building society business, Directors' responsibilities and the regulatory environment. Presentations to the Board by senior management and external courses provide opportunities for non-executive directors to update their skills and knowledge base. The Chair ensures that non-executive directors continually update their skills and knowledge to fulfil their role on the Board and any committees. Training and development needs are identified and individual director performance and effectiveness is evaluated as part of the annual appraisal of the Board. These needs are usually met by internal briefings and via attendance at industry seminars and conferences.

The Chair conducts assessments of all directors individually, reviewing their performance, contribution and commitment to the role. The Chair is able to confirm that the performance of all Board members continues to be effective and all members are committed to providing sufficient time for Board and Committee meetings and any other necessary duties. Following a formal appraisal of the Chair led by the Senior Independent Director, the Board can confirm that the performance of the Chair is effective and that they devote sufficient time for Board and Committee meetings and any other necessary duties. The position of Chair was held by Lesley Titcomb in 2024.

### COMPOSITION, SUCCESSION AND EVALUATION

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

The Nominations Committee leads the process for Board appointments and makes recommendations to the Board. The Committee comprises the Chair and at least one further non-executive director. The Committee evaluates the plans for orderly succession aimed at ensuring an appropriate balance of skills, diversity and experience on the Board. In light of this evaluation, the process for making an appointment starts with a description of the role and capabilities for a particular appointment being prepared. The Nominations Committee has a rigorous procedure for the appointment of new non-executive directors to the Board. This procedure ensures appointments to the Board are based on merit and normally includes the use of independent recruitment consultants. Most recently the Society has engaged the

services of Odgers Berndtson and Warren Partners which have no other connection with the Society.

The terms and conditions of appointment of non-executive directors may be obtained by writing to the Society Secretary at the Society's Head Office.

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

The Board currently comprises the Chair, six independent non-executive directors and three executive directors, who together provide a balance of skills and experience appropriate for the requirements of the business. Committee membership is reviewed annually to ensure there is appropriate expertise in each Committee to discharge its terms of reference.

The Society complies with the PRA and FCA (the Regulators) Strengthening Accountability in Banking Regime and all Directors are required to be either; registered with the Regulators as Approved Persons in order to fulfil their Senior Management Function(s) and Prescribed Responsibilities as Directors or have been notified to the Regulator as holding the position of non-executive director. In addition, all Directors must meet the tests of fitness and propriety laid down by the Regulator. They are also subject to election by Members at the annual general meeting following their appointment.

The Chair is appointed to the position annually by the Board from among the existing non-executive directors. This practice is supported by the Regulator.

Non-executive directors will not usually serve more than nine years. The Code also recommends that a Chair should not remain in post beyond nine years from the date of their first appointment to the Board. Although, it does recognise that to facilitate effective succession planning this period can be extended for a limited time, particularly in those cases where the Chair was an existing non-executive director on appointment. There are two non-executive directors, Jonathan Fox and Zoe Shapiro, coming to the end of their nine year terms in 2025 and Francesca Hampton and Mark Record have joined the Board to allow sufficient handover period. All other non-executive directors have served less than nine years.

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

The Board and each Committee reviewed its own effectiveness in 2024 by means of a self-assessment questionnaire. The results of the Board Committee assessments are in turn reviewed by the Board. There was an external, independent Board Effectiveness Review conducted by ValueAlpha in 2024 which concluded that the Board was "highly effective". The Board considers annually whether such an evaluation would be beneficial.

## Corporate Governance Report (continued)

As part of the internal audit service provided by Deloitte, their representative attends at least one Board meeting and one of each Audit, Risk, Assets & Liabilities Committee meetings annually. Deloitte provide feedback on the performance of the Board and Committees.

The Audit and Compliance Committee considers the adequacy of internal controls. It also reviews both internal and external audit reports, assesses the effectiveness of the internal and external auditors and agrees the annual internal audit plan. The Committee also has responsibility for ensuring effective whistleblowing arrangements are in place, which enables any concerns to be raised by employees in confidence.

### AUDIT, RISK AND INTERNAL CONTROL

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

The membership of the Society's Audit and Compliance Committee comprises not less than three non-executive directors with at least one member of the ALCO, one member of the Risk Committee and one member who must have recent and relevant financial experience. The Board is satisfied that at least one member of the Committee has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector within which the Society operates.

The Audit and Compliance Committee meets four times a year. In addition to non-executive directors, the meetings are also attended by representatives from the Society's internal and external auditors, its executive directors and other members of senior management by invitation as appropriate. At least annually, external auditors meet with the Committee Chair and with the Committee in the absence of any executive directors.

Minutes of the Audit and Compliance Committee's meetings are distributed to all Board members and the Chair of the Committee reports to the Board at each regular meeting of the Board following a meeting of the Committee.

The Internal Audit function is outsourced to Deloitte LLP under specific terms of reference and provides independent and objective assurance that these processes are adequate and applied effectively. A copy of the Internal Audit Charter is available to members on the Society's website [www.mhbs.co.uk](http://www.mhbs.co.uk).

The external auditors may provide non-audit services on a consultancy basis to the Society. The extent and cost of the work is reported to the Audit and Compliance Committee for approval in advance of any such engagement. The Revised Ethical Standard 2016 introduced restrictions around the provision of non-audit services, including tax services. The Society has ensured compliance with these regulations. The Society is of the opinion that auditor objectivity and independence is not

challenged by provision of services allowable under the Revised Ethical Standard.

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

The Board believes that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for Members to assess performance, strategy and the business model of the Society. The responsibilities of the Directors in relation to the preparation of the Society's accounts are contained in the Statement of Directors' Responsibilities on page 33. The Audit and Compliance Committee Report describes the main areas of accounting judgement exercised.

*O. The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.*

There is an established risk management framework which identifies, evaluates and manages significant risks faced by the Society. The Board has ultimate responsibility for ensuring the effectiveness of the Society's systems of risk management and internal control and, following robust assessments of the principal risks by the Risk Committee, it is satisfied that the Society's systems are effective and meet the requirements of the Code.

The responsibility for implementing, operating and monitoring systems of risk management and internal control has been delegated by the Board to senior management. The Audit and Compliance Committee and the Risk Committee, on behalf of the Board, are responsible for reviewing the adequacy of these processes. The system of internal control is designed to allow the Society to achieve its strategic objectives within a managed risk profile. However, no system of internal control can completely eradicate risk. As such, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

### REMUNERATION

The remuneration policies for executive and non-executive directors are set out in the Directors' Remuneration Report. These policies explain the Society's application of the Code Principles.

### SUBSIDIARY COMPANY

The Society has one subsidiary company, Market Harborough Mortgages Ltd, which is managed by a separate Board of Directors comprising Lesley Titcomb (Chair), Iain Kirkpatrick and Nicholas Fielden. The Company became dormant on 1 January 2016

## Corporate Governance Report (continued)

### CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING

Each year notice of the annual general meeting is given to all members who are eligible to vote. Members are sent voting forms and are encouraged to vote online, by post, or by person or proxy at the annual general meeting.

All postal and proxy votes are counted using independent scrutineers.

All members of the Board are present at the annual general meeting each year (unless, exceptionally, their absence is unavoidable) and the Chairs of the Assets and Liabilities Committee, Audit and Compliance, Nominations, Risk and Remuneration Committees are available to answer questions.

The Notice of the annual general meeting and related papers are sent at least 21 days before the meeting in accordance with the Building Societies Act 1986.

The AGM meetings are an in person event held at the Society's head office.

### DIRECTORS' ATTENDANCE RECORD

Attendance at Board and Committee meetings during the year was as follows:

Board Member	Board	Audit & Compliance	Risk	Assets & Liabilities	Nominations	Remuneration
Lesley Titcomb (Chair)	6 (6) Ch	1*	1*	4 (3) 1*	4 (4)	1*
Andrew Merrick (Vice Chair)	6 (6)	4 (4) Ch	4 (4)	4 (4)	1*	-
Jonathan Fox (SID)	4 (6)	-	4 (4)	-	4 (4)	3 (3) Ch
Lindsay Forster	5 (6)	-	2 (2)	-	-	3 (3)
Zoe Shapiro	5 (6)	4 (4)	4 (4) Ch	-	3 (4)	-
David Stunell	6 (6)	4 (4)	4 (2) 2*	4 (4) Ch	-	3 (3)
Nala Worsfold	6 (6)	4 (4)	3 (4)	4 (4)	1*	-
Mark Record	2 (1) 1*	1 (1)	1*			
Francesca Hampton	2 (1) 1*		1*			0 (1)
Nicholas Fielden	6 (6)	4*	4*	4 (4)	-	-
Iain Kirkpatrick	6 (6)	4*	4*	4 (4)	4*	3*

() = number of meetings eligible to attend. Attendance by invitation is marked with \*

Ch = Chair of the Committee.

Proceedings of all Committees are formally minuted and minutes are subsequently considered by the full Board.

All of the Committees carried out self-evaluation exercises during the year, which were reviewed by the full Board. The Board also carried out its own self-evaluation.

On behalf of the Board of Directors,

**Lesley Titcomb**

**Chair**

**21 March 2025**

## Nominations Committee Report

This report explains how the Society applies the principles of the UK Corporate Governance Code July 2018 (the Code) relating to the operation of the Nominations Committee. The report details how the Committee discharged its responsibilities in line with the provisions of the July 2018 version of the Financial Reporting Council's guidance on 'Composition, Succession and Evaluation'.

### NOMINATIONS COMMITTEE

The Nominations Committee is responsible for making recommendations to the Board for the appointment of Directors, ensuring that plans are in place for orderly succession to both the Board and senior management positions, and overseeing the development of a diverse pipeline for succession.

The Nominations Committee were involved in the appointment of its current chair, Lesley Titcomb, who replaced the retiring chair Michael Thomas in October 2023, other members during 2024 comprised Jonathan Fox and Zoe Shapiro.

### FREQUENCY

The Committee meets at least annually to review succession planning and also, whenever a Director vacancy is expected, to make recommendations for appointments to the Board. One of the main aims of the Board succession planning is to ensure that the correct mix of skills is represented on the Board and its Committees.

### DIVERSITY AND INCLUSION (DIVERSITY PIPELINE)

#### GENDER DIVERSITY

<b>31 December 2024</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>% Female</b>
Board of Directors	4	5	<b>9</b>	56%
Executive Management	3	4	<b>7</b>	57%
Executive Management Direct Reports	12	11	<b>23</b>	48%
All Society Colleagues	53	101	<b>154</b>	66%

The Society continues to pursue a strategy of creating an inclusive environment where all colleagues can contribute and succeed. The Board believes investing in this culture is fundamental in ensuring it achieves its objectives.

The Nominations Committee has reviewed the diversity of the Board, senior management and Society colleagues, and has set targets in order to improve or maintain diversity in line with the expanded definition within the Code. The Board is also mindful of the Walker Report on diversity. The Nominations Committee has set targets for gender and ethnicity and monitors diversity of age, gender, disability, ethnicity and education & social background within the whole workforce.

In 2016 the Board agreed an ongoing target of at least one third of the Board to be made up of the under-represented gender, whilst recruiting the best candidate for the role. In order to ensure a gender diverse pipeline for senior management roles, diversity of direct reports to senior management is also monitored.

The Committee has reviewed the gender diversity of the Board, Senior Management and colleagues and has implemented targets and or monitoring to improve all types of diversity, not just gender. In 2019 the Board agreed a target for the ethnicity of the whole workforce (including Board and senior management) to be at least representative of the local area; within normal commuting distance. Should an under-representation be identified, the Nominations Committee considers which policies are to be put in place to increase diversity of that characteristic. These policies can include directions to recruitment agencies to seek certain diversity characteristics or diversity specified shortlisting.

## Nominations Committee Report (continued)

### GENDER DIVERSITY (continued)

<b>31 December 2023</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>% Female</b>
Board of Directors	5	5	10	50%
Executive Management	3	4	7	57%
Executive Management Direct Reports	10	9	19	47%
All Society Colleagues	48	101	149	68%

### ETHNIC DIVERSITY

<b>All Employees</b>	<b>White British</b>	<b>Other Ethnicity</b>	<b>Total</b>	<b>% Other</b>
31 December 2024	135	19	154*	12%
31 December 2023	122	23	145*	16%

\*Total number of employees as at 31/12/2024 was 163 ('no data' for missing 9), 31/12/2023 was 149 ('no data' for missing 4).

The most recent comparative data from the local community is from the 2021 Population Census. For Market Harbourough, the census reported 9.0% (3.7% in 2011) of the population were from an ethnic minority. The Society's customer-base is national and the 2021 census for England and Wales reported that 26.0% (20.0% in 2011) of respondents stated their ethnicity as Non-White British. The Society believes its ethnic mix is in line with the Market Harbourough area.

### SUCCESSION PLANNING

The Nominations Committee has reviewed the Board's succession plan, establishing the desired skills and experience for the overall composition of the Board. It regularly reviews the skills matrix for the Board identifying any existing or potential skill gaps. The Committee has ensured that there are plans in place for orderly succession for appointments to the Board and to Senior Management, so as to maintain an appropriate balance of skills and experience within the Society and on the Board, and to ensure progressive refreshing of the Board.

The Nominations Committee considers:

- Non-executive director succession timeline, including anticipated retirement dates;
- Continued independence of each non-executive director;
- Impact of future changes on Board committee membership; and
- The Society's Diversity and Equality Policy and the importance of maintaining a diverse Board.

The Nominations Committee ensures that each non-executive director is independent whilst serving as a director and all directors are subject to re-election

annually. It also monitors that the Chair and all non-executive directors do not remain in post beyond nine years from the date of their first election to the Board, however limited extensions can be granted if the Board agree to allow for a transition period, as was the case with Michael Thomas and Lesley Titcomb in 2023.

The Nominations Committee ensures that there are regular evaluations of the performance of the Board, its Committees, the Chair and individual Directors. The outcomes of these evaluations and the identification of the strengths and weaknesses have supported the desirable attributes of a diverse pipeline of candidates. These are acted upon at each recruitment.

In sourcing suitable candidates for consideration, the Committee uses one or more of the following methods:

- Open advertising;
- The services of a search and selection agency; and
- Advertising to the Society's membership.

The appointment of Directors is based on objective skills based criteria as well as the ability to meet the requirements of the PRA's approved person's regime and the assurance that candidates can commit the time required to fulfil the role effectively.

## **Nominations Committee Report (continued)**

### **BOARD EVALUATION**

The Nominations Committee ensures that there are regular evaluations of the performance of the Board, its Committees, the Chair and individual Directors. During 2024 these were carried out by ValueAlpha (an independent third party). The Chair has acted on the results of the evaluations by recognising the strengths and addressing any weaknesses of the Board.

The Board considers annually whether to undertake an independent effectiveness review by a professional third party. The last review was completed in 2024.

Each year the performance of the Board and its Committees is observed by Deloitte in its capacity as internal auditor to the Society. Deloitte comment on the performance in its Annual Conclusion provided under the Audit Charter. The Board considers this feedback and acts upon the comments made.

On behalf of the Board of Directors,

**Lesley Titcomb**

**Chair of Nominations Committee**

**21 March 2024**

## Audit and Compliance Committee Report

This report explains how the Society applies the principles of the UK Corporate Governance Code relating to the operation of the Audit and Compliance Committee and the system of internal control. The report details how the Committee discharged its responsibilities in line with the provisions of the Financial Reporting Council's 'Guidance on Audit and Compliance Committees'. In particular it details the significant issues reviewed and concluded on including the Committee's assessment of those areas on which accounting judgement was exercised.

The Audit and Compliance Committee met four times for scheduled meetings during 2024 and in addition met with the external and internal auditors without the executive directors present. The Committee also considers matters arising during intervening periods, typically by email correspondence.

### FINANCIAL AND BUSINESS REPORTING

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

The Directors are responsible for preparing the Annual Report and Accounts. At the request of the Board, the Committee considered whether the 2024 Report and Accounts are fair, balanced and understandable and whether it provided the necessary information for members and other stakeholders to assess the Society's position and performance, business model and strategy. In order to do this, the Committee considered the accounting policies adopted by the Society, the presentation and disclosure of financial information and, in particular, the key judgements made by management.

In evaluating this year's financial reporting process, the Committee focussed on critical estimates, judgments and material policies. It reviewed the reports at an early stage, providing comment and challenge as part of a robust verification process.

The Committee also paid particular attention during the year to the following matters which are important by virtue of their potential impact on the Society's results, particularly because they involve a high level of complexity, judgement or estimation by management:

#### Current economic impacts

The Committee considered the risks to the Society's business and resources from the cost of living crisis, changes in interest rates, and various conflicts around the world. Modelling of various economic downturns has been

carried out to predict the potential impact on loan losses and provisioning. Operational impacts, including the availability of skilled colleagues and the effect on globally connected suppliers, have been considered. The Committee noted that the surplus from the defined benefit retirement scheme is affected by economic conditions, security values, and interest rates and believes the scheme is well-positioned to manage potential risks from current economic challenges. More details can be found in the Principal risks and uncertainties on page 27.

#### Provisioning for loan impairment

The Committee monitored loan impairment provisions by considering key assumptions contained in the Society's provisioning model and the relevant disclosure in the Report and Accounts. In particular, the Committee examined and challenged the assumptions adopted and the impact of the low level of impairment data, and has satisfied itself with the level of impairment provisions made for the mortgage portfolio. During 2021 the Society introduced scenario testing for climate related risks such as flooding and energy performance for housing. This was further enhanced during 2022. More information about these assumptions can be found in note 28 to the accounts.

#### Effective Interest Rate

Interest income on the Society's mortgages is measured under the effective interest method. This method includes an estimation of mortgage product lives which is based on historic customer behaviour and management's judgement. The Committee has examined the approach taken including the revised mortgage product lives, and has satisfied itself that the estimates and accounting treatment are appropriate.

#### Retirement Benefit Liabilities

The Society operates one defined benefit pension scheme. This was closed to future accrual in 2005, however the Society remains responsible for making good the liabilities under the scheme. The scheme is revalued under the requirements of IAS 19 each year and the movements in the deficit/surplus are reflected in the Group's accounts. The current surplus is £1.1m (2023: £0.5m surplus). The Committee has considered the valuation assumptions used by the Actuary and satisfied itself that these assumptions are appropriate. The Society holds capital to cover fluctuations.

## Audit and Compliance Committee Report (continued)

### EXTERNAL AUDIT

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

In light of its enquiries above, the Committee is satisfied that, taken as a whole, the 2024 Annual Report and Accounts is fair, balanced and understandable and provides a clear presentation of the Society's position and prospects.

#### Audit and Compliance Committee and Auditor

The Code prescribes that the Board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the Society's auditors.

The Audit and Compliance Committee is responsible for providing oversight of the external audit process by monitoring the relationship with the external auditor, agreeing its remuneration and terms of engagement, and making recommendations to the Board on the appointment, re-appointment or removal of the external auditor as appropriate. As part of the external audit process, BDO LLP highlight any material control weaknesses that come to its attention. The Committee considers annually the external auditor's independence and effectiveness in light of the guidance issued by The Institute of Chartered Accountants in England & Wales (ICAEW) and the Financial Reporting Council (FRC).

As a result of its considerations, the Committee ensures that the policy to provide non-audit services is appropriately applied. During 2024 BDO LLP did not provide any non-audit services. In order to retain independence and objectivity, the Society's policy is to tender for audit services on a regular basis. External audit was put out to tender in 2019. Presentations from three audit firms were received by a panel consisting of executive and non-executive directors. As a result of the tender, BDO LLP were recommended by the Audit and Compliance Committee and appointed by the Board. BDO LLP has acted as external auditor for five years. Further to consideration by the Committee, BDO LLP are recommended as external auditor to the Society at the 2024 annual general meeting. The Committee considers this appointment on an annual basis.

### INTERNAL CONTROLS

The Society recognises the importance of good systems of internal control in the achievement of its objectives and the safeguarding of its assets. Good internal controls also facilitate the effectiveness and efficiency of operations, help to ensure the reliability of internal and external

reporting and assist in compliance with applicable laws and regulations.

Management is responsible for designing an appropriate internal control framework whereas the Audit and Compliance Committee is responsible for ensuring that the Board receives appropriate assurance over the effective operation as well as design of this framework. Consistent with these responsibilities, the Committee undertook the following activities during 2024 to satisfy itself over the robustness of the internal control framework:

- Risk & Compliance

The Society's Risk & Compliance function provides second line assurance on activities across the Society. The outputs of assurance activities are reported to the Committee, together with progress updates on management's implementation of the findings. During the year the Committee approved the Annual Assurance Plan which documents how the Risk & Compliance function remains independent of the areas it reviews.

- Internal Audit

The Society's Internal Audit function provides independent assurance to the Board, via the Audit and Compliance Committee, on the effectiveness of the internal control framework. The information received and considered by the Committee during 2024 provided assurance that there were no material breaches of control and that the Society maintained an adequate internal control framework that met the principles of the UK Corporate Governance Code. The Audit and Compliance Committee is also responsible for agreeing the annual budget of Internal Audit and for approving its annual risk based plan of work. Internal Audit provides the Committee with reports on its findings and recommendations as well as updates on the progress made by management in addressing these findings, including verification that actions have been accurately reported as complete.

The Committee is satisfied that, throughout 2024, Internal Audit had an appropriate level of resource to deliver its plan of work and that it discharged its responsibilities effectively. Internal audit was last put out to tender in October 2014, further to which Deloitte LLP was appointed internal auditor. The Committee considers annually whether to retender for internal audit services. The internal audit partner responsible for the Society changed at the end of 2024. This is in line with internal audit best practice and there were no issues.

**Andrew Merrick**

**Chair of the Audit and Compliance Committee**

**21 March 2025**

## Remuneration Report

This report explains how the Society has applied the principles of the UK Corporate Governance Code July 2018 (the Code) relating to the operation of the Remuneration Committee in 2024. The report details how the Committee discharged its responsibilities in line with the provision of the July 2018 version of the Financial Reporting Council's 'Remuneration' principles.

This report sets out the Board's policy on the remuneration of Directors. The Society has adopted high standards of corporate governance, and this includes the provision to its members of full details of Directors' remuneration. Members will be asked to vote at the Annual General Meeting on an advisory resolution on the Board's policy on the remuneration of Directors.

The Society had a successful year in 2024 delivering post-tax profits of £2.6 million, despite the changing economic conditions and the first reduction in Bank Rate in four years. In addition, the Society's strong capital position was preserved, and good progress was made against strategic objectives. The Remuneration Committee has taken these factors into account when considering the appropriateness of remuneration at the Society.

### REMUNERATION COMMITTEE

The Remuneration Committee is responsible for determining appropriate remuneration for the Chair and Executive Directors and other Executives, and to make recommendations to the Board concerning the remuneration of Non-Executive Directors (NEDs) and other staff. The Committee has reviewed colleague remuneration and the alignment of incentives and rewards with culture, taking these into account when setting the policy for executive director remuneration.

The Committee's terms of reference were last reviewed and updated in June 2024 and they are available on the Society's website. The Committee meets at least twice each year.

The Committee shall be appointed by the Board from amongst the NEDs, and shall comprise of no less than two NEDs, of whom at least one shall also be a member of the Audit and Compliance Committee or the Risk Committee. The Board shall also appoint the Chair of the Committee but this will not be the Chair of the Board and in line with the Terms of Reference, the Chair of the Committee had served as least 12 months on a Remuneration Committee prior to appointment as Chair of the Committee. In 2024 the members were: Jonathan Fox (Chair), Lindsay Forster, Francesca Hampton (from 1 October 2024) and David Stunell. Jonathan Fox retired from the Committee on the 31 January 2025 and was replaced as Chair by Francesca Hampton. Whilst Francesca Hampton had not served 12 months on the committee prior to be appointed as Chair, the Board are satisfied that she has the relevant skills and experience for the role.

The Society's Chief Executive and Chief Engagement Officer comment upon proposals and provide information, as and when required, and attend meetings at the Committee's request.

In making its decisions and recommendations, the Committee considers all relevant factors, including a review of comparative benefit packages from similar financial organisations and the internal consistency between roles and recognition. The Committee seeks independent professional advice on Director and Senior Executive pay on a periodic basis.

The Committee supports linking reward to performance. In doing so, it pays close attention to the performance of the Society and the risks to which it is exposed, external market conditions, and its overall responsibility to members within a framework of good corporate governance. Levels of remuneration for the Chair and all non-executive directors reflect the time commitment and responsibilities of their roles and do not contain any elements of performance related pay.

### COLLEAGUE AND STAKEHOLDER ENGAGEMENT

The Senior Independent Director ('SID') has been appointed as the principal contact for colleague engagement. The SID meets with colleague representatives twice each year and reports back to the Board on each occasion. There is a mechanism to provide for feedback to be made in confidence, as appropriate. Following discussions with colleagues, salary sacrifice for pension contributions were made available to all members of staff. The pension scheme was aligned for all employees, including Executives. Feedback on the enhanced pension provisions was reported as very positive.

During the year, the Committee considered the incentive schemes available to Executives, senior leaders and other employees. The Committee reviewed the internal consistency of the various schemes and steps were taken to more closely align them.

The Society's Remuneration Policy applies to all employees and all incentive schemes are aligned to the Society's strategic objectives, which are shared with colleagues.

The Remuneration Report is provided to the Society's membership for annual consideration and approval at the Annual General Meeting. At the 2024 Annual General Meeting, 88% of votes were cast in favour of the Report. No adverse comments were received from members in regard to the Report or Executive pay.

## Remuneration Report (continued)

### POLICY AIMS AND OBJECTIVES

The Committee's decision-making processes take into account:

- The need to recruit, retain and motivate staff with appropriate skills and experience to make an effective contribution to the Society's strategy and operations, and so to act in the long-term interests of the Society's members;
- The link between individual awards, the delivery of strategy and the long-term performance of the Society being clearly defined. There is no reward for poor performance;
- The Society's incentive schemes driving behaviours consistent with the Society's purpose, values and strategy;
- The need for a clear and uncomplicated link between performance and remuneration;
- The Society's remuneration arrangements being transparent and promoting effective engagement with stakeholders and colleagues;
- The range of possible values of rewards to individual Directors and any other limits or discretions being identified and explained;
- The levels of remuneration, as a reference, for similar jobs within the UK financial services sector;
- The need for pay arrangements not to directly or indirectly expose the Society to inappropriate risk;
- The structure of remuneration, avoiding complexity and that the rationale and operation are easy to understand;
- The PRA Rulebook;
- The application of provisions of the FCA's Remuneration Code for dual regulated firms (PRA and FCA regulated); and
- The provisions of the UK Corporate Governance Code insofar as they relate to Building Societies.

During 2024 the Committee considered these policy aims and objectives ensuring that Executive remuneration policy and practices reflected: clarity, simplicity, risk,

predictability, proportionality and alignment to the Society's culture. For example, the Committee ensured that the design of Executive incentive scheme was clearly defined and communicated, rewards were capped and proportionate and Executives were required to demonstrate how they had promoted values aligned with the desired culture of the Society.

No payments under incentive schemes are guaranteed and all schemes are non-contractual. The Society's Remuneration Committee uses its discretion to override formulaic outcomes. The Committee considers the outcome of the incentive schemes on an annual basis, adjusting incentive payments as it sees fit.

Policies and incentive schemes are reviewed on an annual basis and revised as appropriate. The remuneration policies in place during 2024 were reviewed by the Committee and were considered to be effective. In 2024 objectives were set to support the development of the members of the wider leadership team.

### CONFLICTS OF INTEREST

The Society seeks to ensure that its remuneration decisions do not encourage conflicts of interest. The Remuneration Committee is aware of the potential for such conflicts when considering remuneration for Directors, and seeks external professional advice where appropriate. The Committee will also consider the potential for a conflict of interest when determining or recommending the remuneration structure for staff involved in control functions.

### CONTRACTUAL ARRANGEMENTS

The Society will not enter into an employment contract which would compensate any individual for failing to perform their duties satisfactorily. Contractual notice periods do not exceed one year, and any contractual entitlement to a termination payment will not exceed twelve months' salary and benefits. This also applies to executive directors. Bonus schemes for executive directors and other senior managers make provision for cancellation or deferment of payments in the event of determination of wrong doing. Directors' terms of appointment are robust in reducing compensation to reflect departing Directors' obligations to mitigate loss.

## Remuneration Report (continued)

### STATUTORY CONSIDERATIONS

The Society ensures that its remuneration decisions are in line with statutory requirements, for example, in relation to equal pay and non-discrimination and ensure compliance with regulatory requirements such as the Remuneration Code.

The Society has established provisions that enable the Society to recover and/or withhold sums or awards and specifies the circumstances in which it would be appropriate to do so.

### EXECUTIVE DIRECTORS

For executive directors the Society seeks to establish an appropriate balance between the fixed and variable elements of remuneration. The Committee has been mandated by the Board to ensure that fixed remuneration is in line with the market rate for executive directors in similar positions at comparable financial organisations. Performance appraisals of the executive directors are carried out at least annually to assess their success in meeting individual and corporate objectives.

The Committee has been mandated by the Board to reward exceptional performance through incentive schemes. Awards under the incentive schemes reflect the outcomes of appraisals.

The main components of the executive directors' remuneration are:

- Base salary and core benefits; and
- Variable remuneration incentive scheme.

Base salaries consider the content and responsibilities of the job, salary levels in comparable organisations and individual performance in the role. The Chief Executive is appraised annually by the Chair, and the Chief Executive carries out a performance assessment of the other executive directors.

#### *Pension Benefits*

The Society contributes to a defined contribution scheme for eligible staff, including executive directors, who may elect to receive this contribution as a pension allowance. Only basic salary is pensionable. The pension contribution rates for executive directors are aligned with those available to colleagues. Pension consequences and associated costs of basic salary increases, particularly for

directors close to retirement, are carefully considered when compared with colleague arrangements.

#### *Other Benefits*

The Society provides other taxable benefits all colleagues, namely private medical insurance.

### VARIABLE REMUNERATION

In considering the targets for incentive schemes, the Remuneration Committee has regard to the goals set by the Board in the Society's three-year Corporate Plan.

The Society seeks to ensure that its remuneration decisions are in line with its business strategy and long term objectives, and consistent with the Society's current financial condition and future prospects. Incentive schemes take into account the need to retain a strong balance sheet, and variable remuneration amounts will not be paid unless they are sustainable within the Society's situation as a whole. No payments under incentive schemes are guaranteed and all schemes are non-contractual. None of the incentive payments are pensionable.

#### *Annual Incentive Scheme*

Annual incentives are paid in cash on the achievement of key targets which will be of benefit to the Society and its members, and also take into account individual performance. The structure of the scheme is approved by the Remuneration Committee at the beginning of each financial year. The rewards for 2024 were dependent on the Society meeting its business performance targets and the personal performance of the individual (including a component relating to culture). The scheme was subject to a cap of 25% of base salary (excluding allowances).

#### *Long Term Incentive Scheme*

Historically long term incentive schemes were set annually, based on performance over a three year period as measured against pre-determined business objectives. The structure of each new three-year scheme was approved by the Remuneration Committee at the commencement of the period to which it relates. No long term incentive schemes have been set since 2021. The final long term incentive scheme matured in 2023. The maturing scheme targeted the delivery of strategic objectives, organisational health (including stakeholder satisfaction) and measures relating to credit risk. The scheme was capped at 7% of base salary (excluding allowances).

## Remuneration Report (continued)

### EXECUTIVE DIRECTORS' REMUNERATION

The emoluments below represent audited information.

2024 All figures £	Base Salary	Other payments, Benefits & Allowances	Performance pay annual incentive scheme	Performance pay long-term incentive scheme	Retention Bonus	Pension Contribution	Total
Iain Kirkpatrick	243,888	26,882	58,766	-	-	-	329,537
Nicholas Fielden	186,212	794	42,999	-	-	18,621	248,626
Annemarie Cossar	133,030	724	28,048	-	-	13,303	175,105
<b>Total</b>	<b>563,130</b>	<b>28,400</b>	<b>129,813</b>	<b>-</b>	<b>-</b>	<b>31,924</b>	<b>753,268</b>

2023 All figures £	Base Salary	Other payments, Benefits & Allowances	Performance pay annual incentive scheme	Performance pay long-term incentive scheme	Retention Bonus	Pension Contribution	Total
Iain Kirkpatrick	232,100	24,055	55,735	-	-	-	311,890
Nicholas Fielden	176,409	4,763	26,347	14,605	89,025	17,983	<b>329,132</b>
Annemarie Cossar	126,600	1,028	18,972	10,284	-	12,660	<b>169,544</b>
<b>Total</b>	<b>535,109</b>	<b>29,846</b>	<b>101,054</b>	<b>24,889</b>	<b>89,025</b>	<b>30,643</b>	<b>810,566</b>

The benefits and allowances received by Executive Directors relate to private medical insurance, the provision of a car allowance and pension allowance in lieu of contribution since only base salaries are pensionable. In order to help provide a smooth transition for the incoming Chief Executive, Nicholas Fielden (Chief Finance Officer) received a payment of 50% of salary in 2023 after he stayed in post for twelve months after the appointment of the new Chief Executive.

### NON-EXECUTIVE DIRECTORS

The Board aims to ensure that fees are in line with the amount paid to non-executive directors in similar positions at comparable financial organisations. The Remuneration Committee makes recommendations to the full Board in respect of any changes to the remuneration of non-executive directors. As is conventional, additional fees are paid to the Chairs of certain Board Committees, in recognition of the additional workload and responsibility.

Non-executive directors' remuneration does not include any bonus payments, pension or other benefits. Non-executive directors do not have service contracts providing for notice periods which exceed three months; neither do they have any contractual entitlement to termination payments. Their effectiveness is appraised annually by the Chair, and the Board as a whole, under the leadership of the Senior Independent Director, assesses the Chair's performance.

## Remuneration Report (continued)

### NON-EXECUTIVE DIRECTORS' REMUNERATION

The emoluments below represent audited information.

<b>Directors' fees</b>	<b>2024</b>	<b>2023</b>
<b>All figures £</b>		
Lesley Titcomb – Chair from October 2023	54,119	12,100
Michael Thomas – Chair from July 2020 to October 2023	-	40,183
Lindsay Forster	33,177	28,433
Jonathan Fox	40,046	34,638
Andrew Merrick	40,799	34,638
Zoe Shapiro	36,210	30,650
David Stunell	35,825	30,650
Nala Worsfold	33,177	28,558
Mark Record - from October 2024	7,744	-
Francesca Hampton - from October 2024	7,744	-
<b>Total</b>	<b>288,841</b>	<b>239,850</b>

Fees include amounts paid to the Chairs of the Assets & Liabilities Committee, Audit & Compliance Committee, Risk Committee and Remuneration Committee, to the Consumer Duty Champion and to the Chair of the associated Pension and Life Assurance Scheme.

**David Stunell**

**Remuneration Committee Member**

**21 March 2025**

## Directors' Report

Your Directors have pleasure in presenting their Annual Report for the year ended 31 December 2024.

### BUSINESS OBJECTIVES

Your Society's principal business objectives are the provision of secured lending on residential property, savings products for private individuals and small businesses. The Society operates solely in the UK and all of its operations are based in the UK. Our products are promoted nationally via mortgage brokers, the internet and by phone, and in Leicestershire and Northamptonshire via our branches. We seek to develop by offering the combined advantages of value-for-money and innovation in our products and by delivering a first-class personalised service to members.

### BUSINESS REVIEW

A review of the Society's business performance during 2024 is included in the Chair's Statement and the Chief Executive's Highlights. These reports include information about donations to charity (page **Error! Bookmark not defined.**) and mortgage arrears (page **Error! Bookmark not defined.**). No political donations were made during the year (2023: nil).

The Society's change in strategy in 2022 necessitated investment to manage the increased growth agreed by the Board. This has resulted in increased costs for the years 2023 and 2024 as the business expands, though these costs are anticipated to stabilise between 2025 and 2027. This trend can be seen in the cost to income ratio shown in the key performance and other indicators table.

### FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

By virtue of MHBS's business model all business activities inherently involve risks. The key is, however, to identify, assess, monitor, and control those risks effectively. In this regard a clear articulation and ongoing consideration of the Society's risk appetite, accomplished via this Risk Appetite Framework and Statement, is of fundamental importance.

The Society's Risk Appetite Framework ("RAF") is based upon three key concepts: *risk capacity*, *risk appetite* and *risk profile*.

- Risk capacity: The maximum level of risk at which MHBS can operate, while remaining within constraints implied by capital and liquidity / funding needs and minimum regulatory requirements<sup>1</sup>.
- Risk appetite: The level of risk that the MHBS Board is willing to take in pursuit of its business objectives. The 'limit' is the level at which risk appetite is set and the Early Warning Indicator ("EWI") 'trigger' threshold is the level of risk which leads to management escalation.
- Risk profile: The nature and scale of MHBS's prevailing risk exposure.

As a consequence of these factors the Society's overall Risk Appetite Statement is:

*"To maintain a business that will make steady returns over the economic cycle with low levels of volatility, that will remain well capitalised and highly liquid such that it will be capable of remaining independent for the foreseeable future. It will be professionally managed such that it will have a low propensity for operational failures and resultant losses or damage to the Society's reputation."*

### PRINCIPAL RISKS AND UNCERTAINTIES

To support the Society's overarching Risk Appetite Statement the Board has defined and set a series of Risk Appetite Statements aligned to the Principal and Transversal Risks, and supporting Secondary Risks, defined in the Risk Universe set out in the Board approved Enterprise-wide Risk Management Framework. The Risk Appetite Statements defined for each of the Society's Principal and Transversal Risks are as follows:

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<sup>1</sup> As well as meeting minimum regulatory requirements specified for capital and liquidity purposes, the Society's risk capacity is also defined with reference to additional Invocation Trigger Points ("ITP") set out in the Board approved Recovery Plan.

## Directors' Report (continued)

Principal Risk	Risk Appetite Statement
Strategic and Capital	<p>We have a moderate appetite for strategic risk which is a reflection of MHBS's ambition to continue to grow through existing and new product initiatives as well as through expansion.</p> <p>The Society should operate above the higher of the "fully loaded" regulatory minimum (including all regulatory requirements, buffers and capital adds specific to the business) or the ICAAP recommendation.</p>
Liquidity and Funding	<p>The Society will at all times hold sufficient 'near sight' liquidity to enable it to meet operational requirements as they fall due, and to be able to meet the Overall Liquidity Adequacy Rule ("OLAR").</p>
Market	<p>We have limited appetite for changes in market prices to impact MHBS's earnings and capital negatively and have set an appropriate risk appetite for an institution of our size.</p>
Credit	<p><u>Retail Credit</u>: The retail credit risk appetite is the maximum potential credit cost that the Society would be prepared to be exposed to from its loan book. This risk is considered in terms of:</p> <ul style="list-style-type: none"> <li>• The level of credit cost that can be regarded as business as usual and is priced into the portfolio.</li> <li>• The level of credit cost that would be unacceptable in a single year.</li> <li>• The maximum level of credit cost could be borne that would not only create a loss in the financial statements, but would also have an impact upon capital.</li> </ul> <p><u>Wholesale Credit</u>: We will maintain a prudent risk profile in our Wholesale exposures to other banks and financial institutions by usually only transacting with counterparties that meet the minimum investment grade criteria detailed in the Counterparty Policy.</p>
Operational	<p>We recognise that operational risk is inherent in what we do, but we have limited appetite for unmitigated operational risks. The Operational Risk Appetite is based on the Basic Indicator Approach ("BIA") capital calculation performed as part of the ICAAP.</p>
Compliance, Conduct and Financial Crime	<p>MHBS is scrupulous in adhering to its Regulatory and Legal requirements and has no appetite to act in contravention to these or to act in a way that permits Financial Crime. Similarly, we have no appetite for our activities to lead to any form of systemic Conduct Risk or customer detriment, or tolerance for any negative publicity in either the national press, or on social media which could be damaging to the Society's reputation.</p>
Transversal Risk	Risk Appetite Statement
Climate Change	<p>We are committed to (i) managing the transition and physical risks faced today and under future scenarios; and (ii) managing the risks associated with the strategic commitment to align to net zero by 2050. We have no appetite to fail to meet our regulatory obligations with regard to Climate Risk.</p>

## Directors' Report (continued)

### BOARD RISK FRAMEWORK

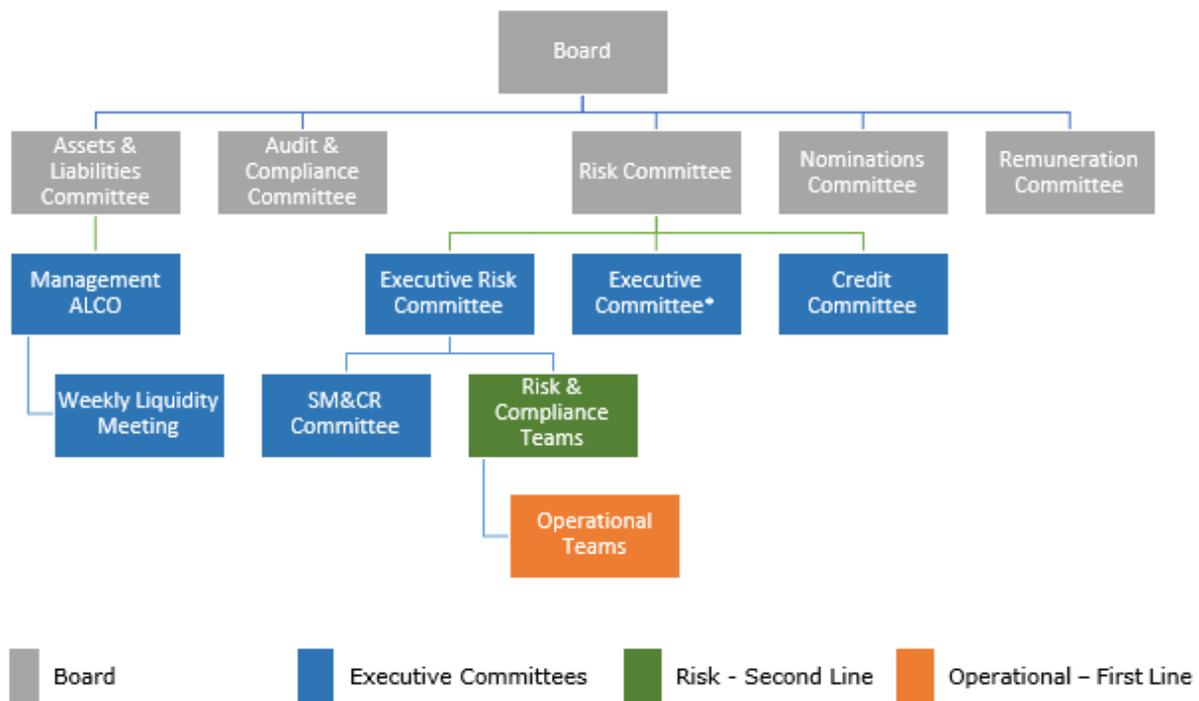
The risk management framework is designed to safely deliver the Corporate Plan in line with the Board's risk appetite. The Board is responsible for ratification of all policies. All of the senior management are involved in the development of risk management policies and their subsequent monitoring as part of their core roles.

The Society operates a 'three lines of defence' model that is appropriate to a business of its scale and complexity.

The approach is applied to all of the key business risks, such that for each of them there is a specific Board committee responsible for setting policies to manage that risk in accordance with the overall risk appetite, financial risk management objectives and policies.

The Group's objective is to minimise the impact of financial and other risks upon its performance. An explanation of the financial risks and the controls in place to manage them (including the use of derivatives) is given in notes 25 to 30 to the annual accounts.

The Society's risk governance structure in 2024 is detailed below, a new structure was developed in H2 2024 and will be in place for 2025.



\* This Committee can escalate risk matters to any of the Board Committees or Board itself

The third line of defence is the Society's Internal Audit function. The third line of defence provides independent assurance to the Board and senior management on the adequacy of the design and operational effectiveness of internal control systems and measures across the business.

## Directors' Report (continued)

### KEY PERFORMANCE AND OTHER INDICATORS

The following performance indicators provide an overview, in tabular form, of the Group's progress.

	<b>2024</b>	<b>2023</b>	<b>2022</b>
	<b>Group</b>	<b>Group</b>	<b>Group</b>
Total assets	£863m	£722m	£647m
New mortgage lending	£200m	£198m	£182m
Growth in mortgage assets	11.1%	20.0%	13.9%
Net increase in retail deposits	£152m	£77m	£92m
Liquidity to funding ratio	20.8%	17.2%	23.6%
Management expenses as a percentage of mean total assets	1.8%	1.8%	1.8%
Net Interest Margin	2.3%	2.5%	2.5%
Cost to income ratio	82.5%	71.8%	68.7%
Pre-tax profit	£3.5m	£4.3m	£4.5m
Post-tax profit	£2.6m	£3.3m	£3.6m
Profit as a percentage of mean total assets	0.3%	0.5%	0.6%
Net interest receivable as a percentage of mean total assets	6.1%	5.5%	3.5%
Gross capital as a percentage of shares and borrowings	7.5%	8.6%	9.2%
Free capital as a percentage of shares and borrowings	6.7%	7.9%	8.9%

For a definition of terms see the Annual Business Statement on page 97.

#### *Other Indicators*

In March 2024, for the first time, the Society participated in the Sunday Times Best Places to Work Survey and emerged as a top employer in the medium-sized organisation category. Our commitment to fostering a positive workplace culture earned us an overall engagement score of 80%. This score reflects our strengths in areas such as empowerment, rewards and recognition, information sharing, instilling pride, and job satisfaction, securing us a coveted place in the top 100.

Throughout 2024, we focused on areas where we could make improvements to our colleagues overall experience. This included providing continued support for the development of our colleagues and enhancements to a number of colleague benefits. Notably, we launched a Leadership Excellence Programme for all team leaders and held Performance Development Plan workshops for all colleagues. Additionally, the Society has supported two colleagues in achieving vocational qualifications in two professional subject areas while a further eight enrolled onto qualification courses across five subject areas. Our next employee engagement questionnaire will again be

conducted via the Sunday Times Best Places to Work survey in March 2025. We want to build on our successes and continue making the Society an even better place to work.

The Society is committed to be net zero by 2050 and has been developing its strategy to achieve this in 2024 with further work expected in 2025.

### PROPERTY PLANT AND EQUIPMENT

Freehold premises owned by the Group are shown in the accounts at cost less depreciation. Market valuations are performed every three years by an external valuation expert. The latest valuation reports show that the market value of these assets is not dissimilar from the carrying amount in the financial statements.

In 2024, the Society held seven properties in its Social Housing initiative. These properties have been leased out at zero rent to a local Social Housing Association to provide accommodation for local families in need.

## Directors' Report (continued)

### DIRECTORS

During the year the Board consisted of seven non-executive directors and three executive directors. Temporarily in 2024 the Society had nine non-executive directors to allow for a transition period before Zoe Shapiro and Jonathan Fox stepped down. The Board meets at least six times a year with the addition of two strategy sessions. Board Committees meet at intervening times. Any additional meetings are held as required.

The Society considers all non-executive directors to be independent. The directors holding office during the year were:

Non-Executive Directors	Executive Directors
Lesley Titcomb: Chair	Iain Kirkpatrick: Chief Executive
Lindsay Forster	Nicholas Fielden: Chief Finance Officer
Jonathan Fox	Annemarie Cossar: Chief Customer Officer
Andrew Merrick	
Zoe Shapiro	
David Stunell	
Nala Worsfold	
Mark Record	
Francesca Hampton	

The Society maintains liability cover for the Directors as permitted by the Building Societies Act 1986.

Directors' interests are reported in Note 33 to the accounts.

### GOING CONCERN

The UK Corporate Governance Code requires a longer term viability statement. The Code requires the Directors to explain how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate. The Directors should state whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.

The Directors have assessed the viability of the Group over a three-year period taking into account the business strategy and the principal risks as set out above. The Directors have a reasonable expectation that the business can continue in operation and meet its liabilities as they fall due over the three year period of their assessment. The Directors have determined that a three year period of assessment is an appropriate period over which to provide its viability statement. The three year period is considered to be most appropriate as it is the longest period over which the Board considers that it can form a reasonable

view of the likely macroeconomic environment and associated key drivers of business performance.

As part of the annual Group Internal Capital and Internal Liquidity Adequacy Assessment Process (ICAAP and ILAAP), the Group stresses its capital and liquidity plans respectively, under "severe but plausible" stress test scenarios, in line with PRA requirements. The Board has the responsibility for ensuring that the Society remains solvent and has adequate capital and liquidity over the planning horizon. The ongoing monitoring of capital adequacy is delegated to the Risk Committee and liquidity adequacy is monitored by the ALCO.

Brexit, the Covid-19 pandemic, and more recently the cost-of-living crisis coupled with high inflation and relatively elevated interest rates have caused substantial disruption to the UK economy and the markets in which the Society operates. The Group recognises that higher interest rates may well impact house prices. However, the Society remains confident that its high-quality balance sheet, robust capital ratios and careful approach to managing risk and costs will continue to underpin its financial strength and place it in a strong position to continue to grow.

## Directors' Report (continued)

The ICAAP ensures that the plan projections for capital requirements and capital generation are resilient to stresses should the environment deteriorate beyond the levels currently envisaged in the Corporate Plan. A capital buffer is held to ensure the Group can deal with any erosion in its capital and still meet its capital requirements at all times. The Society's ICAAP uses the Bank of England's stress testing scenarios and has found its capital position to be robust enough to withstand the suggested stressed scenarios.

The ILAAP test ensures that the Group holds sufficient liquid assets to meet its liquidity needs not only under normal circumstances but if the Group were to enter into a period of stress.

During 2024 the Society reviewed its stress scenarios to ensure they reflected the latest forecasts on the potential economic stress, including those arising from competition, uncertainty and technology changes, which may be forthcoming.

In making this long-term viability statement the Board has considered its current position and performed a robust assessment of the principal risks and uncertainties that would threaten the business model, future performance, solvency or liquidity of the Group. These risks are described in the principal risks and uncertainties section above. The Group's Risk Management Framework and governance structure in place to deal with these risks are described above.

After considering the Group's capital and liquidity positions, the Board has a reasonable expectation that the Group will continue in operation and meet its liabilities as they fall due over the next three years.

### OTHER MATTERS

#### Corporate and Social Responsibility

Your Society seeks to act responsibly in all its activities and has considered its operational impact on the economic, social and physical environment. Its policy on the Modern Slavery Act is available on our website: [www.mhbs.co.uk](http://www.mhbs.co.uk) as is its commitment to the UK Money Markets Code.

#### Capital Adequacy

The Society meets the requirements of the Capital Requirements Directive (CRD) which requires the Society to assess the adequacy of its capital through an Internal Capital Adequacy Assessment Process (ICAAP). Through the application of the ICAAP the Board is satisfied that the Society holds a level of capital more than sufficient to satisfy both the CRD's Pillar 1 minimum capital

requirements and to cover those risks that the Board has identified under Pillar 2.

#### Supplier Payment Policy

It is the Society's policy to agree the terms of payment with suppliers in advance and to make payment within the agreed terms of credit once the supplier has performed in accordance with the terms of the contract. The number of creditor days was 4 at 31 December 2024 (31 December 2023: 6).

#### Post Balance Sheet Events

In January 2025 the directors began to market the Group's administration centre after moving into the new premises in April 2024.

The directors are hopeful that a sale will be completed before the end of 2025. The head office is included within the Company's assets

As the marketing process did not begin until after the reporting date, the head office has not been classified as held for sale in 2024.

#### New Activities

No new powers were exercised for the first time during the year.

#### Auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Society's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

The Auditor, BDO LLP, has indicated their willingness to continue as external auditors to the Society and therefore a resolution for their election will be put to the Annual General Meeting in 2025.

On behalf of the Board of Directors,



**Lesley Titcomb**

**Chair**

**21 March 2025**

## Statement of Directors' Responsibilities

### DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT, THE ANNUAL BUSINESS STATEMENT, THE DIRECTORS' REPORT AND THE ANNUAL ACCOUNTS

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

The Building Societies Act 1986 ("the Act") requires the Directors to prepare Group and Society annual accounts for each financial year. Under that law they have elected to prepare the group and society annual accounts in accordance with UK adopted international accounting standards; and have been prepared in accordance with the requirements of the Building Societies Act 1986 and in accordance with the Building Societies (Accounts and Related Provisions) Regulations 1998.

The Group and Society annual accounts are required by law to be prepared in accordance with the requirements of the Building Societies Act 1986 and in accordance with the Building Societies (Accounts and Related Provisions) Regulations 1998, to present fairly the financial position and the performance of the group and the society; the Building Societies Act 1986 provides in relation to such annual accounts that references in the relevant part of that Act to annual accounts giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Society annual accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with applicable International Accounting Standards;
- state whether they have been prepared in accordance with the Building Societies Act 1986;
- assess the Group and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

- use the going concern basis of accounting unless they either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

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

### DIRECTORS' RESPONSIBILITIES FOR ACCOUNTING RECORDS AND INTERNAL CONTROLS

The Directors are responsible for ensuring that the Group:

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

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

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

**Lesley Titcomb**

**Chair**

**21 March 2025**

# Independent auditor's report to the members of Market Harbourough Building Society

## OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements of Market Harbourough Building Society (the 'Society') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise the Group and Society Statements of Comprehensive Income, the Group and Society Statements of Financial Position, the Group and Society Statements of Changes in Members' Interests, the Group and Society Statements of Cash Flows and notes to the financial statements, including a summary of material accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-Adopted International Accounting Standards.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs

(UK)) and applicable law. Our responsibilities under those standards are further described in the

Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

### Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 25 September 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including re-tenders and reappointments is 6 years, covering the years ended 31 December 2019 to 31 December 2024. We remain independent of the Group and Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Society

## CONCLUSIONS RELATING TO GOING CONCERN

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting included:

- Assessing the Director's assessment of going concern including supporting financial forecasts through review of key ratios such as net assets, capital and liquidity for significant deterioration, indicating issues related to going concern;
- With the assistance of our regulatory experts, reviewing the Group's and the Society's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) to assess whether it is consistent with the Directors' going concern assessment;
- Holding discussions with the Directors on whether events or conditions exist that, individually or collectively, may cast significant doubt on the Group's and the Society's ability to continue as a going concern. We corroborated those discussions by agreeing information acquired to supporting documents such evidence of cash flow forecasts and minutes of meetings of Board of Directors;
- Challenging the Directors' assumptions and judgements made with regards to their forecasts. In doing so we agreed key assumptions such as forecast growth to historic actuals and relevant market data and considered the historical accuracy of the Directors forecasts; and
- Assessing how the Directors have factored in key external factors expected to impact the Group and Society such as a fall in interest rates, falling house prices, climate change and cyber-attacks and their corresponding economic impact, checking that these had been appropriately considered as part of the Directors' going concern assessment.
- We have back tested the forecasts prepared by management to assess the reliability of the forecasts prepared. This was performed by comparing the 2024 budget to the 2024 actual performance. Based on our industry knowledge, we performed stress tests on the forecasts by considering a downside scenario.

**Independent auditor's report to the members of Market Harbourough Building Society (continued)**

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 Group and Society's ability to continue as a going concern for a period of at least twelve

months from when the financial statements are authorised for issue.

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

**OVERVIEW**

Key audit matters	2024	2023
KAM 1	Revenue recognition	Revenue recognition
KAM 2	Impairment losses on loans and advances	Impairment losses on loans and advances
<b>Materiality</b>	£598,000 (2023:£565,000) based on 1% (2023: 1%) of Net assets	

**AN OVERVIEW OF THE SCOPE OF OUR AUDIT**

Our audit approach was developed by obtaining an understanding of the Group's activities and the overall control environment. Based on this understanding, we assessed those aspects of the Group's transactions and balances which were most likely to give risk to a material misstatement.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our

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

**Independent auditor's report to the members of Market Harbour Building Society (continued)**

**Key audit matters (continued)**

Key audit matter		How the scope of our audit addressed the key audit matter
<p><b>Revenue Recognition</b></p> <p>The Group's accounting policies are disclosed in Note 1 (pages 48-53)</p>	<p>The Group has recognised interest income of £46,897k (2023: £34,684k) under the effective interest rate ("EIR") method.</p> <p>The loans and advances to customers of £663,639k (2023: £597,534k) contain prepaid fees that are integral to the EIR as well as accrued interest income, both of which are spread over the behavioural life of the loans and advances using the EIR method. The net EIR liability at year end is £428k (2023: £247k).</p> <p>The Group's interest income on mortgages is recognised on the EIR basis in accordance with IFRS 9. The calculation of EIR relies heavily on the completeness and accuracy of the data in the EIR models.</p> <p>Management judgement is required to determine the expected cash flows for the Group's loans and advances within these models.</p> <p>The key assumptions in the EIR models are the directly attributable fees and costs, the expected behavioural life including assumptions relating to the amount of customers and time they will remain on a standard variable rate and redemption profiles of the mortgages due to the impact on timing and quantum of expected future cash flows.</p> <p>Errors within the EIR models themselves or bias in key assumptions applied could result in the material misstatement of revenue.</p> <p>Revenue recognition was therefore considered to be a key audit matter.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>Assessed whether the revenue recognition policies adopted by the Group are in accordance with requirements of relevant accounting standards.</li> <li>Through inspection of a sample of contractual terms we challenged the fees and costs included or excluded from the EIR estimates (including early redemption charges) which involved assessing the types of fees being spread within the effective interest rate models versus the requirements of the applicable financial reporting standard.</li> <li>Tested the operating effectiveness of business process controls over loan origination including the initial recording of contractual interest rates and associated loan amounts which form key inputs into the effective interest income calculations.</li> <li>Tested the completeness and accuracy of data and key model inputs feeding into the EIR adjustment model by agreeing this to source documents and policy. With the assistance of our IT audit specialists we assessed whether the model performed the EIR calculation in line with the Group's accounting policy, by assessing the code underpinning the model calculations through reconciliation to underlying records.</li> <li>Performed a full recalculation of the contractual interest recognised during the financial year on loans advanced to check the accuracy of interest recognised.</li> <li>Assessed the models for their sensitivities to changes in the key assumptions.</li> <li>Challenged the reasonableness of the loan behavioural life assumptions used by management considering recent historical experience of loan behavioural lives based on customer behaviour, product type, market factors, performance and external data where applicable.</li> </ul> <p><b>Key observations:</b></p> <p>Based on the procedures above, we did not identify any material errors within the EIR models or indicators that the assumptions included in the EIR model are unreasonable.</p>

**Independent auditor’s report to the members of Market Harbour Building Society (continued)**

**Key audit matters (continued)**

Key audit matter	How the scope of our audit addressed the key audit matter
<p><b>Loan Loss Provisioning</b></p> <p>The Group’s accounting policies are detailed in Note 1 (accounting policy: pages 48-53)</p> <p>Provision for impairment losses on loans and advances to customers is £1,085 (2023: £1,420k).</p> <p>Commensurate with the activities of the Group, the total loan loss provision is a material balance.</p> <p>Under IFRS 9, the Group is required to assess the recoverability of the loan portfolio for all items and not just those specifically identified. Therefore, the Group is required to assess the Expected Credit Loss (“ECL”) provision for all performing loans considering economic factors (including assessment of Probability of Default (PDs), Loss Given Default (LGDs) and Exposure at Default (EADs)) along with the staging, to ensure that credit impaired loans are presented and valued accurately. This includes the determination of what constitutes a significant increase in credit risk (SICR) as this would determine whether a lifetime probability of default is to be applied.</p> <p>Estimating the loan loss provision requires significant management judgement and estimate in determining the value and timing of expected future cash flows as well as collateral held.</p> <p>Due to the sensitivity to key inputs, judgements and estimates and high degree of estimation uncertainty the Group’s loan loss provision has a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Error within the loan loss provisioning models itself or bias in key assumptions applied – particularly those relating to multiple economic scenarios and forward-looking information could result in the material misstatement of impairment provisions.</p> <p>We performed a sensitivity analysis of all the components of the ECL provision and determined Multi Economic Scenario (MES) to be most sensitive.</p> <p>For this reason, we considered this to be a key audit matter.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> <li>• We have tested the completeness and accuracy of the underlying reports used in the calculation of the loan loss provision by agreeing inputs on a sample basis to supporting documentation.</li> <li>• Testing the operating effectiveness of the Group’s controls in respect of new loans issued and ongoing monitoring of those loans to check the validity, accuracy and completeness of inputs, including the valuation of collateral, into the core banking system.</li> <li>• Assessing the appropriateness of the ECL model by reference to internal and external information to establish if it is in accordance with requirements of IFRS 9.</li> <li>• Key inputs into the model have been reviewed and benchmarked to other data sources including the levels of provision for comparable lenders, and industry benchmarks for forced sale discounts and probability of default.</li> <li>• Evaluated and challenged the Group’s determination of what constitutes a SICR, by comparing the criteria against historical performance to check that the selected criteria is timely and forward-looking.</li> <li>• We tested the methodology of the staging of loans as to whether it was done in accordance with management’s definition of SICR.</li> <li>• Evaluated whether the definition of default used for the estimate of ECL (for both assessing whether there is a SICR and calculating ECL) was in accordance with the requirements of IFRS 9 and results in a probability of default that reflects the Group’s current view of the future and is unbiased.</li> <li>• Evaluated the selection and source of the information used by the Group in terms of PD’s, LGD’s and EAD’s against the requirements of IFRS 9.</li> <li>• Assessed the appropriateness of the number of multiple-economic scenarios, their weightings and their application, considering the key drivers of credit risk, exposures and information that is available to the Group.</li> <li>• Assessed the logic and arithmetic accuracy of the calculation of the ECL.</li> <li>• We have assessed the provision applied to these loans by reference to relevant supporting information such as property type and valuation to challenge the completeness and accuracy of the provision applied.</li> </ul>

**Independent auditor's report to the members of Market Harbour Building Society (continued)**

		<p><b>Key observations:</b></p> <p>We have not identified any indicators to suggest that the provision for loans and advances to customers is unreasonably estimated in consideration of the key assumptions and judgements made or that the related disclosures are not appropriate.</p>
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**OUR APPLICATION OF MATERIALITY**

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	<b>2024</b> £	<b>2023</b> £
<b>Materiality</b>	598,000	565,000
<b>Basis for determining materiality</b>	1% of Net Assets	
<b>Rationale for the benchmark applied</b>	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. The benchmark was changed to net assets as this is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Group as well as the purpose of the Group which is to optimise rather than maximise profits.	
<b>Performance materiality</b>	448,000	423,000
<b>Basis for determining performance materiality</b>	75% of materiality	
<b>Rationale for the percentage applied for performance materiality</b>	In determining performance materiality, we considered factors such as our assessment of the Group's overall control environment, and expected total value of known and likely misstatements, based on past experience.	

**Reporting threshold**

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £29,900 (2023:£28,400). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

**Independent auditor’s report to the members of Market Harbour Building Society (continued)**

**OTHER INFORMATION**

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

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

We have nothing to report in this regard.

**OTHER BUILDING SOCIETIES ACT 1986 REPORTING**

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Building Societies Act 1986 and ISAs (UK) to report on certain opinions and matters as described below.

<p><b>Annual business statement and Directors’ report</b></p>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>• The annual business statement and the Directors’ report have been prepared in accordance with the requirements of the Building Societies Act 1986;</li> <li>• The information given in the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li> <li>• 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.</li> </ul> <p>In the light of the knowledge and understanding of the Group and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors’ report.</p>
<p><b>Matters on which we are required to report by exception</b></p>	<p>We have nothing to report in respect of the following matters in relation to which the Building Societies Act 1986 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>• adequate accounting records have not been kept by the Society; or</li> <li>• the Society financial statements are not in agreement with the accounting records; or</li> <li>• we have not received all the information and explanations we require for our audit.</li> </ul>

**Independent auditor’s report to the members of Market Harbour Building Society (continued)**

**OPINION ON OTHER MATTER PRESCRIBED BY THE CAPITAL REQUIREMENTS (COUNTRY-BY-COUNTRY REPORTING) REGULATIONS 2013**

In our opinion the information given on page 95 for the financial year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

**RESPONSIBILITIES OF DIRECTORS**

As explained more fully in the Statement of directors’ responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group’s and 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 Group or Society or to cease operations, or have no realistic alternative but to do so.

**AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Extent to which the audit was capable of detecting irregularities, including fraud**

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

**Non-compliance with laws and regulations**

Based on:

- Our understanding of the Group and Society and the industry in which it operates;
- Discussion with management and those charged with governance;
- Obtaining and understanding of the Group’s and Society’s policies and procedures regarding compliance with laws and regulations; and
- we considered the significant laws and regulations to be the Building Societies Act 1986, pension legislation, tax legislation.

The Group and Society is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

Our procedures in respect of the above include

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of legal correspondence and correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;

**Independent auditor’s report to the members of Market Harbourough Building Society (continued)**

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group’s and Society’s policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and in relation to unusual journal entries.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias (refer to the key audit matters section for procedures performed).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available 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 auditor’s report.

**Independent auditor's report to the members of Market Harbour Building Society (continued)**

**Use of our report**

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

Stefan Beyers (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
London, UK  
21 March 2025

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Income Statements

For the year ended 31 December 2024	Note	2024	2023	2024	2023
All figures £'000		Group	Group	Society	Society
Interest income	3	48,555	37,796	48,555	37,796
Interest payable and similar charges	4	(30,450)	(20,380)	(30,450)	(20,380)
<b>Net Interest Income</b>		<b>18,105</b>	<b>17,416</b>	<b>18,105</b>	<b>17,416</b>
Fees and commissions receivable		588	480	588	480
Fees and commissions payable		(529)	(426)	(529)	(426)
Other operating income		16	17	16	17
Net gain/(loss) from derivative financial instruments	5	(141)	(529)	(141)	(529)
<b>Total Net Income</b>		<b>18,039</b>	<b>16,958</b>	<b>18,039</b>	<b>16,958</b>
Administrative expenses	6	(14,166)	(11,479)	(14,166)	(11,479)
Depreciation, amortisation and impairment	14	(374)	(572)	(374)	(572)
Other operating charges		(369)	(141)	(369)	(141)
Other finance cost		25	22	25	22
<b>Operating Profit before Impairment Gain/(Loss)</b>		<b>3,155</b>	<b>4,788</b>	<b>3,155</b>	<b>4,788</b>
Impairment gain/(loss) on loans and advances	7	335	(439)	335	(439)
<b>Profit Before Tax</b>		<b>3,490</b>	<b>4,349</b>	<b>3,490</b>	<b>4,349</b>
Tax on profit	8	(908)	(1,075)	(908)	(1,075)
<b>Profit For The Financial Year</b>		<b>2,582</b>	<b>3,274</b>	<b>2,582</b>	<b>3,274</b>

All of the above arise from continuing operations. All of the above arose in the UK.

## Statements of Comprehensive Income

For the year ended 31 December 2024	Note	2024	2023	2024	2023
All figures £'000		Group	Group	Society	Society
<b>Profit For The Financial Year</b>		<b>2,582</b>	<b>3,274</b>	<b>2,582</b>	<b>3,274</b>
<i>Items that will not be reclassified to the income statement</i>					
Re-measurement of defined benefit obligation	22	463	(23)	463	(23)
Tax on items that will not be reclassified to the income statement		(116)	6	(116)	6
<b>Other comprehensive (expense)/income for the period net of income tax</b>		<b>347</b>	<b>(17)</b>	<b>347</b>	<b>(17)</b>
<b>Total Comprehensive Income For The Period</b>		<b>2,929</b>	<b>3,257</b>	<b>2,929</b>	<b>3,257</b>

The notes on pages 48 to 95 form part of these Annual Report and Accounts.

## Statements of Financial Position

As at 31 December 2024	Note	2024	2023	2024	2023
All figures £'000		Group	Group	Society	Society
Cash in hand and balances at central banks	24	142,882	105,050	142,882	105,050
Loans and advances to credit institutions	9	23,250	8,345	23,250	8,345
Derivative financial instruments	10	3,328	3,391	3,328	3,391
Loans and advances to customers	11	663,639	597,534	663,639	597,534
Debt securities	12	19,647	0	19,647	0
Other assets	13	972	764	972	764
Property, plant and equipment	14	7,819	6,135	7,819	6,135
Right of use assets	16	0	20	0	20
Intangible assets	15	125	261	125	261
Retirement benefit asset	22	1,098	536	1,098	536
<b>Total Assets</b>		<b>862,760</b>	<b>722,036</b>	<b>862,760</b>	<b>722,036</b>
Shares	18	709,114	564,178	709,114	564,178
Amounts owed to credit institutions	19	47,575	59,274	47,575	59,274
Amounts owed to other customers	20	40,840	36,337	40,840	36,337
Derivative financial instruments	10	2,546	2,420	2,546	2,420
Other liabilities and accruals	21	2,025	2,159	3,210	3,344
Lease liabilities	16	-	16	-	16
Current tax liabilities	8	254	479	254	479
Deferred tax liability	17	547	243	547	243
<b>Total Liabilities</b>		<b>802,901</b>	<b>665,106</b>	<b>804,086</b>	<b>666,291</b>
General reserve	23	59,859	56,930	58,674	55,745
<b>Total Reserves</b>		<b>59,859</b>	<b>56,930</b>	<b>58,674</b>	<b>55,745</b>
<b>Total Reserves and Liabilities</b>		<b>862,760</b>	<b>722,036</b>	<b>862,760</b>	<b>722,036</b>

The notes on pages 48 to 95 form part of these Annual Report and Accounts.

Approved by the Board of Directors on 21 March 2025, and signed on its behalf by:



**Lesley Titcomb**  
Chair



**Iain Kirkpatrick**  
Chief Executive



**Nicholas Fielden**  
Chief Finance Officer

## Statements of Changes in Members' Interests

<b>Group 2024</b>	<b>General reserve</b>	<b>Total</b>
<b>All figures £'000</b>		
Balance at 1 January 2024	56,930	56,930
Profit for the year	2,582	2,582
<i>Other comprehensive income for the year (net of tax)</i>		
Re-measurement of defined benefit obligation	347	347
<b>Total Other Comprehensive Income</b>	<b>347</b>	<b>347</b>
<b>Total comprehensive income</b>	<b>2,929</b>	<b>2,929</b>
<b>Balance At 31 December 2024</b>	<b>59,859</b>	<b>59,859</b>

<b>Society 2024</b>	<b>General reserve</b>	<b>Total</b>
<b>All figures £'000</b>		
Balance at 1 January 2024	55,745	55,745
Profit for the year	2,582	2,582
<i>Other comprehensive income for the year (net of tax)</i>		
Re-measurement of defined benefit obligation	347	347
<b>Total Other Comprehensive Income</b>	<b>347</b>	<b>347</b>
<b>Total comprehensive income</b>	<b>2,929</b>	<b>2,929</b>
<b>Balance At 31 December 2024</b>	<b>58,674</b>	<b>59,859</b>

**Statements of Changes in Members' Interests (continued)**

**Group 2023**

**All figures £'000**

	<b>General reserve</b>	<b>Total</b>
Balance at 1 January 2023	53,673	53,673
Profit for the year	3,274	3,274
<i>Other comprehensive income for the year (net of tax)</i>		
Re-measurement of defined benefit obligation	(17)	(17)
<b>Total Other Comprehensive Expense</b>	<b>(17)</b>	<b>(17)</b>
<b>Total comprehensive income</b>	<b>3,257</b>	<b>3,257</b>
<b>Balance At 31 December 2023</b>	<b>56,930</b>	<b>56,930</b>

**Society 2023**

**All figures £'000**

	<b>General reserve</b>	<b>Total</b>
Balance at 1 January 2023	52,488	52,488
Profit for the year	3,274	3,274
<i>Other comprehensive income for the year (net of tax)</i>		
Re-measurement of defined benefit obligation	(17)	(17)
<b>Total Other Comprehensive Expense</b>	<b>(17)</b>	<b>(17)</b>
<b>Total comprehensive income</b>	<b>3,257</b>	<b>3,257</b>
<b>Balance At 31 December 2023</b>	<b>55,745</b>	<b>55,745</b>

The notes on pages 48 to 95 form part of these Annual Report and Accounts.

## Cash Flow Statements

**For the year ended 31 December 2024**

**All figures £'000**

	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Profit before tax	3,490	4,349	3,490	4,349
Depreciation, amortisation and impairment	374	572	374	572
(Profit) / Loss on disposal of property, plant and equipment	-	(6)	-	(6)
Fair value Loss /(gain) on derivative instruments and hedging relationships	141	566	141	566
Decrease/(Increase in impairment of loans and advances	(335)	439	(335)	439
<b>Total Cash Flows From Operating Activities</b>	<b>3,671</b>	<b>5,920</b>	<b>3,671</b>	<b>5,920</b>
Decrease/(Increase) in other assets	(180)	389	(180)	389
(Decrease)/increase in other liabilities	(134)	(566)	(134)	(566)
Decrease / (Increase) in Derivative financial instruments	278	-	278	-
(Increase) in loans and advances to customers	(66,209)	(97,062)	(66,209)	(97,062)
Increase in shares	145,140	68,063	145,140	68,063
(Decrease)/Increase in amounts owed to other credit institutions	(11,699)	(2,000)	(11,699)	(2,000)
Increase/(Decrease) in amounts owed to other customers	4,503	5,427	4,503	5,427
(Decrease) in retirement benefit obligation	(96)	(166)	(96)	(166)
Taxation paid	(944)	(1,041)	(944)	(1,041)
<b>Net Cash used in/(generated) from Operating Activities</b>	<b>74,330</b>	<b>(21,036)</b>	<b>74,330</b>	<b>(21,036)</b>
Proceeds from disposal of property, plant and equipment	-	6	-	6
Purchase of property, plant and equipment	(1,902)	(4,033)	(1,902)	(4,033)
Purchase of intangible assets	-	(81)	-	(81)
Purchase Debt securities	(38,766)	-	(38,766)	-
Proceeds from sale and redemption of Debt securities	19,119	-	19,119	-
<b>Net Cash Used in/(generated) from Investing Activities</b>	<b>(21,549)</b>	<b>(4,108)</b>	<b>(21,549)</b>	<b>(4,108)</b>
Principal element of lease payments	(16)	(21)	(16)	(21)
<b>Net Cash Used in/(generated) from Financing Activities</b>	<b>(16)</b>	<b>(21)</b>	<b>(16)</b>	<b>(21)</b>
<b>Net Change In Cash Or Cash Equivalents</b>	<b>52,765</b>	<b>(25,165)</b>	<b>52,765</b>	<b>(25,165)</b>
Cash and cash equivalents at 1 January	<b>112,845</b>	<b>138,010</b>	<b>112,845</b>	<b>138,010</b>
<b>Cash And Cash Equivalents At 31 December</b>	<b>165,610</b>	<b>112,845</b>	<b>165,610</b>	<b>112,845</b>

Interest received was £43.7m (2023 £36.2m) and interest paid was £10.6m (2023 £6.5m).

The notes on pages 48 to 95 form part of these Annual Report and Accounts.

## Notes to the Annual Report and Accounts

### 1. MATERIAL ACCOUNTING POLICIES

The material accounting policies adopted in the preparation of these Annual Report and Accounts are set out below.

#### Basis of preparation

Both the Society and Group annual accounts are prepared and approved by the Directors in accordance with UK adopted international accounting standards; and have been prepared in accordance with the requirements of the Building Societies Act 1986 and in accordance with the Building Societies (Accounts and Related Provisions) Regulations 1998. The statements of the Group are presented in pounds sterling (GBP), which is the functional and presentation currency of the Group as it represents the primary currency of the underlying transactions, assets, funding and revenues. Amounts are rounded to the nearest thousand unless otherwise stated.

The Directors have prepared forecasts of the Group's financial position for at least the period ending twelve months from the date of approval of these Annual Report and Accounts. They have also considered the effect on the Society's business of operating under stressed but plausible operating conditions. This analysis focused on the expected profitability, capital adequacy and liquidity under a stress scenario. As a result, they are satisfied that the Society and the Group have adequate resources to continue in business for the foreseeable future. Emphasis is placed on capital adequacy and liquidity as profitability in a single year would not be a significant factor in the long term viability of the Society. The Society holds excess capital over and above the regulatory requirement under normal and stressed circumstances. Retail funding is provided on the whole by individual savers and can therefore be assumed to provide adequate stable funding. For this reason, the Annual Report and Accounts continue to be prepared on a going concern basis.

The Directors have considered the economic impacts of current political turmoil, such as in Ukraine and Gaza, as well as the lasting impact of past high inflation and interest rates and have concluded that this would not impact the going concern basis under which these accounts have been prepared. The Directors have also considered and were comfortable with, the long term viability of the Society as discussed on page 31.

#### Changes in accounting policies and future accounting developments

The IASB has not published any new standards effective from 1 January 2024, however it has published some minor amendments effective from 1 January 2024 that are adopted by the UK Endorsement Board and are applicable to the Society.

- IAS 1 Classification of Liabilities as Current or Non-current
- IFRS 16 Lease Liability in a Sale and Leaseback
- IAS 1 Non-current Liabilities with Covenants

- IAS7 & IFRS 7 Supplier Finance Arrangements

The Society has assessed that they had an insignificant effect on the consolidated financial statements of the Group and Society.

#### Basis of consolidation

Subsidiary companies are defined as those in which the Society has the power over relevant activities, has exposure to the rights of variable returns and has the influence to affect those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases. The Group accounts consolidate the assets, liabilities and results of the Society and of its subsidiary, eliminating intercompany balances and transactions. All entities have accounting periods ending on 31 December. The results of subsidiary undertakings acquired or disposed of during the year are included in the income statements from the effective date of acquisition or up to the effective date that ownership ceases. The Society has one subsidiary company, Market Harbourough Mortgages Limited, which remained dormant throughout the financial period; no acquisitions or disposals were made during 2024.

#### Interest income and expense

Interest income and interest expense for all interest-bearing financial instruments are recognised in the consolidated income statement using the effective interest rate (EIR) method.

The EIR method is used to calculate the amortised cost of financial instruments and to recognise interest receivable or payable over the relevant period. The effective interest rate is the rate that discounts the expected future cashflows (excluding credit losses), over the expected life of the financial instrument, to the gross carrying amount of the financial asset or liability. This includes fees and commissions if they are an integral part of the effective interest rate of a financial instrument. In calculating the effective interest rate, all contractual terms of the financial instrument are considered. Historical and forecast mortgage redemption data and management judgement are used to estimate the expected lives of mortgage assets.

Interest income and expense in the Income Statement include interest receivable / payable on derivative financials instruments.

## MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Fees and commission

Fees and commissions that are integral part of creating loans and advances to customers are deferred and spread using the EIR method and included in Interest income. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised in the income statement when the commitment expires.

Other fee and commission income – including account servicing fees and commission relating to the sale of third party products - is recognised as the related services are performed.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

### Taxation

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

Current tax is the expected tax payable on the taxable income and gains arising in the accounting period.

Deferred tax is provided using the statement of financial position liability method, providing for temporary differences between the carrying amount of assets and liabilities for accounting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are recognised net on the statement of financial position, deferred tax assets are only recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised. All deferred tax assets and liabilities relate to the Society, which is one trading entity, and relate to taxes levied by HMRC only.

Both current and deferred taxes are determined using the rates enacted or substantively enacted at the statement of financial position date.

Tax relating to actuarial gains / (losses) on retirement benefit obligations is recognised in other comprehensive income.

### Financial assets

Financial assets comprise cash and balances at central banks, loans and advances to credit institutions, derivative financial instruments, loans and advances to customers, Debt Securities and other debtors.

In accordance with IFRS 9 Financial Instruments: Recognition and Measurement, the Group classifies its financial assets into the following categories:

#### *Financial assets held at amortised cost*

Under IFRS 9, assets may be held at amortised cost, where the asset's contractual cash flow reflects solely payments of principal and interest on the principal amount outstanding (SPPI) and the business model is to hold the asset to collect the contractual cash flows. In this case, income is recognised under the EIR method. Any gain or loss arising on derecognition is recognised directly in profit or loss. The carrying value of these assets is adjusted by any expected credit loss allowance recognised. The Group classifies the following financial instruments as amortised cost:

- loans and advances to customers
- loans and advances to credit institutions;
- cash in hand and balances with the Bank of England; and
- other debtors.

The initial value of loans and advances to customers may, if applicable, include certain upfront costs and fees such as procurement fees and product fees which are recognised over the expected life of mortgage assets. Throughout the year and at each year end, the mortgage life assumptions are reviewed for appropriateness. Any changes to the expected life assumptions of the assets are recognised through interest income and reflected in the carrying value of the mortgage assets.

The Group's non-mortgage lending, typically loans and advances to banks, is similarly undertaken with a view to recovery of contractual cash flows and with interest charged that meets the SPPI requirements.

The Group's cash balances, where interest generative, are held to collect contractual interest flows and to ensure appropriate liquidity is available to meet the Group's liabilities as they fall due.

#### *Financial assets held at fair value through profit and loss*

Under IFRS 9, where the contractual cash flow characteristics of an asset do not reflect SPPI, the asset is classified at 'fair value through profit or loss' (FVTPL), with fair value movements recognised through the Income Statement.

The Society enters into derivative financial instruments to hedge its exposures relating to interest rate movements. Derivatives are recognised at fair value on the date the derivative contract is entered into, and subsequently re-measured at their fair value. Changes in fair values are recognised through the Income Statement. In accordance with the Building Societies Act 1986, the Society does not hold or issue derivative financial instruments for trading purposes.

## MATERIAL ACCOUNTING POLICIES (CONTINUED)

*Financial assets held at fair value through other comprehensive income (FVOCI)*

Financial assets held with the intent of collecting contractual cash flows or selling, where contractual terms comprise solely payment of principal and interest, are classified and measured at FVOCI. This category of financial asset includes most of the Group's debt securities which are held to manage liquidity.

Assets are measured at fair value based on quoted market prices or prices obtained from market intermediaries where available. In cases where quoted market prices are not available, discounted cash flow valuations are used.

Interest on FVOCI assets is recognised in Interest receivable and similar income in the Income Statement, using the EIR method.

Unrealised gains and losses arising from changes in fair value are recognised directly in Other comprehensive income, except for impairment losses and foreign exchange gains and losses, which are recognised in the Income Statement. Gains and losses arising on the sale of FVOCI assets, including any cumulative gains or losses previously recognised in Other comprehensive income, are recognised in the Income Statement.

### Impairment of financial assets

Loss provisions for expected credit losses (ECL) on financial assets held at amortised cost are recognised in the Income Statement. The Group provides for expected credit losses across applicable financial assets based on whether there has been a significant increase in credit risk since the asset's origination.

The Group reviews its mortgage advances portfolio at least on a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded, the Group is required to exercise a degree of judgement. Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and expected cash flows.

Estimates are applied to determine prevailing market conditions (e.g. interest rates and house prices), customer behaviour (e.g. default rates) and the length of time expected to complete the sale of properties in possession. The accuracy of the provision would therefore be affected by unexpected changes to these assumptions.

A sensitivity analysis of these assumptions is provided in Note 28 of the Accounts.

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1: A financial asset that is not credit-impaired on initial recognition and its credit risk has not significantly increased since origination. ECL is measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- Stage 2: If a significant increase in credit risk since initial recognition is identified, the financial asset is moved to 'Stage 2' but is not yet deemed to be credit impaired. The definition of a significant increase in credit risk is detailed below. ECL for stage 2 assets are measured based on expected credit losses on a lifetime basis.
- Stage 3: If the financial asset is credit-impaired, it is moved to 'Stage 3'. The definition of credit-impaired is outlined below. ECL for stage 3 assets is also measured on expected credit losses on a lifetime basis.

### Significant increase in credit risk

A loan is considered to have experienced a 'significant increase in credit risk' when it meets any of the following criteria:

- Over 30 days in arrears
- Subject to forbearance
- A material reduction in the creditworthiness of the customer since inception
- Owner-occupied interest only mortgage where there is insufficient equity to sell and downsize
- Other material information that has come to light since the loan's inception

### Credit Impairment

A loan will be categorised as being 'impaired', and in default, if it meets any of the following criteria:

- Over 90 days in arrears
- Customer is declared or has sought to become bankrupt
- The loan has gone past the scheduled term end date of the loan

It is the Society's policy to consider a financial instrument as 'cured' and therefore reclassified out of Stage 2 or 3 when the impairment criteria are no longer met. The data observation period is 12 months.

Forward-looking information is taken into account in the measurement of ECL with its use of economic assumptions such as inflation, unemployment rates, house price indices and Gross Domestic Product.

Loans are written off against the ECL balance when there is no realistic prospect of recovery. This is generally after receipt of any proceeds from the realisation of the collateral backing the loan.

## MATERIAL ACCOUNTING POLICIES (CONTINUED)

The Group has no purchased or originated credit impaired assets and has not applied any simplified approaches. receipt of any proceeds from the realisation of the collateral backing the loan.

The Group has no purchased or originated credit impaired assets and has not applied any simplified approaches.

### Financial liabilities

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL as classified in Note 25 Financial Instruments.

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

### Cash and cash equivalents

'Cash and cash equivalents' include notes and coins on hand, unrestricted balances held with central banks and highly liquid financial assets with original maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in its fair value and are used by the Group in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

### Derivatives held for risk management purposes and hedge accounting

The Group uses derivatives only for risk management purposes. It does not use derivatives for trading purposes. Derivatives are measured at fair value in the statement of financial position. Fair values are obtained by applying quoted market rates to a discounted cash flow model. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The Group has elected to continue to apply the hedge accounting requirements of IAS 39 on adoption of IFRS 9.

The Group looks to designate derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group documents formally the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125%. If derivatives are not designated as hedges, then changes in their fair values are recognised immediately in the income statement in the period in which they arise.

Portfolio fair value hedges are used to hedge exposures to variability in the fair value of financial assets and liabilities, such as fixed rate mortgages and savings products. Changes in the fair value of derivatives are recognised immediately in the income statement together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line in the income statement as the hedged item). If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, hedge accounting is discontinued prospectively. Any adjustment up to that point to a hedge item, for which the effective interest method is used, is amortised to the income statement as part of the recalculated effective interest rate of the item over its remaining life.

### Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Any gain or loss on disposal of an item of property and equipment is recognised within other income in profit or loss.

Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives of significant items of property and equipment are as follows:

- Land is not depreciated;
- Buildings - 50 years;
- IT equipment - 3-5 years; and
- Fixtures and fittings - 5 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### Intangible assets

Intangible assets held by the Group consist primarily of externally acquired computer software which is held at cost less accumulated amortisation and impairment. Computer software intangible assets are amortised using the straight-line method over their estimated useful lives which generally range between 3 and 5 years. Intangible assets, including computer software, are reviewed for indicators of impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount is not recoverable the asset is written down immediately to the estimated recoverable amount..

## **MATERIAL ACCOUNTING POLICIES (CONTINUED)**

### **Impairment of non-financial assets**

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than deferred tax assets) 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 or Cash-generating unit (CGU) is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

### **Loan commitments**

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Such commitments are not recognised but are subject to ECL assessment on the date that the Society becomes a party to the irrevocable commitment.

### **Employee benefits**

The Society operates a defined contribution scheme on behalf of Executive Directors and colleagues. Obligations for contributions to defined contribution plans are expensed as the related service is provided and recognised as personnel expenses in profit or loss. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

The Society historically operated a defined benefit scheme; this was closed to future accrual in 2005. The Group's net obligation in respect of its defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit

credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Re-measurements of the net defined benefit asset, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in personnel expenses in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### **Use of judgements and estimates**

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

## MATERIAL ACCOUNTING POLICIES (CONTINUED)

### Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements are included in:

- Note 28: establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL.

### Assumptions and estimations

Information about assumptions and estimations that have a significant risk of resulting in a material adjustment in the year is included in the following notes:

- Note 11: loans and advances to customers – the assessment of the expected life of mortgages will change the timescale over which interest income is released and thus impact the gross carrying value of the mortgages.
- Note 22: measurement of defined benefit obligations: key actuarial assumptions.
- Note 28: impairment of financial instruments: key assumptions used in estimating recoverable cash flows.
- Note 28: impairment of financial instruments: determining inputs into the ECL measurement model, including incorporation of forward-looking information.

## 2. FUTURE ACCOUNTING DEVELOPMENTS

The IASB has not published any new standards effective from 1 January 2025, however it has published some minor amendments effective from that date that are adopted by the UK Endorsement Board, which are as follows:

- Lack of Exchangeability (Amendments to IAS 21)

The Society has assessed these that these will have an insignificant impact on the consolidated financial statements of the Group and Society.

## 3. INTEREST INCOME

All figures £'000

	2024	2023	2024	2023
	Group	Group	Society	Society
On loans fully secured on residential property	37,675	28,049	37,675	28,049
On other loans	1,346	1,329	1,346	1,329
On debt securities	539	-	539	-
On liquid assets	7,337	5,306	7,337	5,306
<b>Total interest income calculated using the effective interest rate method</b>	<b>46,897</b>	<b>34,684</b>	<b>46,897</b>	<b>34,684</b>
Net interest income / (expense) on derivatives	1,658	3,112	1,658	3,112
<b>Total</b>	<b>48,555</b>	<b>37,796</b>	<b>48,555</b>	<b>37,796</b>

Included within interest income is £74k (2023: £54k) in respect of interest income accrued on impaired loans two or more months in arrears.

## Notes to the Annual Report and Accounts (continued)

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

All figures £'000	2024	2023	2024	2023
	Group	Group	Society	Society
On shares held by individuals	24,869	16,207	24,869	16,207
On deposits and other borrowings	3,971	3,156	3,971	3,156
<b>Total interest expense calculated using the effective interest rate method</b>	<b>28,840</b>	<b>19,363</b>	<b>28,840</b>	<b>19,363</b>
Net interest cost / (income) on derivatives	1,610	1,017	1,610	1,017
<b>Total</b>	<b>30,450</b>	<b>20,380</b>	<b>30,450</b>	<b>20,380</b>

### 5. NET GAIN/ (LOSS) FROM DERIVATIVE FINANCIAL INSTRUMENTS

All figures £'000	2024	2023	2024	2023
	Group	Group	Society	Society
Derivatives in designated fair value hedge relationships	157	(3,623)	157	(3,623)
Adjustments to hedged items in fair value hedge accounting relationships	(229)	3,212	(229)	3,212
Derivatives not in designated fair value hedge relationships	(69)	(155)	(69)	(155)
Subtotal	(141)	(566)	(141)	(566)
Terminated Derivatives	-	37	-	37
<b>Total</b>	<b>(141)</b>	<b>(529)</b>	<b>(141)</b>	<b>(529)</b>

The net gain from derivative financial instruments was £309k in 2024. This has moved from a loss of £529k in 2023 and represents the net fair value movement on derivative instruments that are matching risk exposure on an economic basis.

Some accounting volatility arises on these items due to accounting ineffectiveness on designated hedges, or because hedge accounting is not achievable on certain items. The movement is primarily due to timing differences in income recognition between derivative instruments and the hedged assets or liabilities. This gain or loss will trend to zero over time and this is taken into account by the Board when considering the Group's underlying performance.

**Notes to the Annual Report and Accounts (continued)**

**ADMINISTRATIVE EXPENSES (continued)**

**6. ADMINISTRATIVE EXPENSES**

<b>All figures £'000</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
<i>Staff costs</i>				
Wages and salaries	6,580	5,731	6,580	5,731
Social security costs	712	632	712	632
Other pension costs	971	540	971	540
<b>Total staff costs</b>	<b>8,263</b>	<b>6,903</b>	<b>8,263</b>	<b>6,903</b>
Other administrative costs	5,903 *	4,576	5,903	4,576
<b>Total</b>	<b>14,166</b>	<b>11,479</b>	<b>14,166</b>	<b>11,479</b>

\*Other administrative costs include IT costs of £2.7m & Professional Costs of £730k

**Auditor's Remuneration**

Included in other administrative costs are the fees paid to auditors. These are analysed below:

<b>All figures £'000 and exclude VAT</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Auditor's remuneration	224	195	224	195
<b>Total</b>	<b>224</b>	<b>195</b>	<b>224</b>	<b>195</b>

**Staff Numbers**

The Full Time Equivalents of staff for the Group and the Society as at Dec 2024, including Executive Directors, all of whom were employed in the UK, was:

<b>Full Time Equivalents</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Full time employees	100	97	100	97
Part time employees	38	35	38	35
<b>Total</b>	<b>138</b>	<b>132</b>	<b>138</b>	<b>132</b>

<b>Full Time Equivalents</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Head office	123	116	123	116
Branches	15	16	15	16
<b>Total</b>	<b>138</b>	<b>132</b>	<b>138</b>	<b>132</b>

**Notes to the Annual Report and Accounts (continued)**

**ADMINISTRATIVE EXPENSES (continued)**

The number of staff for the Group and the Society as at Dec 2024, including Executive Directors, all of whom were employed in the UK, was:

<b>Headcount Numbers</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Branch Full time employees	5	5	5	5
Branch Part time employees	16	17	16	17
<b>Total</b>	<b>21</b>	<b>22</b>	<b>21</b>	<b>22</b>

<b>Headcount Numbers</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Head Office Full time employees	95	92	95	92
Head Office Part time employees	47	40	47	40
<b>Total</b>	<b>142</b>	<b>132</b>	<b>142</b>	<b>132</b>

<b>Headcount Numbers</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Total Branch employees	21	22	21	22
Total Head Office employees	142	132	142	132
<b>Total</b>	<b>163</b>	<b>154</b>	<b>163</b>	<b>154</b>

**Directors' Emoluments and Transactions**

**Directors' Emoluments**

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>	<b>Group</b>	<b>Group</b>
For services as Non-Executive Directors	289	240
For services as Executive Directors	753	811
<b>Total</b>	<b>1,042</b>	<b>1051</b>

**Directors' Transactions**

Full details of audited emoluments for non-executive directors and for Executive Directors are given in the Directors' Remuneration Report on page 25.

There have been no significant contracts during the year in which any Director had a material interest.

A register is maintained in accordance with the requirements of Section 68 of the Building Societies Act 1986, and the requisite particulars are available for inspection at the Society's head office during the period of 15 days expiring with the annual general meeting, and at the annual general meeting on 25 April 2024.

**Notes to the Annual Report and Accounts (continued)**

**7. IMPAIRMENT LOSSES/GAINS ON LOANS AND ADVANCES**

The table below shows charge/ (credit) to the income statement which comprises:

All figures £'000	2024	2024	2024	2023	2023	2023
	Loans fully secured on residential property	Other loans fully secured on land	Total	Loans fully secured on residential property	Other loans fully secured on land	Total
Impairment on loans and advances (Release)/ credit	(316)	(19)	(335)	451	(14)	437
Operational losses	-	-	-	2	-	2
<b>Total</b>	<b>(316)</b>	<b>(19)</b>	<b>(335)</b>	<b>453</b>	<b>(14)</b>	<b>439</b>

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

All figures £'000	2024	2023	2024	2023
	Group	Group	Society	Society
Current tax	704	996	704	996
Adjustment in respect of prior years	15	2	15	2
<b>Total current tax</b>	<b>719</b>	<b>998</b>	<b>719</b>	<b>998</b>
Origination and reversal of temporary difference	193	73	193	73
Effect of change in tax rate on deferred tax	0	5	0	5
Adjustment in respect of prior years	(4)	(1)	(4)	(1)
<b>Total deferred tax</b>	<b>189</b>	<b>77</b>	<b>189</b>	<b>77</b>
<b>Total tax expense</b>	<b>908</b>	<b>1075</b>	<b>908</b>	<b>1,075</b>

The total tax charge for the period differs from that calculated using the UK standard rate of corporation tax. The differences are explained below.

All figures £'000	2024	2023	2024	2023
	Group	Group	Society	Society
<b>Profit before tax</b>	<b>3,490</b>	<b>4,349</b>	<b>3,490</b>	<b>4,349</b>
Expected tax at 25%	873	1,088	873	1,088
Other adjustments	(30)	(80)	(30)	(80)
Expenses not deductible for corporation tax purposes	54	61	54	61
Super deduction element of capital allowances	0	(1)	0	(1)
Effect of change in tax rate on deferred tax	0	5	0	5
Adjustment in respect of prior years	11	2	11	2
<b>Total tax expense</b>	<b>908</b>	<b>1075</b>	<b>908</b>	<b>1075</b>

**Notes to the Annual Report and Accounts (continued)**

**9. LOANS AND ADVANCES TO CREDIT INSTITUTIONS**

All figures £'000

	2024	2023	2024	2023
	Group	Group	Society	Society
Repayable on call and short notice	22,728	7,795	22,728	7,795
Other loans and advances to credit institutions	522	550	522	550
<b>Total</b>	<b>23,250</b>	<b>8,345</b>	<b>23,250</b>	<b>8,345</b>

**10. DERIVATIVE FINANCIAL INSTRUMENTS**

The Group mitigates the credit risk of derivatives by holding collateral in the form of cash where credit risk exceeds an agreed threshold as set out below.

Derivative transactions are entered into under International Swaps and Derivatives Association (ISDA) master agreements. Under these agreements and in certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement with the counterparty are terminated. The termination values are therefore assessed for settlement of all transactions with the counterparty. There is no right of set off. The Group executes a Credit Support Annex (CSA) in conjunction with each ISDA agreement, which requires the Group and its counterparties to post collateral to mitigate counterparty credit risk, where collateral is only posted should the minimum threshold amount of £250,000 be reached. At 31 December 2024, £720k was received and £280k was placed (2023: £950k was received and £280k was placed) as cash collateral with swap counterparties.

The Society does not transact derivatives on exchanges or with Central Clearing Parties.

Before fair value hedge accounting is applied by the Group, the Group determines whether an economic relationship between the hedged item and the hedging instrument exists based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the fair value of the hedged item and the hedging instrument respond similarly to similar risks. The Group further supports this qualitative assessment by using

regression analysis to assess whether the hedging instrument is expected to be highly effective.

The Group establishes a hedge ratio by aligning the par amount of the fixed-rate loan or deposit and the notional amount of the interest rate swap designated as a hedging instrument. Under the Group policy, in order to conclude that a hedge relationship is effective, all of the following criteria should be met:

- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 0.9;
- The slope of the regression line is within a 0.8–1.25 range; and
- The confidence level of the slope is at least 95%.

In these hedge relationships, the main sources of ineffectiveness are:

- The effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and
- Differences in maturities of the interest rate swap and the loans or the deposit products.

There were no other sources of ineffectiveness in these hedge relationships.

The effective portion of fair value gains on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in net gains from derivative financial instruments (Note 5).

**Notes to the Annual Report and Accounts (continued)**
**DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

At 31 December 2024, the Group held the following interest rate swaps as hedging instruments in fair value hedges of interest rate risk.

<b>Group and Society As at December 2024</b>	<b>Maturity</b>		
	<b>Less than 1 year</b>	<b>1 – 5 years</b>	<b>More than 5 years</b>
<b>All figures £'000</b>			
<b>Hedge of loans and advances</b>			
Nominal amount	7,000	89,500	-
Average fixed interest rate	2.81%	3.46%	-
<b>Hedge of retail deposits</b>			
Nominal amount	96,500	122,000	-
Average fixed interest rate	4.55%	4.24%	-
<b>Group and Society As at December 2023</b>	<b>Maturity</b>		
	<b>Less than 1 year</b>	<b>1 – 5 years</b>	<b>More than 5 years</b>
<b>All figures £'000</b>			
<b>Hedge of loans and advances</b>			
Nominal amount	20,000	68,500	-
Average fixed interest rate	2.08%	3.17%	-
<b>Hedge of retail deposits</b>			
Nominal amount	62,000	114,500	-
Average fixed interest rate	3.31%	4.53%	-

The tables below provide analysis of the impacts of fair value hedge accounting on the Statement of Financial Position and the Income Statement:

<b>Group and Society As at December 2024</b>	<b>Interest Rate Swaps</b>		<b>Hedged items</b>				<b>Statement of Financial Position (SOPF) line item</b>
	<b>Notional Amount</b>	<b>Carrying amount (Note 1)</b>	<b>Carrying amount</b>		<b>Accumulated fair value adjustments</b>		
			<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>	
<b>All figures £'000</b>			<b>Assets</b>	<b>Liabilities</b>	<b>Assets</b>	<b>Liabilities</b>	
Hedge of loans and advances to customers	96,500	1,597 (448)	100,632	-	(1,825)	-	Note 2
Hedge of retail deposits	218,500	1,731 (2,099)	-	(218,095)	-	16	Note 3

**Notes to the Annual Report and Accounts (continued)**
**DERIVATIVE FINANCIAL INSTRUMENTS (continued)**

Group and Society As at December 2023	Interest Rate Swaps			Carrying amount		Hedged items		Statement of Financial Position (SOFP) line item
	Notional Amount	Carrying amount (Note 1)		Carrying amount		Accumulated fair value adjustments		
All figures £'000		Assets	Liabilities	Assets	Liabilities	Assets	Liabilities	
Hedge of loans and advances to customers	88,500	1,977	(1,080)	82,984		(1,833)		Note 2
Hedge of retail deposits	176,500	1,413	(1,340)		(175,020)		217	Note 3

## Notes:

1. The Statement of Financial Position line that includes these items is 'Derivative financial instruments'.
2. The Statement of Financial Position line that includes these fair value adjustments on hedged items is 'Fair value adjustment for hedged risk on loans and advances to customers'.
3. The Statement of Financial Position line that includes these fair value adjustments on hedged items is 'Fair value adjustment for hedged risk on shares'.

Group and Society As at December 2024	Change in fair value of hedging instrument (Note 1)	Change in fair value of hedged item (Note 1)	Total hedge ineffectiveness (Note 2)	Accumulated amount of fair value adjustments in the SOFP (Note 3)
<b>All figures £'000</b>				
Loans and advances to customers	343	(430)	(86)	450
Retail Deposits	(255)	201	(55)	-
<b>Group and Society As at December 2023</b>				
<b>All figures £'000</b>				
Loans and advances to customers	(4,735)	4,002	(733)	37
Retail Deposits	1,005	(839)	167	-

## Notes

1. The change in fair value during the period was used as the basis for calculating hedge ineffectiveness and was recognised in the 'net gain/(losses) from derivative financial instruments' line in the Income Statement.
2. The amount of hedge ineffectiveness during the period was recognised in the 'Fair value gains/(losses) from financial instruments' line in the Income Statement.
3. The accumulated amount of fair value adjustments relate to previously hedged items where the adjustment is being amortised in the Income Statement.

**Notes to the Annual Report and Accounts (continued)**
**11. LOANS AND ADVANCES TO CUSTOMERS**

All figures £'000	2024	2023	2024	2023
	Group	Group	Society	Society
Loans fully secured on residential property	648,046	581,147	648,046	581,147
Other loans fully secured on land	18,503	19,640	18,503	19,640
<b>Gross loan receivables</b>	<b>666,549</b>	<b>600,787</b>	<b>666,549</b>	<b>600,787</b>
Provision for impairment losses on loans and advances (see below)	(1,085)	(1,420)	(1,085)	(1,420)
<b>Net loan receivables</b>	<b>665,464</b>	<b>599,367</b>	<b>665,464</b>	<b>599,367</b>
Fair value adjustment for hedged risk	(1,825)	(1,833)	(1,825)	(1,833)
<b>Total</b>	<b>663,639</b>	<b>597,534</b>	<b>663,639</b>	<b>597,534</b>

The Group has pledged £74.5m (2023: £94m) of mortgage loan pools with the Bank of England. Of these mortgage loan pools £61m (2023: £79m) are encumbered mortgage assets supporting the TFSME scheme.

In determining the expected life of mortgage assets, the Group uses historical and forecast redemption data as well as management judgement.

At regular intervals throughout the year, the expected life of mortgage assets is reassessed for reasonableness. Any variation in the expected life of mortgage assets will change the carrying value in the statement of financial position and the timing of the recognition of interest income.

A one month increase in average life of a mortgage, allied to the assumption that this additional time would be on SVR would result in a £0.6m (2023: £3.5m) increase in the gross carrying value of loans and advances.

The movement in provision for impairment losses on loans and advances for the Group may be analysed as follows:

Group and Society All figures £'000	Stage 1	Stage 2	Stage 3	2024 Total
	Loan Balance at 1 January 2024	569,219	27,982	3,585
Transfers resulting in increased impairment loss provision:				
From Stage 1 to Stage 2	(26,239)	26,239	-	-
From Stage 1 to Stage 3	(364)	-	364	-
From Stage 2 to Stage 3	-	(1,893)	1,893	-
Transfers resulting in reduced impairment loss provision:				
From Stage 2 to Stage 1	4,725	(4,725)	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
New Advances <sup>1</sup>	191,819	8,413	3	200,235
Redemptions and Repayments	(125,313)	(6,341)	(2,819)	(134,473)
<b>Loan Balance at 31 December 2024</b>	<b>613,848</b>	<b>49,675</b>	<b>3,025</b>	<b>666,549</b>

**Notes to the Annual Report and Accounts (continued)**

**LOANS AND ADVANCES TO CUSTOMERS (continued)**

<b>Group and Society</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>2024</b>
<b>All figures £'000</b>				<b>Total</b>
Provision at 1 January 2024	833	470	117	1,419
Transfers resulting in increased impairment loss provision:				
From Stage 1 to Stage 2	(132)	132	-	-
From Stage 1 to Stage 3	(138)	-	138	-
From Stage 2 to Stage 3	-	(247)	247	-
Transfers resulting in reduced impairment loss provision:				
From Stage 2 to Stage 1	-	-	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
New Advances <sup>1</sup>	116	15	-	131
Redemptions and Repayments	(65)	(49)	(110)	(224)
Other re-measurement of impairment loss provision	(133)	(100)	(7)	(241)
Write offs	-	-	-	-
<b>Provision at 31 December 2024</b>	<b>481</b>	<b>219</b>	<b>386</b>	<b>1,085</b>

<b>Group and Society</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>2023</b>
<b>All figures £'000</b>				<b>Total</b>
Loan Balance at 1 January 2023	483,685	20,040	-	503,725
Transfers resulting in increased impairment loss provision:				
From Stage 1 to Stage 2	(15,628)	15,628	-	-
From Stage 1 to Stage 3	(3,569)	-	3,569	-
From Stage 2 to Stage 3	-	-	-	-
Transfers resulting in reduced impairment loss provision:				
From Stage 2 to Stage 1	9,820	(9,820)	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
New Advances <sup>1</sup>	192,664	4,913	16	197,593
Redemptions and Repayments	(97,752)	(2,779)	-	(100,531)
<b>Loan Balance at 31 December 2023</b>	<b>569,220</b>	<b>27,982</b>	<b>3,585</b>	<b>600,787</b>

**Notes to the Annual Report and Accounts (continued)**

**LOANS AND ADVANCES TO CUSTOMERS (continued)**

<b>Group and Society</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>2023 Total</b>
<b>All figures £'000</b>				
Provision at 1 January 2023	659	323	-	982
Transfers resulting in increased impairment loss provision:				
From Stage 1 to Stage 2	(82)	82	-	-
From Stage 1 to Stage 3	(117)	-	117	-
From Stage 2 to Stage 3	-	-	-	-
Transfers resulting in reduced impairment loss provision:				
From Stage 2 to Stage 1	15	(15)	-	-
From Stage 3 to Stage 1	-	-	-	-
From Stage 3 to Stage 2	-	-	-	-
New Advances <sup>1</sup>	349	171	-	520
Redemptions and Repayments	(38)	(9)	-	(47)
Other re-measurement of impairment loss provision	47	(82)	-	(113)
Write offs	-	-	-	-
<b>Provision at 31 December 2023</b>	<b>833</b>	<b>470</b>	<b>117</b>	<b>1,420</b>

<sup>1</sup>New assets originated enter at stage 1 and would have movements to either stage 2 or stage 3. The movement between stages represents the movements in the year from previously written loans. The balances presented are the final position as at 31 December 2024

**INVESTMENTS IN SUBSIDIARY UNDERTAKINGS**

The Society directly holds 100% of the issued ordinary share capital of Market Harbourough Mortgages Limited. The principal activity of the company is mortgage related finance. Its share capital is £1 (2023: £1). Its principal place of business is Welland House, The Square, Market Harbourough, Leicestershire, LE16 7PD. It is registered in England and Wales. There have been no additions or disposals of investments during the year. Market Harbourough Mortgages Limited became dormant from 1 January 2016.

**Notes to the Annual Report and Accounts (continued)**

**12. DEBT SECURITIES**

<b>All figures £'000</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Treasury bills	19,647	-	19,647	-
<b>Total</b>	<b>19,647</b>	<b>-</b>	<b>19,647</b>	<b>-</b>

Movements on debt securities are for Group and Society, movement during the year may be analysed as follows:

<b>All figures £'000</b>	<b>2024</b>	<b>2023</b>
Balance at 1 January 2024	-	-
Additions	38,766	-
Disposals and maturities	(19,119)	-
<b>Balance at 31 December 2024</b>	<b>19,647</b>	<b>-</b>

**13. OTHER ASSETS**

<b>All figures £'000</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Prepayments	969	762	969	762
Other debtors	3	2	3	2
<b>Total</b>	<b>972</b>	<b>764</b>	<b>972</b>	<b>764</b>

The fair value of other financial assets approximates the book value.

**Notes to the Annual Report and Accounts (continued)**

**14. PROPERTY PLANT AND EQUIPMENT**

<b>Group &amp; Society 2024</b>	<b>Freehold Property</b>	<b>Leasehold Property</b>	<b>Equipment Fixtures &amp; Fittings</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>All figures £'000</b>					
At 1 January	6,636	73	3,853	28	10,591
Additions	1,303	-	600	-	1,902
Disposals	-	-	-	-	-
<b>Total cost at 31 December</b>	<b>7,939</b>	<b>73</b>	<b>4,453</b>	<b>28</b>	<b>12,493</b>
At 1 January	165	73	3,663	18	3,919
Charge for the year	85	-	191	5	281
On disposals	-	-	-	-	-
<b>Total depreciation at 31 December</b>	<b>250</b>	<b>73</b>	<b>3,854</b>	<b>23</b>	<b>4,200</b>
At 1 January	537	-	-	-	537
Charge for the year	-	-	-	-	-
Reversed during the year	(63)	-	-	-	(63)
<b>Impairment at 31 December</b>	<b>474</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>474</b>
<b>Net book value at 31 December</b>	<b>7,215</b>	<b>0</b>	<b>599</b>	<b>5</b>	<b>7,819</b>
<b>Group &amp; Society 2023</b>	<b>Freehold Property</b>	<b>Leasehold Property</b>	<b>Equipment Fixtures &amp; Fittings</b>	<b>Motor Vehicles</b>	<b>Total</b>
<b>All figures £'000</b>					
At 1 January	2,744	73	3,712	40	6,569
Additions	3,892	-	140	-	4,033
Disposals	-	-	-	(12)	(12)
<b>Total cost at 31 December</b>	<b>6,636</b>	<b>73</b>	<b>3,853</b>	<b>28</b>	<b>10,590</b>
At 1 January	138	73	3,555	23	3,789
Charge for the year	27	-	108	7	142
On disposals	-	-	-	(12)	(12)
<b>Total depreciation at 31 December</b>	<b>165</b>	<b>73</b>	<b>3,663</b>	<b>18</b>	<b>3,919</b>
<b>Impairment at 31 December</b>	<b>537</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>537</b>
<b>Net book value at 31 December</b>	<b>5,935</b>	<b>-</b>	<b>190</b>	<b>10</b>	<b>6,135</b>

**Notes to the Annual Report and Accounts (continued)**

**15. INTANGIBLE ASSETS**

<b>Group &amp; Society 2024</b>	<b>Purchased Software</b>
<b>All figures £'000</b>	
At 1 January	4,263
Additions	-
<b>Total cost at 31 December</b>	<b>4,263</b>

<b>Amortisation</b>	
At 1 January	4,002
Charge for the year	136
<b>Total amortisation at 31 December</b>	<b>4,138</b>

<b>Net book value at 31 December</b>	<b>125</b>
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<b>Group &amp; Society 2023</b>	<b>Purchased Software</b>
<b>All figures £'000</b>	
At 1 January	4,182
Additions	138
Written off in the year	(57)
<b>Total cost at 31 December</b>	<b>4,263</b>

At 1 January	3,697
Charge for the year	305
<b>Total amortisation at 31 December</b>	<b>4,002</b>

<b>Net book value at 31 December</b>	<b>261</b>
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**Notes to the Annual Report and Accounts (continued)**

**16. LEASES**

During 2024 the Society had one financial lease contract relating to a branch building lease.

The statement of financial position shows the following amounts relating to leases:

<b>Group &amp; Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>	<b>£'000</b>	<b>£'000</b>
Right-of-use assets as at 1 January	20	40
Additions	-	-
Amortisation	(20)	(20)
<b>Right-of-use assets as at 31 December</b>	<b>0</b>	<b>20</b>

Lease liability maturity analysis:

<b>Group &amp; Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>	<b>£'000</b>	<b>£'000</b>
Less than one year	-	20
One to five years	-	-
More than five years	-	-
<b>Total lease liabilities as at 31 December</b>	<b>0</b>	<b>20</b>

The income statement shows the following amounts relating to leases:

<b>Group &amp; Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>	<b>£'000</b>	<b>£'000</b>
Depreciation charge for right-of-use assets	20	20

**Notes to the Annual Report and Accounts (continued)**

**17. DEFERRED TAX**

<b>Deferred tax movement</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
At 1 January	(243)	(171)	(243)	(171)
Income statement credit	(189)	(77)	(189)	(77)
Recognised directly in other comprehensive income	(115)	5	(115)	5
<b>At 31 December</b>	<b>(547)</b>	<b>(243)</b>	<b>(547)</b>	<b>(243)</b>

The deferred tax charge in the income statement comprises the following temporary differences:

<b>All figures £'000</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Property, plant and equipment and intangibles	(120)	19	(120)	19
IFRS 9 transitional adjustment	7	6	7	6
Pensions and other post tax retirement benefits	(25)	(39)	(25)	(39)
Effect of change in tax rate	0	(5)	0	(5)
Adjustment for prior years	4	1	4	1
Other provisions	(55)	(59)	(55)	(59)
<b>Total</b>	<b>(189)</b>	<b>(77)</b>	<b>(189)</b>	<b>(77)</b>

Deferred income tax liabilities are attributable to the following items:

<b>All figures £'000</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Pensions and other post-retirement benefits	(275)	(134)	(275)	(134)
Property, plant and equipment	(253)	(130)	(253)	(130)
Other	(19)	21	(19)	21
<b>Total</b>	<b>(547)</b>	<b>(243)</b>	<b>(547)</b>	<b>(243)</b>

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset realised.

**Notes to the Annual Report and Accounts (continued)**

**18. SHARES**

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Held by individuals	706,848	562,450
Other shares	2,250	1,511
Fair value adjustment for hedged risk	16	217
<b>Total</b>	<b>709,114</b>	<b>564,178</b>

**19. AMOUNTS OWED TO CREDIT INSTITUTIONS**

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Amounts owed to credit institutions	47,575	59,274
<b>Total</b>	<b>47,575</b>	<b>59,274</b>

At 31 December 2024 the Society has drawn £47m under the Term Funding Scheme with additional incentives for SMEs (TFSME), included above. These loans are repayable to the Bank of England in 2025.

**20. AMOUNTS OWED TO OTHER CUSTOMERS**

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
<i>Retail customers:</i>		
On demand	4,700	5,536
Notice	36,140	28,732
<i>Local authorities</i>		
Term	-	2,069
<b>Total</b>	<b>40,840</b>	<b>36,337</b>

**21. OTHER LIABILITIES AND ACCRUALS**

<b>All figures £'000</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Accruals	1,005	1,718	1,005	1,718
Other taxes and social security	273	248	273	248
Amounts due to subsidiary	0	0	1,185	1,185
Other creditors	747	193	747	193
<b>Total</b>	<b>2,025</b>	<b>2,159</b>	<b>3,210</b>	<b>3,344</b>

The fair value of other financial liabilities and accruals approximates the book value.

**Notes to the Annual Report and Accounts (continued)**
**22. RETIREMENT BENEFIT LIABILITIES / ASSETS**
**Defined benefit scheme**

The Society operates a pension scheme providing benefits based on final pensionable pay that was closed for the accrual of future benefits on 6 April 2005 and replaced with a defined contribution group personal pension scheme. The assets of the former are held separately from those of the Society being invested with an insurance company in managed funds.

The pension cost is assessed following the advice of a qualified independent actuary using the projected unit method. The latest funding review of the scheme which has been completed was at 6 April 2018 and takes into account the closure of the scheme for future service accrual. This review showed that the market value of the scheme assets at 6 April 2018 was £9.2 million and that the actuarial value of those assets represented 93% of the benefits that had accrued to members after allowing for expected future increase in salaries. The Triannual Actuarial Report at 6 April 2021 provided an updated valuation of assets of £9.6m and that the scheme remained 94% funded. The Society continues to make contributions in line with agreed schedule in order to eliminate this deficit.

Following the High Court ruling in October 2018, the liability reported includes an increase of £172k relating to an additional provision for Guaranteed Minimum Pension (GMP) equalisation. This additional charge was accounted for through the Income Statement in 2018.

The Society is aware of the 2023 ruling in the Virgin Media vs NTL Pension Trustee case and subsequent court of appeal ruling published in July 2024. These ruled that certain amendments made to the NTL Pension Plan were invalid because they were not accompanied by the correct actuarial confirmation. There remains significant uncertainty as to whether the judgments will result in additional liabilities for UK pension schemes and it is possible that the Department of Work & Pensions will introduce legislation to allow changes to be certified retrospectively. A detailed review of historic documentation will be needed to determine whether the changes made by the Scheme were valid (assuming retrospective certification does not become an option), and such a review will take some time to complete. As a result, the Society cannot be certain of the potential implications (if any) and therefore a sufficiently reliable estimate of any effect on the obligation cannot be made.

An updated actuarial valuation at 31 December 2024 was carried out in line with IAS 19 by a qualified independent actuary, as follows:

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>Growth and rates of return</b>		
Discount rate	5.5	4.5
Rate of increase in salaries	3.6	3.5
Pension Increases:		
Rate of increase in pensions (RPI max 5% min 3%)	3.6	3.5
Rate of increase in pensions (RPI max 5%)	3	2.9
Inflation	3.1	3.0

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>Expected life at 31 December (normal retirement age of 65)</b>		
Expected life at retirement for a new pensioner (yrs.) - Male	21.3	21.5
Expected life at retirement for a new pensioner (yrs.) - Female	23.8	23.9
Expected life at retirement in 20 years' time (yrs.) - Male	22.6	22.7
Expected life at retirement in 20 years' time (yrs.) - Female	25.2	25.3

**Notes to the Annual Report and Accounts (continued)**
**RETIREMENT BENEFIT LIABILITIES / ASSETS (continued)**

Approximate sensitivities of the principal assumptions are set out in the table below which shows the increase or reduction in the pension obligations that would result. Each sensitivity considers one change in isolation.

<b>Group and Society</b>	<b>Change in assumption</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>			
Discount rate	+/- 0.5% pa	- 5% / + 6%	- 6% / + 7%
Rate of inflation	+/- 0.5% pa	+/- 2%	+ 3% / - 2%
Rate of increase in salaries	+/- 0.5% pa	Less than +/- 1%	Less than +/- 1%
Life expectancy	+/- 0.5% pa	+ 4%	+ 4%

**Fair Value of scheme assets**

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
As at 1 January	8,236	7,679
Interest on pension scheme assets	365	365
Contributions by employer	165	235
Benefits paid	(311)	(309)
Administration costs	(85)	(86)
Loss on asset returns	(450)	352
<b>At 31 December</b>	<b>7,920</b>	<b>8,236</b>

**Present value of defined benefit obligations**

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
As at 1 January	(7,700)	(7,286)
Interest on pension scheme liabilities	(346)	(348)
Benefits paid	311	309
Experience gain/(loss) on liabilities	75	(252)
Gain on changes in assumptions	838	(123)
<b>At 31 December</b>	<b>(6,822)</b>	<b>(7,700)</b>

**Notes to the Annual Report and Accounts (continued)**

**RETIREMENT BENEFIT LIABILITIES / ASSETS (continued)**

The amounts recognised in the statement of financial position are determined as follows:

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Present value of funded obligations	(6,822)	(7,700)
Fair value of plan assets	7,920	8,236
<b>Surplus / (Liability) in the statement of financial position</b>	<b>1,098</b>	<b>536</b>

The Trust Deed provides the Society with an unconditional right to a refund of surplus assets assuming the full settlement of plan liabilities in the event of a plan wind-up. In the ordinary course of business the Trustees have no rights to unilaterally wind-up, or otherwise augment the benefits due to members of the scheme. Based on these rights, any net surplus in the scheme is recognised in full.

The actual return on plan assets less interest was a loss of £450k (2023: £352k gain). The amounts recognised in the income statement are as follows:

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Amounts recognised in finance income		
Interest cost	(346)	(348)
Administration costs	(85)	(86)
Interest on pension scheme assets	365	365
<b>Total</b>	<b>(66)</b>	<b>(69)</b>

Movement in the liability recognised in the statement of financial position:

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Opening defined benefit obligation	536	393
Total as above	(66)	(69)
Employer contributions	165	235
Re-measurement gains/(losses)	463	(23)
<b>Closing defined benefit obligation</b>	<b>1,098</b>	<b>536</b>

The amounts recognised in the statement of other comprehensive income are as follows:

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Actual loss on pension scheme assets	(450)	352
Experience (loss)/gain arising on scheme liabilities	75	(252)
Changes in assumptions underlying the present value of the scheme liabilities	838	(123)
<b>Re-measurement of defined benefit obligation</b>	<b>463</b>	<b>(23)</b>

**Notes to the Annual Report and Accounts (continued)**
**RETIREMENT BENEFIT LIABILITIES / ASSETS (continued)**

The major categories of plan assets are:

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Equities	1,290	2,421
Bonds	-	-
Cash	22	67
Property	5	34
Liability Driven Investment (LDI)	2,251	2,090
Diversified Growth Funds (DGFs)	1,511	1,451
Diversified Credit Funds (DCFs)	2,841	2,173
<b>Total</b>	<b>7,920</b>	<b>8,236</b>

During 2021 the Trustees reviewed its investment strategy and commenced investment in Liability driven investments (LDIs). LDI is a form of investing in which the main goal is to gain sufficient assets to meet all liabilities.

Diversified Growth Funds (DGFs) are an actively managed multi-asset portfolio that aims to deliver returns comparable to global equities over the medium term, but with lower volatility Share Class.

Diversified Credit Funds (DCFs) are a fund that has invested in many different types of securities in order to hedge against the securities already in the fund.

The average duration of the defined benefit obligation at 31 December 2024 is 12 years (2023: 14 years).

During 2024 the Group made additional contributions of £165k (2023: £235k) as part of its funding plan. The Group and Society expect to contribute £75k to the fund during 2025. History of gains and losses for the current and previous four years is as follows:

<b>Group &amp; Society</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>All figures £'000</b>					
Present value of defined benefit obligation	(6,822)	(7,700)	(7,286)	(11,441)	(12,520)
Fair value of plan assets	7,920	8,236	7,679	11,102	11,272
Plan surplus/(deficit)	1,098	536	393	(339)	(1,248)
Experience adjustments on plan liabilities	75	(252)	348	(98)	-
Percentage of scheme liabilities	-1.1%	3.3%	-4.8%	0.9%	0.0%

**Defined contribution scheme**

Since April 2005 the Society has operated a defined contribution group personal pension scheme for eligible employees. Contributions of £971k were paid in 2024 (2023: £540k) to personal pension plans held in the names of individual employees with a major UK insurance company. There were no outstanding contributions at the beginning or end of the year.

**Notes to the Annual Report and Accounts (continued)**
**23. GENERAL RESERVE**

<b>All figures £'000</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
At 1 January	56,930	53,673	55,745	52,488
Profit for the financial year	2,582	3,274	2,582	3,274
Net gain recognised directly in other comprehensive income	347	(17)	347	(17)
<b>At 31 December</b>	<b>59,859</b>	<b>56,930</b>	<b>58,674</b>	<b>55,745</b>

**24. CASH AND CASH EQUIVALENTS**

<b>All figures £'000</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Group</b>	<b>Group</b>	<b>Society</b>	<b>Society</b>
Cash in hand	150	154	150	154
Balances with Bank of England	142,732	104,896	142,732	104,896
<b>Total Cash in hand and balances at central banks</b>	<b>142,882</b>	<b>105,050</b>	<b>142,882</b>	<b>105,050</b>
Loans and advances to credit institutions (note 9)	22,728	7,795	22,728	7,795
<b>Total including Loans and advances to credit institutions</b>	<b>165,610</b>	<b>112,845</b>	<b>165,610</b>	<b>112,845</b>

**25. FINANCIAL INSTRUMENTS**

The Group is a retailer of financial instruments, mainly in the form of mortgages and savings products. Through its normal operations it is exposed to a number of risks, the most significant of which are liquidity, credit risk in the mortgage book, credit risk in the treasury portfolio and interest rate risks (see below). The Group has a formal structure for managing these, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Society's Board when considering the responsibility for managing and controlling the balance sheet exposures of the Group. The Assets and Liabilities Committee monitors liquidity risk and interest rate risk in the balance sheet, including in accordance with the Society's policy regarding interest rate risk in the banking book as approved by the Board. The Board monitors strategic risks such as margin compression and net interest margin, and the Risk Committee monitors other risks against the Board risk appetite statements.

Instruments used for risk management purposes include derivative financial instruments (derivatives). Derivatives

are financial contracts or agreements whose value is derived from one (or more) underlying price, rate or index inherent in the contract or agreement, such as the interest rate. The principal derivatives used by the Group in balance sheet risk management are interest rate swaps, caps and collars which are used to hedge Group balance sheet exposures arising from fixed and capped rate mortgage lending, and fixed rate savings products. Such derivatives are only used in accordance with Section 9A of the Building Societies Act 1986, to reduce the risk of loss arising from changes in interest rates or other factors specified in the legislation. They are not used in trading activity or for speculative purposes.

The fair values of these hedges at 31 December 2024 are shown in note 25.

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost. Note 1 describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

**Notes to the Annual Report and Accounts (continued)**

**FINANCIAL INSTRUMENTS (continued)**

The tables below analyse the Group's assets and liabilities by financial classification:

<b>Group &amp; Society 2024</b>	<b>Amortised cost</b>	<b>Designated FV*</b>	<b>FVTOCI</b>	<b>Total</b>
<b>All figures £'000</b>				
Cash and balances at central banks	142,882	-	-	142,882
Loans and advances to credit institutions	23,250	-	-	23,250
Derivative financial instruments	-	3,328	-	3,328
Loans and advances to customers	663,639	-	-	663,639
Debt Securities	-	-	19,647	19,647
Other financial assets	3	-	-	3
<b>Total financial assets</b>	<b>829,774</b>	<b>3,328</b>	<b>19,647</b>	<b>852,749</b>
Shares	709,114	-	-	709,114
Amounts owed to credit institutions	47,575	-	-	47,575
Amounts owed to other customers	40,840	-	-	40,840
Derivative financial instruments	-	2,546	-	2,546
Other financial liabilities	1,752	-	-	1,752
<b>Total financial liabilities</b>	<b>799,281</b>	<b>2,546</b>	<b>-</b>	<b>801,827</b>
<b>Group &amp; Society 2023</b>	<b>Amortised cost</b>	<b>Designated FV*</b>		<b>Total</b>
<b>All figures £'000</b>				
Cash and balances at central banks	105,050	-	-	105,050
Loans and advances to credit institutions	8,345	-	-	8,345
Derivative financial instruments	-	3,391	-	3,391
Loans and advances to customers	597,534	-	-	597,534
<b>Total financial assets</b>	<b>710,929</b>	<b>3391</b>		<b>714,320</b>
Shares	564,178	-	-	564,178
Amounts owed to credit institutions	59,274	-	-	59,274
Amounts owed to other customers	36,337	-	-	36,337
Derivative financial instruments	-	2,420	-	2,420
Other financial liabilities	1,911	-	-	1,911
<b>Total financial liabilities</b>	<b>661,700</b>	<b>2420</b>		<b>664,120</b>

\*Mandatorily at Fair Value through the Income Statement

The Society has an additional financial liability to its subsidiary of £1,185k (2023: £1,185k). Amounts owed to credit institutions are borrowings from the Bank of England under the Term Funding Scheme with additional incentives for SMEs.

**Notes to the Annual Report and Accounts (continued)**
**FINANCIAL INSTRUMENTS (continued)**
**Fair value of financial assets and liabilities**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair value of the financial assets and liabilities above has been calculated using the following valuation methodology (which is explained in note 1):

Note	Valuation Category	Methodology
1	Level 1	The fair value of cash in hand and deposits with central banks is the amount repayable on demand.
2	Level 2	The fair value of overnight deposits is the amount repayable on demand. The estimated fair value of loans and advances to credit institutions is calculated based on discounted expected future cash flows.
3	Level 3	Loans and advances are recorded net of provisions for impairment together with the fair value adjustment for hedged items as required by IFRS 9. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received taking account of expected prepayment rates.  Estimated cash flows are discounted at prevailing market rates for items of similar remaining maturity. The fair values have been adjusted where necessary to reflect any observable market conditions at the time of valuation.
4	Level 3	The fair value of shares and deposits and other borrowings with no stated maturity is the amount repayable on demand.  The fair value of fixed interest bearing deposits and other borrowings without a quoted market price is based on expected future cash flows determined by the contractual terms and conditions discounted at prevailing market rates for items of similar remaining maturity.

The table below analyses the book and fair values of the Group's financial instruments held at amortised cost at 31 December.

Group & Society	Note	2024		2023	
		Book value	Fair value	Book value	Fair value
<b>All figures £'000</b>					
<b>Financial assets</b>					
Cash and balances at central banks	1	142,882	142,882	105,050	105,050
Loans and advances to credit institutions	2	23,250	23,250	8,345	8,345
Loans and advances to customers	3	663,639	667,022	597,534	604,144
<b>Financial liabilities</b>					
Shares	4	709,114	709,753	564,178	564,356
Amounts owed to credit institutions	4	47,575	47,575	59,274	59,274
Amounts owed to other customers	4	40,840	40,840	36,337	36,337

**Notes to the Annual Report and Accounts (continued)**
**FINANCIAL INSTRUMENTS (continued)**
**Fair value of financial assets and liabilities carried at fair value**

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

<b>Group &amp; Society 2024</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>All figures £'000</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	3,328	-	3,328
<b>Financial liabilities</b>				
Derivative financial instruments	-	(2,546)	-	(2,546)

<b>Group &amp; Society 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>All figures £'000</b>				
<b>Financial assets</b>				
Derivative financial instruments	-	3,391	-	3,391
<b>Financial liabilities</b>				
Derivative financial instruments	-	(2,420)	-	(2,420)

**Valuation techniques**

The following is a description of the determination of fair value for financial instruments which are accounted for at fair value using valuation techniques. The fair value hierarchy detailed in IFRS 13: 'Fair Value Measurement' splits the source of input when deriving fair values into three levels, as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly; and
- Level 3 – inputs for the asset or liability that are not based on observable market data.

The main valuation techniques employed by the Group to establish fair value of the financial instruments disclosed above are set out below:

*Interest rate swaps*

- Level 2 - Interest rate swaps valuation is also based on the 'present value' method. Expected interest cash flows are discounted using the prevailing applicable rate: For swaps which are linked to SONIA, the SONIA yield curve is used. The 3 month SONIA yield curve is generally observable market data which is derived from quoted interest rates in similar time bandings which match the timings of the interest cash flows and maturities of the instruments.

**Notes to the Annual Report and Accounts (continued)**

**26. CREDIT RISK**

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

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

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Cash and balances at central banks	142,882	105,050
Loans and advances to credit institutions	23,250	8,345
Other debtors	3	2
Derivative financial instruments	3,328	3,391
Loans and advances to customers	665,464	599,367
Debt Securities	19,647	-
<b>Total statement of financial position exposure</b>	<b>854,574</b>	<b>716,155</b>
Off balance sheet exposure – mortgage commitments	34,877	23,172
<b>Total credit risk exposure</b>	<b>889,451</b>	<b>739,327</b>

**27. TREASURY CREDIT RISK**

Treasury credit risk is the risk that the counterparty may default. The elements on the statement of financial position that represent treasury credit risk are:

- Loans and advances to credit institutions;
- Cash and balances at central banks; and
- Derivative financial instruments.

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

The Group's policy only permits lending to central government (which includes the Bank of England), banks with a high credit rating and certain building societies. Regular analysis of counterparty credit risk and monitoring of publicly available information is performed to highlight possible changes in risk.

An analysis of the Group's treasury asset concentration is shown in the table below:

<b>Group &amp; Society</b>	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>2023</b>
	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>%</b>
Bank of England (AA)	162,397	86%	104,942	90%
AA to AA-	4,302	2%	2,270	2%
A+ to A	22,034	12%	9,195	8%
Other including cash in hand	374	0%	379	0%
<b>Total</b>	<b>189,107</b>	<b>100%</b>	<b>116,786</b>	<b>100%</b>

The Group has no exposure to foreign exchange risk. All instruments are denominated in Sterling.

## Notes to the Annual Report and Accounts (continued)

### TREASURY CREDIT RISK (continued)

All treasury exposures qualify as 'stage 1' exposures under IFRS 9 for impairment provisioning. The Society has Credit Support Annex agreements with all swap counterparties. These agreements have reciprocal arrangements that collateral be exchanged with a minimum threshold of £250k. At 31 December 2024 the Society had received £720k of cash collateral from counterparties. At 31 December 2023 the Society had received £950k of cash collateral from counterparties.

### 28. CUSTOMER CREDIT RISK

All mortgage loan applications are assessed with reference to the Group's lending policy, which includes assessing applicants for potential fraud risk, and which is approved by the Board.

The lending portfolio is monitored by the Risk Committee to ensure that it remains in line with the stated risk appetite of the Group, including adherence to the lending principles, policies and lending limits.

Credit risk management information is comprehensive and is circulated to the Risk Committee to ensure that the portfolio remains within the Group's risk appetite.

It is the Group's policy to deliver good outcomes and fair value to our customers, whilst balancing the needs for the Society to lend profitably. This is done by reviewing the design, sales and administration of its products to ensure compliance with Consumer Duty and by constantly assessing its offering in comparison to other lenders to offer a proposition that reflects the price its customers pay. The Society ensures it lends responsibly by obtaining specific information concerning customer income and expenditure and credit reference agency data, verifying that the customer can meet the mortgage repayments over the life of the loan.

#### *Impairment of Financial Assets*

IFRS 9 bases the recognition of impairment of financial assets on an expected credit loss ('ECL') approach for financial assets held at amortised cost and fair value.

ECLs are based on an assessment of the probability of default ('PD'), loss given default ('LGD') and exposure at default ('EAD'), discounted to give a net present value. The estimation of ECL should be unbiased and probability weighted, considering all reasonable and supportable information, including forward looking economic assumptions and a range of possible outcomes.

IFRS 9 divides loans into three classes:

- No significant increase in credit risk since advance ('Performing');
- A significant increase in credit risk ('Underperforming'); and

- Impaired loans ('Non-Performing').

The Group's definition of a 'significant increase in credit risk' that results in a loan being categorised as Underperforming is determined by a combination of information available about the customer (e.g. credit bureau information) as well as the actual performance of the account.

A loan is considered to be Underperforming when it meets any of the following criteria:

- Over 30 days in arrears;
- Subject to forbearance. Loans subject to forbearance can be considered in two main categories; those which are loans which are on interest only to borrowers that will be aged over 70 at the maturity of the loan, where there is insufficient equity to sell and downsize, and others where the Society is in an arrangement with the borrower. The latter can be 'repaired' whereas this is very unlikely for the former;
- A material reduction in the creditworthiness of the customer since inception. This does not indicate 'non-performance' as the likelihood is that the customer will continue to make payments on secured debts, as evidenced by prior curing of accounts;
- Owner-occupied interest only mortgage where there is insufficient equity to sell and downsize (current defined as under £250k equity);
- Other material information that has come to light since the loan's inception (e.g. the customer entering into a debt management plan);
- The loan has gone past its scheduled end date but has a credible exit strategy that has been accepted by the Society.

No reliance is placed on mortgage indemnity guarantee insurance which the Society may have in place. Impairment of off balance sheet exposure for mortgage commitments has been assessed and deemed immaterial.

## Notes to the Annual Report and Accounts (continued)

### CUSTOMER CREDIT RISK (continued)

A loan is characterised as being ‘Non-Performing’, in ‘in default’ if it meets any of the following criteria:

- Over 90 days in arrears;
- The loan is in, or about to go in, to the process of being repossessed;
- Customer is declared or has sought to become bankrupt; and
- The loan has gone past the scheduled term end date of the loan and does not have a credible exit strategy in place.

Where a loan which was previously underperforming or non-performing becomes a performing loan, the balance will move back to the relevant category.

The proportion of the expected credit loss that will be used in the calculation of the provision depends on whether there has been a “significant increase” in the credit risk of the loan since inception. On loans where there has been a significant increase then the whole of the expected credit loss (over the entire behavioural life of the loan) is used as the basis of provisions. On loans where this significant increase has not occurred then the proportion of the expected credit loss is limited to that resulting from the “expected credit loss resulting from default events on the financial instruments that are possible within 12 months after the reporting date”.

The Group has decided to consider the impairment position under four economic scenarios of increasing severity ranging from a benign scenario that is based on the current position to the most severe scenario that is based on that used by the Bank of England to stress test the banking system.

#### Impairment Implementation

The areas of key judgements within the IFRS 9 provisions are:

- Future economic forecasts and the linkage to arrears levels;
- The weighting that should be given to the different economic forecasts;
- The extent to which the customer credit score

can reduce before it is considered to constitute a material reduction in credit-worthiness; and

- The degree of management override that should be applied to circumstances where a probability of default / exposure at default approach is unsuitable (such as older interest only borrowers).

All scenarios are based upon creating an expected loss through applying:

- A probability of default; and
- A loss given default. This is a function of the erosion of the underlying security.

The approach is to separately evaluate the incremental risks posed to the security value, taking into account factors such as HPI forecast, EPC and flood risks and other risk indicator. As well as the customer’s probability of default, taking into account unemployment and economic forecasts. Risk drivers are separately considered to establish how they will cumulatively impact the risk to the security or the probability of default.

The result of this evaluation is to allocate the loan into a high, medium or low category for both security and probability of default as well as a numeric value to use for the erosion of security and the probability of default that could be used for each loan.

The probability weighting for the four scenarios chosen are:

Scenario	2024	2023
Benign (neutral economic scenario)	20%	20%
Base (allied to the Society’s expectations in its Corporate Plan)	30%	30%
Downturn (economic recession)	45%	42.5%
Severe (‘tail event’ downturn)	5%	7.5%

**Notes to the Annual Report and Accounts (continued)**

**CUSTOMER CREDIT RISK (continued)**

Scenario	2024	Scenario 1	Scenario 2
		Using a mean scenario weighting based on peer scenarios.	Using the Oxford Economics cumulative distribution for GDP growth scenario weightings
Benign	20%	14%	30%
Base	30%	48%	50%
Downturn	45%	28%	10%
Severe	5%	10%	10%
<b>Provision change to 2024</b>	-	<b>+£458k</b>	<b>+£335k</b>
Provision value	£1,085k	£1,543k	£1,420k

The expected life impacts the proportion of the whole life credit loss that is used for performing loans. The expected life is the anticipated average residual maturity of the loans. The remaining life is estimated at 1.25 years (2023: 1.25 years), if it were to reduce by 4 months the provision would increase by c£172k to £1,257k. If it were to increase by 4 months the provision would decrease by c£102k to £983k.

The Group monitors concentration of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances is shown below:

**Group and Society**

**All figures £'000**

**Loans and Advances to Customers (Gross Receivables)**

	2024	2023
Loans fully secured on residential property	648,046	581,147
Other loans fully secured on land	18,503	19,640
<b>Total</b>	<b>666,549</b>	<b>600,787</b>

**Notes to the Annual Report and Accounts (continued)**

**CUSTOMER CREDIT RISK (continued)**

**Loans fully secured on residential property**

The table below provides a breakdown of the geographic concentration of the Society's retail credit portfolio as at 31 December 2024. The Society's mortgage portfolio remains well diversified, reflecting the national coverage of our distribution channels.

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Greater London	204,571	184,803
East Midlands	28,625	30,138
South East	151,315	130,281
South West	111,298	96,240
East of England	49,977	43,139
North West	44,359	40,680
West Midlands	26,059	24,553
Yorkshire and The Humber	17,614	15,282
Wales	10,437	10,887
North East	3,722	5,028
Scotland	71	116
<b>Total</b>	<b>648,046</b>	<b>581,147</b>

The quality of the Group's retail mortgage book is reflected in the number and value of accounts in arrears with 0.5% (2023: 0.6%) of loan balances being three months or more in arrears.

The credit risk exposure by loan to value band is detailed below:

<b>Group and Society</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>2024</b>
<b>All figures £'000</b>				<b>Total</b>
Under 50%	277,584	15,776	6	293,365
50% to 75%	279,354	27,700	1,887	308,941
75% to 85%	38,407	6,200	769	45,376
Over 85%	0	0	364	364
<b>Total</b>	<b>595,346</b>	<b>49,675</b>	<b>3,025</b>	<b>648,046</b>

The average loan to value of residential mortgages is 51% (2023: 50%) based on the property valuation at the inception of the loan indexed up to the current House Price Index valuation as published by the Land Registry.

**Notes to the Annual Report and Accounts (continued)**

**CUSTOMER CREDIT RISK (continued)**

<b>Group and Society</b>				<b>2023</b>
<b>All figures £'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Under 50%	268,591	9,817	-	278,408
50% to 75%	253,140	16,974	3,585	273,700
75% to 85%	27,848	1,191	-	29,039
Over 85%	-	-	-	-
<b>Total</b>	<b>549,579</b>	<b>27,982</b>	<b>3,585</b>	<b>581,147</b>

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3 for 2022 under IFRS 9:

<b>Group &amp; Society</b>				<b>2024</b>
<b>All figures £'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Current	595,346	32,505	0	627,851
Past due up to 3 months	0	17,170	0	17,170
Past due over 3 months	0	0	3,025	3,025
<b>Total</b>	<b>595,346</b>	<b>49,675</b>	<b>3,025</b>	<b>648,046</b>

<b>Group &amp; Society</b>				<b>2023</b>
<b>All figures £'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Current	549,579	10,567	-	560,147
Past due up to 3 months	-	17,415	-	17,415
Past due over 3 months	-	-	3,585	3,585
<b>Total</b>	<b>549,579</b>	<b>27,982</b>	<b>3,585</b>	<b>581,147</b>

Loan commitments are considered to be in Stage 1 and have loan to values consistent with the existing portfolio of loans and advances.

The main factor for loans moving into arrears tends to be the condition of the general economic environment.

**Notes to the Annual Report and Accounts (continued)**

**CUSTOMER CREDIT RISK (continued)**

**Loans fully secured on residential property (Continued)**

The tables below show the value of collateral held for loans fully secured on residential property:

<b>Group &amp; Society</b>	<b>Unindexed</b>	<b>Indexed</b>	<b>Collateral Capped</b>
<b>All figures £'000</b>	<b>2024</b>	<b>2024</b>	<b>2024</b>
Stage 1	1,388,591	1,566,756	595,346
Stage 2	93,739	107,056	49,675
Stage 3	4,150	4,120	3,025
<b>Total</b>	<b>1,486,480</b>	<b>1,677,932</b>	<b>648,046</b>

<b>Group &amp; Society</b>	<b>Unindexed</b>	<b>Indexed</b>	<b>Collateral Capped*</b>
<b>All figures £'000</b>	<b>2023</b>	<b>2023</b>	<b>2023</b>
Stage 1	1,275,458	1,491,497	549,580
Stage 2	72,367	70,388	27,982
Stage 3	5,090	5,600	3,585
<b>Total</b>	<b>1,352,915</b>	<b>1,567,484</b>	<b>581,147</b>

\*This has been added as comparatives for the additional improved disclosure in 2024.

The collateral consists of residential property. Collateral values are adjusted by the Land Registry House Price Index to derive the indexed valuation at 31 December. This Index takes into account regional data from the 12 standard planning regions of the UK. The Group uses the Index to update the property values of its residential and buy-to-let portfolios on a quarterly basis.

With collateral capped to the amount of outstanding debt, the value of collateral held against loans past due and in 'Stage 2' at 31 December is £17.2m (2023: £17.4m) against outstanding debt of £17.2m (2023: £17.4m) and in 'Stage 3' at 31 December is £3.0m against outstanding debt of £3.0m (2023: £3.6m against outstanding debt of £3.6m).

Mortgage indemnity insurance acts as additional security. It is taken out for all residential loans where the borrowing exceeds 75% of the value of the property at the point of application. However, no reliance is placed on this insurance when calculating any ECL.

The Group has various forbearance options to support customers who may find themselves in financial difficulty. These include payment plans, term extensions and reduced payment concessions. 1 property was in the repossession process as at 31 December 2024 with a balance of £364k (31 December 2023: nil).

*Forbearance*

Temporary interest only concessions are offered to customers in financial difficulty on a temporary basis with formal periodic review. The concessions allow customers to reduce monthly payments to cover interest only, and, if made, the arrears status would not increase. Reduced payment concessions allow a customer to make an agreed underpayment for a specific period of time. The monthly underpaid amount accrues as arrears and agreement is reached at the end of the concession period on how the arrears will be repaid.

**Notes to the Annual Report and Accounts (continued)**
**CUSTOMER CREDIT RISK (continued)**
**Loans fully secured on residential property (Continued)**

Payment plans are agreed to enable customers to reduce their arrears balances by an agreed amount per month which is paid in addition to their standard monthly repayment.

The term of the mortgage is extended in order to reduce payments to a level which is affordable to the customer based on their current financial circumstances.

From the above list, only the suitable forbearance options will be offered to a customer when appropriate.

All forbearance arrangements are formally discussed with the customer and reviewed by management prior to acceptance of the forbearance arrangement. By offering customers in financial difficulty the option of forbearance the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the customer into a detrimental position at the end of the forbearance period.

Regular monitoring of the level and different types of forbearance activity are reported to the Board on a periodic basis. The Board monitors the level of arrears and forbearance cases. In addition all forbearance arrangements are reviewed and discussed with the customer on a regular basis to assess the ongoing potential risk to the Society and suitability of the arrangement for the customer.

The table below details the loan balances of forbearance cases:

<b>Group and Society</b>				<b>2024</b>	
<b>All figures £'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>2023</b>
Interest only concessions	-	426	-	426	885
Mortgage term extensions	-	4,963	-	4,963	11,254
<b>Total</b>	<b>-</b>	<b>5,390</b>	<b>-</b>	<b>5,390</b>	<b>12,139</b>

**Other loans fully secured on land**

The table below provides a breakdown of the geographic concentration of the Society's retail credit portfolio as at 31 December 2024. The Society's mortgage portfolio remains well diversified, reflecting the national coverage of our distribution channels.

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Greater London	1,963	2,398
East Midlands	484	492
South East	2,550	2,713
South West	8,280	8,488
East of England	1,827	1,839
North West	98	-
West Midlands	1,759	1,770
Yorkshire and The Humber	979	1,376
Wales	564	563
North East	-	-
Scotland	-	-
<b>Total</b>	<b>18,503</b>	<b>19,640</b>

**Notes to the Annual Report and Accounts (continued)**
**CUSTOMER CREDIT RISK (continued)**
**Other loans fully secured on land (Continued)**

The credit risk exposure by loan to value band is detailed below:

<b>Group and Society</b>				<b>2024</b>
<b>All figures £'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Under 50%	5,491	-	-	5,491
50% to 75%	11,511	-	-	11,511
75% to 85%	1,501	-	-	1,501
<b>Total</b>	<b>18,503</b>	<b>-</b>	<b>-</b>	<b>18,503</b>

<b>Group and Society</b>				<b>2023</b>
<b>All figures £'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Under 50%	5,313	-	-	5,313
50% to 75%	12,827	-	-	12,827
75% to 85%	1,500	-	-	1,500
<b>Total</b>	<b>19,640</b>	<b>-</b>	<b>-</b>	<b>19,640</b>

The average loan to value of other loans fully secured on land is 55% (2023: 56%).

The quality of the Group's mortgage book secured on commercial property is reflected in the number and value of accounts in arrears with £nil (2023: £nil) of loan balances being three months or more in arrears. The main factor for loans moving into arrears tends to be the condition of the general economic environment.

The following table sets out information about the overdue status of loans and advances to customers in Stages 1, 2 and 3 for 2024 under IFRS 9:

<b>Group &amp; Society</b>				<b>2024</b>
<b>All figures £'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Current	18,503	-	-	18,503
Overdue > 30 days	-	-	-	-
<b>Total</b>	<b>18,503</b>	<b>-</b>	<b>-</b>	<b>18,503</b>

<b>Group &amp; Society</b>				<b>2023</b>
<b>All figures £'000</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Current	19,640	-	-	19,640
Overdue > 30 days	-	-	-	-
<b>Total</b>	<b>19,640</b>	<b>-</b>	<b>-</b>	<b>19,640</b>

**Notes to the Annual Report and Accounts (continued)**
**CUSTOMER CREDIT RISK (continued)**
**Other loans fully secured on land (Continued)**

The tables below show the value of collateral held for other loans secured on land:

Group & Society	Unindexed	Collateral Capped	Unindexed	Collateral Capped*
All figures £'000	2024	2024	2023	2023
Stage 1	40,351	18,503	41,170	19,640
Stage 2	-	-	-	-
Stage 3	-	-	-	-
<b>Total</b>	<b>40,351</b>	<b>18,503</b>	<b>41,170</b>	<b>19,640</b>

\*This has been added as comparatives for the additional improved disclosure in 2024.

The collateral consists of commercial property. Collateral is capped at the amount of outstanding exposure.

There were no properties in possession or repossessed in the year. The Group has various forbearance options to support customers who may find themselves in financial difficulty. These include payment plans, term extensions and reduced payment concessions.

**Forbearance**

The forbearance policy for loans fully secured on land is the same as that for loans fully secured on residential property.

There were no mortgages in forbearance or impaired at 31 December 2024 (2023: none). Provisions of £19k (2023: £38k) are made for loans fully secured on land.

Provisions for loans fully secured on land are included in the provisions reported in Note 11.

**Provision for impairment losses on loans and advances to customers by loan-to-value and performance**
**Loans fully secured on residential property**

Group and Society				2024
All figures £'000	Stage 1	Stage 2	Stage 3	Total
Under 50%	15	19	0	34
50% to 75%	296	81	247	624
75% to 85%	149	119	0	268
Over 85%	0	0	138	138
<b>Total</b>	<b>460</b>	<b>219</b>	<b>386</b>	<b>1,065</b>

**Notes to the Annual Report and Accounts (continued)**
**CUSTOMER CREDIT RISK (continued)**
**Other loans fully secured on land**

Group and Society All figures £'000				2024
	Stage 1	Stage 2	Stage 3	Total
Under 50%	5	-	-	5
50% to 75%	13	-	-	13
75% to 85%	1	-	-	1
<b>Total</b>	<b>19</b>	<b>-</b>	<b>-</b>	<b>19</b>

**Provision for impairment losses on loans and advances to customers disaggregated by probability of default bands;**

Group and Society All figures £'000 PD %	2024		2023	
	Gross Loans	Expected Credit Loss	Gross Loans	Expected Credit Loss
0-5%	576,111	262	499,940	361
5-10%	20,918	69	36,108	125
10-25%	63,868	336	24,869	163
25-50%	2,627	30	35,109	581
50-99%	0	0	4,745	190
100%	3,025	386	16	-
<b>Total</b>	<b>666,549</b>	<b>1,083</b>	<b>600,787</b>	<b>1,420</b>

The movement in balances to a lower PD band has resulted in a reduction in expected credit losses.

**Notes to the Annual Report and Accounts (continued)**
**29. LIQUIDITY RISK**

The Group's policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding, to maintain public confidence in the sustainability of the Group and to enable it to meet its financial obligations as they arise. This is achieved through maintaining a prudent level of liquid assets and through control of the growth of the business. A significant proportion of the Society's liquidity is held either at call or in the form of debt securities and treasury bills, which are capable of being sold at short notice to meet unexpected and severe adverse cash flows. The Society held £20m of treasury bills at 31 December 2024 (2023: nil). Stress tests are undertaken to measure the Society's ability to meet such adverse flows, the results of which are reviewed by ALCO. The Board is confident that the Society will continue to be able to meet its future financial obligations as they arise.

The table below analyses the Group's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity at the statement of financial position date. This is not representative of the Group's management of liquidity. Loans and advances to customers rarely run their full course. The actual repayment profile is likely to be significantly different from that shown in the analysis. For example most mortgages have a contractual maturity of around 25 years but are generally repaid much sooner. The average life of a mortgage at the Group is less than 10 years. Conversely, retail deposits repayable on demand generally remain on balance sheet much longer.

<b>Group 2024</b>	<b>On demand</b>	<b>Not more than 3 months</b>	<b>More than 3 months but not more than a year</b>	<b>More than a year but not more than 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>All figures £'000</b>						
Cash and balances at central banks	142,882	-	-	-	-	142,882
Loans and advances to credit institutions	23,250	-	-	-	-	23,250
Derivative financial instruments	-	1,708	235	1,380	5	3,328
Loans and advances to customers	-	32,397	95,169	161,717	374,356	663,639
Debt Securities	-	4,947	14,700	-	-	19,647
Other Financial Assets	3	-	-	-	-	3
<b>Total assets</b>	<b>166,135</b>	<b>39,052</b>	<b>110,104</b>	<b>163,097</b>	<b>374,361</b>	<b>852,749</b>
Shares	149,072	93,901	279,588	186,308	245	709,114
Amounts owed to credit institutions	575	-	47,000	-	-	47,575
Amounts owed to other customers	4,700	9,315	26,825	-	-	40,840
Derivative financial instruments	-	1,917	109	520	-	2,546
Other financial liabilities	725	1,028	-	-	-	1,752
<b>Total liabilities and reserves</b>	<b>155,071</b>	<b>106,161</b>	<b>353,522</b>	<b>186,828</b>	<b>245</b>	<b>801,827</b>

**Notes to the Annual Report and Accounts (continued)**
**LIQUIDITY RISK (Continued)**

<b>Group 2023</b>	<b>On demand</b>	<b>Not more than 3 months</b>	<b>More than 3 months but not more than a year</b>	<b>More than a year but not more than 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>All figures £'000</b>						
Cash and balances at central banks	105,050	-	-	-	-	105,050
Loans and advances to credit institutions	8,345	-	-	-	-	8,345
Derivative financial instruments	-	871	212	2,308	-	3,391
Loans and advances to customers	-	10,488	38,161	178,008	370,877	597,534
Other Financial Assets	2	-	-	-	-	2
<b>Total assets</b>	<b>113,397</b>	<b>11,359</b>	<b>38,373</b>	<b>180,316</b>	<b>370,877</b>	<b>714,322</b>
Shares	150,977	88,758	171,314	153,129	-	564,178
Amounts owed to credit institutions	774	-	11,500	47,000	-	59,274
Amounts owed to other customers	5,536	17,142	13,659	-	-	36,337
Derivative financial instruments	-	782	574	1,064	-	2,420
Other Financial Liabilities	954	963	11	-	-	1,927
<b>Total liabilities and reserves</b>	<b>158,241</b>	<b>107,645</b>	<b>197,058</b>	<b>201,193</b>	<b>-</b>	<b>664,136</b>

The following is an analysis of the gross contractual cash flows payable under financial liabilities:

<b>Group and Society 2024</b>	<b>On demand</b>	<b>Not more than 3 months</b>	<b>More than 3 months but not more than a year</b>	<b>More than a year but not more than 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>All figures £'000</b>						
Shares	149,072	94,321	286,909	204,260	492	735,054
Amounts owed to credit institutions	575	-	48,278	-	-	48,852
Amounts owed to other customers	4,700	9,351	27,388	-	-	41,438
Derivative financial instruments	-	1,965	291	327	-	2,583
Other financial liabilities	725	1,028	-	-	-	1,752
<b>Total on balance sheet exposure</b>	<b>155,071</b>	<b>106,663</b>	<b>362,865</b>	<b>204,588</b>	<b>492</b>	<b>829,680</b>
Off balance sheet exposure – mortgage commitments	-	34,877	-	-	-	34,877
<b>Total financial liabilities</b>	<b>155,071</b>	<b>141,541</b>	<b>362,865</b>	<b>204,588</b>	<b>492</b>	<b>864,557</b>

**Notes to the Annual Report and Accounts (continued)**

**LIQUIDITY RISK (Continued)**

<b>Group and Society 2023</b>	<b>On demand</b>	<b>Not more than 3 months</b>	<b>More than 3 months but not more than a year</b>	<b>More than a year but not more than 5 years</b>	<b>More than 5 years</b>	<b>Total</b>
<b>All figures £'000</b>						
Shares	150,977	89,222	172,047	164,996	-	577,243
Amounts owed to credit institutions	774	-	12,017	50,887	-	63,678
Amounts owed to other customers	5,536	17,225	13,898	-	-	36,659
Derivative financial instruments	-	1,044	375	1,123	-	2,542
Other Financial Liabilities	954	963	11	-	-	1,927
<b>Total on balance sheet exposure</b>	<b>158,241</b>	<b>108,455</b>	<b>198,348</b>	<b>217,005</b>	<b>-</b>	<b>682,049</b>
Off balance sheet exposure – mortgage	-	23,172	-	-	-	23,172
<b>Total financial liabilities</b>	<b>158,241</b>	<b>131,627</b>	<b>198,348</b>	<b>217,005</b>	<b>-</b>	<b>705,221</b>

**30. MARKET RISK**

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

The Society manages interest rate exposures to within Board agreed limits firstly through the use of a natural hedge, whereby mortgage and savings products with similar repricing profiles offset each other, or via an interest rate derivative.

The management of interest rate risk is based, among other things, on a full statement of financial position gap analysis, then is subjected to a number of stress tests which include parallel and non-parallel shifts to interest rates. This process calculates economic value before and after the stressed interest rates are applied and compares the differences.

In addition, management review interest rate basis risk; stressing the statement of financial position via a number of scenarios that the Society deem to be severe and plausible. This shows how expected earnings change if the scenarios were to occur. The results are then measured against the Board's appetite for basis risk.

The Board also considers the impact of a +/- 2% parallel shift in interest rates on the economic value on a run-off balance sheet and a +/- 1% parallel shift in interest rates on the Society's net interest income, based on a static balance sheet. The results of these informs the management of balance sheet structure.

The Board annually sets and reviews its risk appetites for market risk measured by stressed gap analysis, basis risk, and reductions in Net Interest Income (NII). The ALCO monitors stress tests and reports results to the Board.

Prepayment risk primarily relates to the Society's loan portfolio and is the risk that the Society will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected. It includes its borrowers that repay or refinance their fixed rate mortgages when interest rates fall or the corporate and small business customers with prepayment options with zero or low penalties that refinance their loans when their credit quality improves to a point that they can obtain lower rates.

The Society manages prepayment risk by operating early repayment charges (ERCs) on mortgages to reduce the risk of early repayment.

**Notes to the Annual Report and Accounts (continued)**
**MARKET RISK (Continued)**

The tables below summarise the Group's exposure to interest rate risk. Included in the tables are Group assets and liabilities, including derivative financial instruments which are principally used to reduce exposure to interest rate risk, categorised by re-pricing date.

Group 2024	Not more than 3 months	More than 3 months but not more than a year	More than a year but not more than 5 years	More than 5 years	Non-Interest bearing	Total
<b>All figures £'000</b>						
Cash and balances at central banks	142,732	-	-	-	150	142,882
Loans and advances to credit institutions	23,008	-	-	-	242	23,250
Debt Securities	4,957	14,690	-	-	-	19,647
Derivative financial instruments	7	235	1,380	5	1,701	3,328
Loans and advances to customers	444,518	10,876	206,274	1,971	-	663,639
Other Financial assets	-	-	-	-	3	3
Non-financial assets	-	-	-	-	10,011	10,011
<b>Total assets</b>	<b>615,222</b>	<b>25,801</b>	<b>207,654</b>	<b>1,976</b>	<b>12,107</b>	<b>862,760</b>
Shares	402,237	42,571	258,651	-	5,655	709,114
Amounts owed to credit institutions	47,575	-	-	-	-	47,575
Amounts owed to other customers	40,232	-	-	-	608	40,840
Derivative financial instruments	1	109	520	-	1,916	2,546
Non-financial liabilities	-	-	-	-	2,826	2,826
Reserves	-	-	-	-	59,859	59,859
<b>Total liabilities and reserves</b>	<b>490,045</b>	<b>42,680</b>	<b>259,171</b>	<b>-</b>	<b>70,864</b>	<b>862,760</b>
Derivative instruments	(63,000)	28,500	35,500	(1,000)	-	-
<b>Interest rate sensitivity gap</b>	<b>62,178</b>	<b>11,621</b>	<b>(16,017)</b>	<b>976</b>	<b>(58,757)</b>	<b>(0)</b>
Sensitivity to profit and reserves	-	-	-	-	-	-
Parallel shift of + 2%	75	447	(1,660)	(105)	-	(1,243)
Parallel shift of - 2%	(75)	(447)	1,660	105	-	1,243

**Notes to the Annual Report and Accounts (continued)**

**MARKET RISK (Continued)**

<b>Group 2023</b>	<b>Not more than 3 months</b>	<b>More than 3 months but not more than a year</b>	<b>More than a year but not more than 5 years</b>	<b>More than 5 years</b>	<b>Non-Interest bearing</b>	<b>Total</b>
<b>All figures £'000</b>						
Cash and balances at central banks	104,897	-	-	-	154	105,050
Loans and advances to credit institutions	7,795	-	-	-	550	8,345
Derivative financial instruments	26	212	2,308	-	845	3,391
Loans and advances to customers	447,379	32,287	117,869	-	-	597,534
Other Financial assets	-	-	-	-	2	2
Non-financial assets	-	-	-	-	7,714	7,714
<b>Total assets</b>	<b>560,097</b>	<b>32,499</b>	<b>120,177</b>	<b>-</b>	<b>9,265</b>	<b>722,036</b>
Shares	332,302	45,166	182,425	-	4,285	564,178
Amounts owed to credit institutions	59,274	-	-	-	-	59,274
Amounts owed to other customers	35,820	-	-	-	518	36,337
Derivative financial instruments	-	574	1,063	-	782	2,420
Other Financial liabilities	-	-	-	-	1,927	1,927
Non-financial liabilities	-	-	-	-	970	970
Reserves	-	-	-	-	56,929	56,930
<b>Total liabilities and reserves</b>	<b>427,396</b>	<b>45,740</b>	<b>183,488</b>	<b>-</b>	<b>65,411</b>	<b>722,036</b>
Impact of derivative instruments	(94,000)	56,000	38,000	-	-	-
<b>Interest rate sensitivity gap</b>	<b>38,701</b>	<b>42,759</b>	<b>(25,311)</b>	<b>-</b>	<b>(56,146)</b>	<b>-</b>
Sensitivity to profit and reserves	-	-	-	-	-	-
Parallel shift of + 2%	150	(13)	(1,553)	-	-	(1,416)
Parallel shift of - 2%	(150)	13	1,553	-	-	1,416

There is no difference between the interest rate risk profile for the Group and that for the Society as the subsidiary is dormant.

The Group is not exposed to foreign currency risk.

The Society and Group, at December 2024, have entered into Credit Support Annexes (CSAs) for its derivative instruments which provide for the exchange of collateral on a daily basis to mitigate net mark to market credit exposure. These are set to a minimum threshold of £250k. At 31 December 2024 the Society had received £720k and paid £280k cash collateral under such agreements.

**Notes to the Annual Report and Accounts (continued)**

**31. CAPITAL STRUCTURE**

The Group is subject to the regulatory capital requirements applied by its regulator, the Prudential Regulation Authority (PRA). Regulatory capital comprises the Group's general reserve, subject to various adjustments required by the capital rules.

During the year the Group complied with the capital requirements applied by the PRA. Further unaudited details about the Group's capital position can be found in Appendix 1, which can be found after the notes to the accounts.

**32. GUARANTEES AND FINANCIAL COMMITMENTS**

The Society and Group have capital expenditure contracted for but not provided for in the accounts at 31 December 2024: £17k (2023: £61k).

**33. RELATED PARTY TRANSACTIONS**

**Key management personnel compensation**

The Directors of the Society are considered to be the only key management personnel as defined by IAS 24. Total compensation for key management personnel was as follows and a breakdown is disclosed on pages 25 and 26 in the Directors' remuneration report.

<b>Group and Society</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Key management personnel compensation	<b>1,042</b>	<b>1,051</b>

**Transactions with key management personnel and their close family members**

The following transactions were undertaken through the normal course of business:

<b>Group &amp; Society</b>	<b>2024</b>	<b>2024</b>	<b>2023</b>	<b>2023</b>
	<b>£'000</b>	<b>Number of people</b>	<b>£'000</b>	<b>Number of people</b>
<b>Deposits, share accounts and investments</b>				
Net movement in the year	45		(211)	
Balance at 31 December	74	12	29	10

Key management personnel and members of close family received £1.2k of interest in total (2023: £0.4k) during the year.

Secured loans made to key management personnel and members of their close family would be on the same terms and conditions that are applicable to all other employees and members of Market Harbourough Building Society.

Amounts deposited by key management personnel and members of their close family earn interest at the same rates and on the same terms and conditions as applicable to all other employees and members of Market Harbourough Building Society.

**Directors' loans and transactions**

At 31 December 2024 and 2023 there were no outstanding secured mortgage loans to Directors and their connected persons. A register is maintained at the Head Office of the Society 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 December 2024, will be available for inspection at the Head Office for a period of 15 days up to and including the annual general meeting.

**Notes to the Annual Report and Accounts (continued)**

**34. COUNTRY BY COUNTRY REPORTING**

Article 89 of the Capital Requirements Directive IV requires the Society to disclose the following information on a consolidated basis for the year: name, nature of activities, geographical location, turnover, number of employees, profit before tax, corporation tax paid and public subsidies received.

The principal activities of Market Harbourough Building Society are provision of residential mortgages and retail savings products.

Market Harbourough Building Society and its subsidiary operate only in the United Kingdom. Details of the Society's trading subsidiaries are disclosed in Note 11.

Average employee numbers are disclosed in Note 6.

<b>Group</b>	<b>2024</b>	<b>2023</b>
<b>All figures £'000</b>		
Turnover	18,039	16,958
Profit before tax	3,490	4,349
Corporation tax paid	944	1,041

Turnover consists of net interest income, net fees and commissions received or paid and other income.

No public subsidies were received by the Group.

**Basis of preparation**

The Country by Country information for the year ended 31 December 2024 has been prepared on the following basis:

The number of employees has been calculated as the average number of full and part-time employees, on a monthly basis, as disclosed in note 6.

Turnover represents total operating income as disclosed in the Group Income Statement. Total operating income comprises net interest income, fees and commissions receivable and payable and other income.

Pre-tax profit or loss represents the Group profit or loss before tax, as reported in the Group Income Statement.

Corporation tax paid represents the cash amount of corporation tax paid during the year, as disclosed in the Group Statement of Cash Flow.

No public subsidies were received during the year, however the Society is a participant of the Term Funding Scheme with additional incentives for SMEs (TFSME). Borrowings from the scheme are shown in note 19.

**Statement of Directors' responsibilities in relation to the Country by Country Reporting (CBCR) Information**

The Directors of the Society are responsible for preparing the CBCR Information for the year ended 31 December 2024 in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013. In preparing the CBCR Information, the Directors are responsible for:

- interpreting the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013;
- determining the acceptability of the basis of preparation set out above to the CBCR information;
- making judgements and estimates that are reasonable and prudent; and
- establishing such internal control as the Directors determine is necessary to enable the preparation of CBCR Information that is free from material misstatement, whether due to fraud or error.

**35. POST BALANCE SHEET EVENTS**

In January 2025 the directors began to market the Group's current administration office after moving into new premises in April 2025. The directors are hopeful that a sale will be completed before the end of 2025. The head office is included within the Company's assets. As the marketing process did not begin until after the reporting date, the head office has not been classified as held for sale in 2024.

## Appendix 1 (Unaudited)

The Society's policy is to maintain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The formal Internal Capital Adequacy Assessment Process (ICAAP) assists the Society with its management of capital. The business planning updates enable the Board to monitor the Society's capital position to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position is reviewed against stated risk appetite which aims to maintain capital at a specific level above the Total Capital Requirement (TCR).

The Board manages the Society's capital and risk exposures to maintain capital in line with regulatory requirements. This is subjected to regular stress tests to ensure the Society maintains sufficient capital for future possible events.

The Group's capital requirements are set and monitored by the PRA. During 2024 the Society has complied with the requirements included within the EU Capital Requirements Directive IV (Basel III).

There were no reported breaches of capital requirements during the year and there have been no material changes in the Society's management of capital during the year. At 31 December 2024 the Group had CET1 (Common Equity Tier 1) capital of £58.6m (2023: £56.9m) comprising of general reserves less intangible assets and other regulatory adjustments. The Group had no tier 2 capital, meaning that total regulatory capital was also £58.6m (2023: £56.9m). This means the Society had a CET1 ratio of 20.0% (as a percentage of risk weighted assets) (2023: 22.5%).

In addition the Leverage Ratio excluding claims on central banks (%) was 8.9% (2023: 9.8%).

### **Lending and Business Decisions**

The Society manually underwrites all mortgage lending to enable it to make appropriate decisions based on an individual's circumstances. Once loan funds have been advanced, detailed portfolio management information is used to review the ongoing risk profile of both the portfolios and individual customers. In addition, for residential and buy-to-let mortgages, property values are updated on a quarterly basis.

### **Pricing**

Pricing models are utilised for all mortgage product launches. The models include expected loss estimates and capital utilisation enabling the calculation of a risk adjusted return on capital.

### **Counterparty risk**

Wholesale lending is only carried out with approved counterparties in line with the Society's lending criteria and is subject to a range of limits. The limits are monitored daily to ensure the Society remains within risk appetite.

## Annual Business Statement

### 1. STATUTORY RATIOS AND OTHER PERCENTAGES

Group	2024	2023	Statutory limit
<b>Lending limit</b>			
Proportion of business assets not in the form of loans fully secured on residential property	6.07%	3.8%	25.0%
<b>Funding limit</b>			
Proportion of shares and borrowings not in the form of shares held by individuals	11.37%	14.7%	50%

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

Business assets are the total assets of the Group as shown in the statement of financial position plus provisions for impairment, less tangible fixed assets and liquid assets.

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

### 2. OTHER PERCENTAGES

Group	2024	2023
<b>As a percentage of shares and borrowings</b>		
Gross capital	7.5%	8.6%
Free capital	6.7%	7.9%
Liquid assets	20.8%	17.2%
<b>As a percentage of mean total assets</b>		
Profit after taxation	0.3%	0.5%
Management expenses (Group)	1.8%	1.8%
Management expenses (Society)	1.8%	1.8%
<b>As a percentage of total assets at year end</b>		
Return on assets	0.3%	0.5%

The above percentages have been calculated from the Group Annual Report and Accounts.

#### Definitions

'Gross capital' represents the general reserve.

'Free capital' represents the general reserve plus provisions for bad and doubtful debts less tangible fixed assets.

'Mean total assets' is the average of the 2024 and 2023 year-end total assets.

'Liquid assets' represents available liquidity on the Group's balance sheet.

**Annual Business Statement (continued)**
**3. INFORMATION RELATING TO THE DIRECTORS**

As at December 2024:

Director	Occupation	Other Directorships	Date of Birth	Date of Appointment
Annemarie Cossar	Chief Customer Officer	Leicester South Food Bank	23-02-1967	09-02-2023
Nicholas Fielden	Chief Financial Officer (Chartered accountant)	Market Harbourough Mortgages Ltd	22-10-1965	09-12-2013
Lindsay Forster	Non-Executive Director	Shepper Ltd	16-03-1974	01-07-2019
Jonathan Fox	Non-Executive Director		18-04-1965	01-09-2015
Francesca Hampton	Non-Executive Director (Chartered accountant)	Fitzrovia Financial Planning Ltd Rock (Nominees) Ltd Exempt Nominees Ltd Raymond James Ltd Charles Stanley & Co Ltd	30-03-1970	01-10-2024
Iain Kirkpatrick	Chief Executive Officer	Carew Arms Ltd Market Harbourough Mortgages Ltd	10-07-1972	19-09-2022
Andrew Merrick	Vice Chair & SID (Chartered accountant)	Yorkshire Water Services Ltd Trustee of the Nell Bank Charitable Trust	27-06-1961	01-01-2018
Mark Record	Non-Executive Director	Enigma Holdings Group Ltd	17-01-1960	01-10-2024
Zoe Shapiro	Non-Executive Director		21-07-1969	01-02-2016
David Stunell	Non-Executive Director (Chartered Banker & Treasurer)	Hounte Ltd King & Shaxson Ltd King & Shaxson Asset Management Ltd	11-11-1958	01-12-2020
Lesley Titcomb	Chair (Chartered accountant)	Market Harbourough Mortgages Ltd Pay.UK Limited Foundation for Credit Counselling	16-06-1961	01-10-2023
Nala Worsfold	Non-Executive Director (Chartered accountant)		30-10-1965	01-12-2020

The Chief Executive has a notice period of twelve months by the Society and six months by the executive, and the Chief Finance Officer has a notice period of six months by both the executive and the Society. The contract for Iain Kirkpatrick was entered into on 19 September 2022 and for Nicholas Fielden on 4 November 2013. Documents may be served on any of the Directors, marked as “private and confidential” to the Secretary at the offices of the Society at Welland House, The Square, Market Harbourough, LE16 7PD.

**Annual Business Statement (continued)**

**4. OTHER SENIOR EXECUTIVES**

As at December 2024:

<b>Name</b>	<b>Occupation</b>	<b>Directorships</b>
Anna Asbury	Chief Lending Officer	Market Harbour Building Society Charitable Foundation
Martin Langlands	Chief Risk Officer	None
Elizabeth Souter	Financial Controller & Secretary	Uppingham Community College
Lesley Vernon	Chief Engagement Officer	Stonebridge City Farm

## Glossary

Term	Definition
Arrears	A customer is in arrears when they are behind in meeting their contractual obligations with the result that an outstanding loan payment is overdue. The value of the arrears is the value of any payments that have been missed.
Basel III	The Basel Committee on Banking Supervision issued the Basel III rules text in December 2010, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. Basel III became effective from 1 January 2014 through CRD IV.
Buy to let loans	Buy to let loans are those loans which are offered to customers buying residential property specifically to let out.
Contractual maturity	The date at which a loan or financial instrument expires, at which point all outstanding principal and interest has been paid.
CET1 (Common Equity Tier 1)	CET1 capital comprises general reserves, other reserves less intangible assets and other regulatory deductions.
Credit risk	This is the risk that a customer or counterparty fails to meet their contractual obligations.
CRD IV (Capital Requirements Directive)	CRD IV is the European legislation which came into force from 1 January 2014 to implement Basel III. It has revised the capital requirements framework and introduced liquidity requirements, which regulators use when supervising firms.
Debt securities	Assets representing certificates of indebtedness of credit institutions, public bodies or other undertakings.
Deferred tax asset	Corporation tax recoverable (or payable) in future periods resulting from temporary or timing differences, between the accounting value of assets and liabilities and the tax base of those assets and liabilities.
Defined benefit obligation	The present value of expected future payments required to settle the obligations of a defined benefit plan resulting from employee service.
Derivative financial instruments	A derivative financial instrument is a contract between two parties whose value is based on an underlying price or index rate it is linked to, such as interest rates, exchange rates or stock market indices. The Society uses derivative financial instruments to hedge its exposure to interest rates.
Effective interest rate method (EIR)	The method used to measure the carrying value of a financial asset or liability and to allocate associated interest income or expense over the relevant period. The calculation includes all fees and penalties paid and received between parties which are integral to the contract.
Expected credit loss (ECL)	Expected credit loss is a calculation of the present value of the amount expected to be lost on a financial asset over its expected life.
Fair value	Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arms' length transaction.
Financial Conduct Authority (FCA)	The statutory body responsible for conduct of business regulation and supervision of UK authorised firms.

**Glossary (continued)**

<b>Term</b>	<b>Definition</b>
Financial Services Compensation Scheme	The UK's compensation fund of last resort for customers of authorised financial services firms. The FSCS may pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it, usually because it has stopped trading or has been declared in default. The FSCS is funded by the financial services industry. Every firm authorised by the FCA is obliged to pay an annual levy, which goes towards its running costs and compensation payments.
Forbearance strategies	Strategies to support borrowers in financial difficulty, such as agreeing a temporary reduction in the monthly payment, extending mortgage terms and a conversion to an interest-only basis. The aim of forbearance strategies is to avoid repossession.
Free Capital	The aggregate of gross capital and provisions for collective impairment losses on loans and advances to customers less property, plant and equipment and intangible assets.
Funding Limit	Measures the proportion of shares and borrowings (excluding the fair value adjustment for hedged risk) not in the form of shares held by individuals. The calculation of the funding limit is explained in the Annual Business Statement.
General reserves	The accumulation of the Society's historic and current year profits which is the main component of Common Equity Tier 1 capital.
Gross capital	General reserves
Impaired loans	Loans which have been classified as Stage 3 (see definition below).
Internal Liquidity Adequacy Assessment Process (ILAAP)	The Society's own assessment of the liquidity resources it requires in order to remain within the risk tolerances it has set. This will include an evaluation of potential stresses based on multiple market environments.
Interest rate risk	The risk of loss due to a change in market interest rates.
Internal Capital Adequacy Assessment Process (ICAAP)	The Society's own assessment, as part of Basel II requirements, of the levels of capital that it needs to hold in respect of its regulatory capital requirements for risks it faces under a business as usual scenario including stress events.
Lending limit	Measures the proportion of business assets not in the form of loans fully secured on residential property.
Leverage ratio	Leverage ratio is defined as Tier 1 capital divided by the total exposures which includes on and off balance sheet items, with this ratio expressed as a percentage.
Liquid Assets	Total of cash in hand, loans and advances to credit institutions, and debt securities.
Liquidity risk	Liquidity risk is the risk that the Society is unable to meet its financial obligations as they fall due, or can only secure them at excessive cost. This risk arises from timing mismatches of cash inflows and outflows.
Loan to value (LTV)	LTV expresses the amount of a mortgage as a percentage of the value of the property.
Loans past due	Loans are past due when a loan payment has not been made as of its due date.
Management expenses	The aggregate of administrative expenses, depreciation and amortisation. The management expense ratio is management expenses expressed as a percentage of mean total assets.
Market risk	The risk that movements in market risk factors, including foreign exchange rates, interest rates, credit spreads and customer-driven factors will create potential losses or decrease the value of the Society's balance sheet.

**Glossary (continued)**

<b>Term</b>	<b>Definition</b>
Mean total assets	Represents the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
Member	A person who has a share investment or a mortgage loan with the Society.
Net interest income	The difference between interest receivable on assets and similar income and interest paid on liabilities and similar charges.
Net interest margin	This ratio calculates the net interest income as a percentage of mean total assets.
Operational risk	The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.
Renegotiated loans	Loans are classed as renegotiated where an agreement between a borrower and a lender has been made to modify the loan terms either as part of an on-going relationship or if the borrower is in financial difficulties. The renegotiated loan might not be treated as past due or impaired.
Risk appetite	The articulation of the level of risk that the Society is willing to accept (or not accept) in order to safeguard the interests of the Society's members whilst also achieving business objectives.
Risk weighted assets (RWA)	The value of assets, after adjustment, under the relevant Basel III capital rules to reflect the degree of risk they represent.
Residential loans	Loans that are loaned to individuals rather than institutions. Residential mortgage lending is secured against residential property.
Prudential Regulation Authority (PRA)	The statutory body responsible for the prudential supervision of banks, building societies, insurers and small number of significant investment firms in the UK. The PRA is a subsidiary of the Bank of England.
Shares	Funds deposited by a person in a retail savings account with the Society. Such funds are recorded as liabilities for the Society.
Shares and borrowings	The aggregate of shares, amounts owed to credit institutions, amounts owed to other customers.
SPPI test	An assessment of whether the contractual terms of the financial asset give rise to cash flows that are in substance solely payments of principal and interest.
Stage 1	Stage 1 assets are assets which have not experienced a significant increase in credit risk since the asset was originally recognised on the balance sheet. 12 month ECL are recognised as the impairment provision for all financial assets on initial recognition.
Stage 2	Stage 2 assets have experienced a significant increase in credit risk since initial recognition. Lifetime ECL is recognised as an impairment provision.
Stage 3	Stage 3 assets are those which are credit impaired. Lifetime ECL is also recognised as an impairment provision.
Standardised approach	The basic method used to calculate capital requirements for credit risk under Basel III. In this approach the risk weightings used in the capital calculation are determined by specified percentages.
Standard Variable Rate (SVR)	Variable rate on mortgage loans set by the lender.
Wholesale funding	The total of amounts owed to credit institutions, amounts owed to other non-retail customers.

## Head Office

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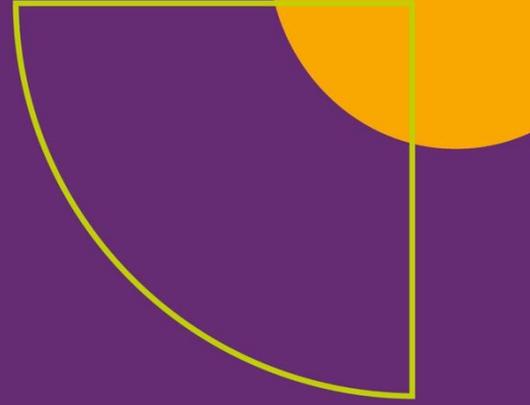
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Financial Services Register number 206041, registered office as above.



Market Harborough  
BUILDING SOCIETY



Together we thrive!