



Annual Report & Accounts 2025





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2025 Highlights

£107M



GROSS
MORTGAGE
LENDING

£577M



TOTAL
SAVINGS
BALANCES

£1.7M



UNDERLYING
PROFIT
BEFORE TAX

£1.2M



PROFIT
BEFORE
TAX

1.91%



NET
INTEREST
MARGIN

1.64%



MANAGEMENT
EXPENSES
RATIO

20.7%



LIQUID
ASSETS RATIO

23.3%



TIER 1
CAPITAL
RATIO

Chair's welcome

It is my privilege, as Chair of the Society, to present our 2025 Annual Report and Accounts. This year, despite operating in a very competitive market for both mortgages and savings, the Society has once again delivered a good result for our members. Importantly, we have also initiated a significant transformation programme designed to enhance the products and member services that we provide.

2025 highlights

The year was notable for the building society movement, which marked its 250th anniversary, and also for the Society as we sharpened our strategic focus around a clear purpose and vision.

Our purpose is straightforward: **to help our customers achieve their most important financial goals**. This reflects the very essence of a building society. Without shareholders, we can prioritise the aspirations of our customers, fostering mutually beneficial long-term relationships.

Our vision, **to have a positive impact on everyone we interact with**, is closely aligned with our mutual status and shapes how we engage with customers, colleagues, and the wider community.

In 2025, to support our purpose and vision, I'm proud that we have opened a new branch in Codsall (our first new branch in over 30 years), extended our savings range to include business accounts and joined a deposit aggregator platform, launched a major project to modernise our mortgage origination process, and have commenced a multi-year transformation plan to significantly improve how we work and interact with our members and customers, with a strong emphasis on improving our digital service.

These initiatives are critical to securing the Society's long-term success and sustainability, ensuring we meet the needs of today's members and future generations.

In addition, we have strengthened our commitment to support our community, pledging to make a meaningful annual financial contribution to community activities of up to 5% of our profit before tax. This will allow us to make an impact where it matters most in our local community.

Financially, while 2025, as expected, saw a reduced level of overall profit, driven by market competition and the impact of lower base rates, the Society remains in a strong position, underpinned by a clear strategy for the future and robust capital and liquidity.

Further details on our 2025 financial performance and long-term plans are provided by our CEO, Adam Evetts, in his review.

Board changes

In April 2025, Keith Rolfe stood down as a non-executive director having spent over 9 years on the Board. I'd personally like to thank Keith for his significant contribution to the Society, chairing the Risk & Compliance Committee and acting as Vice Chair and Senior Independent Director. Following Keith's retirement Jill Bentley, already a non-executive director of the Society and with many years risk management experience, took on the role of Chair of the Risk & Compliance Committee. Belinda Moore, a Society non-executive director since 2019, was appointed Senior Independent Director.

Looking ahead to 2026

We are immensely proud of our heritage and what we've achieved and remain focused on building an even stronger future. In 2026, we are excited to be celebrating the Society's 125th anniversary, a milestone that reflects our financial resilience and enduring relationship with our members. In the year ahead we will make further progress on our transformation journey for the long-term benefit of the Society.

Finally, on behalf of the Board, I extend our sincere thanks to our members and colleagues for their continued support and commitment. We look forward to working together in 2026 and beyond.

Jeremy Cross
Chair of the Board
4 March 2026



Chief Executive Officer's review

I'm delighted to be able to share our results for 2025, another year where the Society, despite a challenging market, has recorded solid financial performance whilst also starting to deliver a transformation plan that will modernise the way we work and improve the products and services we provide to our members.

As Jeremy has already highlighted, 2025 was a significant year for the Society as we opened a new branch and expanded our savings range, all adding diversity to the Society's funding channels and helping to support our future growth plans. We also launched a new, easier to navigate website, joined Instagram and started to roll out digital displays across our branch network, helping us promote more widely the products we offer and also the great work we do in our community.

In this report I will expand on our performance, including setting out our strategic priorities, as well as providing an insight into our plans for 2026.

Business environment

The UK economy remained sluggish throughout 2025 as businesses continued to grapple with high inflation, the impact of the increase in employers National Insurance contributions and the potential implications of the wider global economic and geopolitical landscape.

Consumer confidence has also remained subdued, particularly in relation to the mortgage market, resulting in intense competition among lenders for business, driving down mortgage pricing. Consumers continued to save less as cost of living pressures continued to bite, creating a highly competitive savings market. Speculation, and later confirmation in the Autumn Statement, of reduced cash ISA limits also saw an increased interest in ISA products.

Our strategic focus

In 2025, we refocused our Corporate Plan around a revised vision and purpose, supported by five key strategic themes, helping to ensure that we remained focused on what truly

matters. This is reinforced by a comprehensive set of Key Performance Indicators (KPIs) to track progress and ensure the successful delivery of our strategy.

Our strategy is rooted in the unique role we play as a building society: owned by our members, not shareholders, and reinvesting profits to drive future growth. We are committed to the crucial role we play in maintaining competition and choice in the mortgage and savings markets, supporting local communities through charitable donations, and providing branch-based services in areas where high street banks have withdrawn. Equally important is our role as a strong local employer, providing stable employment opportunities, investing in skills development, and contributing to the economic and social wellbeing of our community.

Our 2025 performance

Our financial performance in 2025 remained robust, though it was lower than recorded in recent years. In 2022 and 2023, our underlying profit and profit before tax benefited from the positive impact of a rising base rate environment, which has now abated as interest rates return to more normal levels.

Intense competition in the mortgage and, in particular, savings markets led to a reduction in our Net Interest Margin (NIM) to 1.91% (2024: 2.05%). To help mitigate future margin pressures, the Society has increased its focus on niche, higher margin lending markets where we feel we can offer a differentiated service and has broadened its range of funding channels and products.

Despite strong competition across both the mortgage and savings markets, we have maintained our focus on providing products and services that customers truly value, whilst carefully managing our net interest margin, improving operational efficiency, and maintaining tight control over

Vision	To make a positive impact on everyone we interact with – customers, colleagues and our community				
Purpose	Helping our customers achieve their most important financial goals				
Strategic Themes	Long-term sustainability	Easy to do business with	Building enduring relationships	Great people	Making a difference
	We're a growing and thriving business that is financially resilient.	Our customers experience our processes as simple and friction-free, increasing satisfaction and retention.	We put the customer at the heart of what we do, supporting them to achieve their financial goals and valuing their feedback.	We have a culture of trust, collaboration, and professionalism, centred around delivering great customer outcomes.	We are a responsible citizen, engaging with our community and supporting the welfare and wellbeing of others.

Chief Executive Officer's review (continued)

our cost base. We have also started our transformation programme, investing £0.6m on projects during 2025.

Overall, we were still able to deliver a profit before tax of £1.2m (2024: £2.3m), strengthening our capital reserves and supporting continued investment in our future plans. Our management expense ratio fell to 1.64% (2024: 1.75%), reflecting our commitment to improving efficiency as well as the impact of a number of new cost management controls.

Mortgages

A key benefit to our customers is that our mortgages are manually underwritten. As a result we are able to offer a more personal approach to assessing cases and so take a more flexible and pragmatic approach than many of the larger lenders. This, combined with our strong focus on product innovation, improving business efficiency, our ability to adapt our Lending Policy in response to changes in borrower need, and our exceptional people, has delivered strong lending volumes, ahead of our internal targets for 2025. Although Gross lending reduced in the year (2025: £107m, 2024: £120m), this was the result of focusing on the implementation of a new mortgage origination system, which has gone live in January 2026. Mortgage retention levels also increased again, up 3% from the levels seen in 2024; over two-thirds of all mortgage customers are now choosing to remain with the Society when their product matures. This all contributed to our mortgage book growing by £23.8m over the year (2024: £45.7m).

Throughout 2025 we have been working to implement a new mortgage origination platform which went live in January 2026. The system introduces an online application portal for mortgage brokers and adds significant automation to our underwriting practices, enabling us to scale lending volumes more dynamically while maintaining the high levels of customer service our members and brokers expect.

Given the challenging economic environment, it is unsurprising that we saw a slight increase in customers in arrears by more than 90 days, with a net rise of five accounts, ending the year at 20 (2024: 15). As a signatory of the Mortgage Charter, we remain committed to supporting customers in difficulty, using a range of forbearance tools to help them keep their homes.

Regrettably, it was necessary to take possession of one property in 2025. The Society continues to maintain prudent impairment provisioning to ensure any potential future losses are adequately covered, and at year-end, our impairment coverage ratio stood at 0.25% (2024: 0.28%).

Savings

Throughout 2025 we remained committed to delivering value to our savings customers by offering a diverse product range and exceptional service. By offering competitive rates, we successfully retained existing balances and attracted new funds to support future lending, increasing retail deposits by £53m during the year. Across our savings book, members benefited from rates that averaged 1.25% above the market¹,

¹Bank of England Database

earning our members an additional £6.9m in interest compared to typical market offerings.

We understand the importance of helping people develop good savings habits, especially as research from the University of Bristol and sponsored by the Building Societies Association shows that more than a quarter of UK adults have less than £100 in savings. To support this, we took part in UK Savings Week in September, hosting a series of coffee mornings across our branches to encourage conversations about saving, whether people are starting from scratch or looking to build on existing habits.

We also recognise the importance of giving customers the flexibility to interact with us through a variety of channels from the ease of access and convenience of a digital channel to the vital role of our branch network in offering access to savings products in a friendly, face-to-face environment. That is why we were thrilled to open a new branch in Codsall in November, our first new branch for over 30 years, and a welcome return to Staffordshire for the Society. The response from the local community has been fantastic, and we look forward to building many long-lasting relationships with new members. As part of our longer term strategy we plan to open further new branches as opportunities arise.

In June, following a detailed review around how our members use our branches, we made the decision to reduce branch opening hours, closing them earlier to allow our branch teams to dedicate more time to servicing customer requests and follow up on enquiries. Our Tipton and Codsall branches both remain open until 4pm Monday to Friday, and all of our branches continue to open on Saturday mornings, helping to minimise any impact on members.

We have, this year, re-entered the business savings account market, recognising that small and medium-sized businesses are often underserved in this area. We also commenced a relationship with an online deposit aggregator platform, to provide some additional flexibility in meeting our funding needs. While branch-based funding remains our preferred channel, these new options provide additional funding flexibility and will help to support our ambitious lending plans for the future.

Our community

Alongside supporting the financial wellbeing of our saving and borrowing members, we remain committed to making a meaningful difference in our local communities. We do this through charitable contributions, community donations, fundraising, and volunteering with local charities and community groups.

To underline the importance of these activities, the Society has pledged to donate up to 5% of its Profit Before Tax (PBT), to charities and community organisations, and in 2025, we donated over £55k (2024: £58k), supporting a range of good causes:

- Once again, the Society was proud to support the Black Country Food Bank by making a £12,000 donation to them, as well as providing over 60 hours of volunteering support.

- Our Charitable Foundation, which supports charitable activities within the Black Country area with the principal purposes of raising educational standards, increasing health provision, and supporting the hospice movement, made donations of over £16,000 in the year to 13 charities.
- Via our community accounts over £9,000 was donated to the Midlands Air Ambulance.
- Colleagues volunteered over 94 hours to support 13 local street feeds organised by the Midland Langar Seva Society.
- The White House Cancer Support was our colleague Charity of the Year and, through a wide range of events ranging from a bake off to a fashion show, car washing to a laptop recycling scheme, we were able to raise an incredible £10,000 for the charity, as well as providing 90 hours of volunteering time.

The Society also continued its long-standing support for local clubs and associations, including ongoing sponsorship of Tipton Harriers Athletics Club and Tipton Town FC.

We actively encourage our branch leaders to engage with their communities, promoting local events on the community notice boards in every branch. Our Tipton and Codsall branches now feature digital media displays, enabling us to showcase not only our product range but also highlight our community initiatives. We plan to extend this technology to other branches as refurbishments take place in the future.

Our people

Our success in 2025 would not have been possible without the dedication and commitment of our colleagues. During the year, we welcomed 14 new employees and saw 15 leavers, ending the year with a headcount of 119 permanent employees (2024: 120).

We strive to create a vibrant workplace where everyone understands the Society's priorities and works together as one team. Throughout the year, we engaged regularly with colleagues through monthly CEO updates, quarterly pulse surveys, NED visits, and engagement events. These initiatives provide valuable feedback on morale and engagement, supported by a range of colleague-focused KPIs.

One key measure, our Employee Net Promoter Score, stood at an impressive +54 at year-end, reflecting the success of our approach.

Additionally, our colleague-led Engagement Committee organised a wide variety of activities and events, celebrating the incredible diversity of our colleagues and local community, while also promoting health and wellbeing initiatives.

Our plan for 2025 and beyond - Tipton Tomorrow

For several years, we have operated in a market defined by intense competition, narrowing margins, and rising operating costs. While our branch network gives us a clear opportunity to differentiate ourselves from banks by delivering high-

quality, face-to-face service, we also recognise that customers increasingly expect access to convenient digital channels.

In 2025, we carried out a thorough review of our business to understand how members' and customers' needs are likely to change in the coming years, and how we must adapt to continue meeting their expectations. This has allowed us to create a multi-year transformation plan that encompasses our entire IT estate, business processes, branch network, people, and head office. Our transformation programme, Tipton Tomorrow, is closely aligned with the five strategic themes in our Corporate Plan, ensuring that we take a clear, consistent, and focused approach to delivering long-term value for our members

We began this journey in 2025 by implementing a mortgage origination platform. Our Tipton Tomorrow transformation programme spans four years ending in 2029, with the most significant elements scheduled for delivery by the end of 2027. These include upgrading our core banking system, providing expanded digital services for our members, and refurbishing our head office to create a modern environment that is better able to support our future growth ambitions.

As a result of the significant investment we are making in the Society, we anticipate a temporary reduction in the Society's headline profitability during this period, and we may incur losses. However, our underlying profitability (excluding project costs) will remain robust. Successfully delivering these transformation plans are critical to ensuring we provide the services our members and customers expect, and to securing the Society's long-term sustainability.

2026 also marks the Society's 125th anniversary, an important milestone that we will be celebrating with our members, colleagues and community. We are all deeply proud of the Society's heritage and excited about our plans for the future that will see the Society continue to grow and thrive as an independent building society with its roots firmly in the Black Country.

Adam Evetts
Chief Executive Officer
4 March 2026



Strategic review

Our principal purpose is to help our customers achieve their most important financial goals. We achieve this through, at its core, a simple business model. We provide a focused range of mortgages to our members, which are funded primarily by retail savers and our accumulated profit reserves.

As a regional building society with a proud Black Country heritage and as a mutual organisation, we play an important role in bringing diversity and choice to the mortgage and savings marketplaces. We do not aim to maximise profit; we work hard to balance rewarding both mortgage and savings members with competitively priced products, whilst ensuring we are financially strong and able to continue to invest for the future benefit of members.

Funding

Our funding is sourced primarily from retail savers (through our 5 local branches, online app and by post), wholesale markets, and from accumulated previous years' profits. Competition for retail savings has remained significant in 2025, reflecting, we believe, higher customer engagement, and reductions in wider market liquidity as the Bank of England Term Funding Scheme with additional incentives for SMEs (TFSME) is repaid. Although absolute interest rates are expected to fall further in 2026, we expect competition to remain significant. As a result, we have improved our flexibility for future funding by adding to our branch network and by entering into a new deposit aggregator relationship.

Growing our retail savings balances is key to ensuring we can sustain mortgage book growth in the long-term and we're proud that in the course of 2025 we added £53m in retail deposits. We achieved this by providing attractive savings products and good service to our customers. During 2025, we were able to mitigate the reduction in our average savings rates from 4.02% in December 2024 to 3.54% in December 2025, and our savers benefitted from the Society paying 1.25% above market average rates¹ in 2025.

To diversify our funding beyond retail, we have added to our product range by offering attractive business savings accounts. We have also now fully repaid all remaining funding taken through the Bank of England Term Funding Scheme with additional incentives for SMEs (TFSME), though we continue to be a participant of the Bank of England's Sterling Monetary Framework.

Mortgages

We are committed to helping our mortgage customers achieve their most important goals, and are passionate in developing a quality, friction-free experience that our customers value. In particular, our underwriters use their expertise to individually assess every new mortgage on its merits and we invest time engaging with customers to better

understand their individual circumstances.

This depth of understanding means we can be more flexible in offering mortgages to more complex, credit-worthy, borrowers that larger providers may decline. Our product range is targeted at underserved segments of the mortgage market where we can achieve a sustainable margin whilst ensuring we do not become over exposed to any one segment; this means we remain well positioned to cope with changes in competition and the market.

In 2025, we have invested in implementing a new mortgage origination platform, which is due to launch in the early part of 2026. This will significantly improve the end to end mortgage process, and increase the Society's lending capacity. As a consequence, we consciously and temporarily constrained our new business lending to ensure the success of this important implementation.

In 2025, we supported borrowers to purchase or remortgage homes across England and Wales including:

- First time buyers;
- Borrowers with higher income multiple requirements;
- Borrowers who have shared ownership of their property;
- Lending into later life, including retirement;
- Buy to Let, including to ex-pat borrowers; and
- Borrowers wanting to build or refurbish a property.
- Residential borrowers who work overseas
- Residential borrowers who have had previous credit challenges

Unfortunately, some mortgage customers will experience financial difficulty at times. The Society is a signatory to the Mortgage Charter which sets out a range of standards to adopt when helping customers experiencing financial difficulties. Our approach is to support customers wherever we can, using forbearance measures appropriate to their circumstances.

Managing liquidity

We maintain a prudent level of liquidity to ensure we are able to support expected mortgage lending, and other future needs. Throughout the year, liquidity was maintained significantly above minimum regulatory requirements.

Our liquid assets are held primarily in the form of either cash with the Bank of England, or readily convertible, highly secure, instruments backed by UK government (TBills).

¹Bank of England Database (average of monthly savings rates)

Net interest margin

Our objective is to balance the need to offer attractive rates to both savers and borrowers, whilst ensuring we achieve a sustainable overall net interest margin. Our margin is influenced by a number of factors including product price, mix of products, the structure of our balance sheet, and changes to Bank of England Base Rate. We enter into hedging arrangements to manage our exposure to risks associated with changes in Base Rate.

Underlying cost and project management

Maintaining cost control and investing carefully where it will yield long term value are important for us to ensure we are able to generate sufficient profit to maintain a strong financial position. Costs reflect our operation across five local branches, serving our savings customers, sourcing and administering mortgages, and ensuring we remain compliant within the regulatory environment we operate within. In 2025, there has been upward pressure on the underlying cost base, as inflation remained significantly above the BoE target of 2%.

A high proportion of our costs relate to our colleagues, who we aim to pay fairly to ensure we attract and retain talent. We continue to invest in improving processes so we are well placed to provide great service to customers now and in the future, and to remain operationally resilient should unexpected events arise.

In 2025, we have made a significant investment into a mortgage origination platform which will launch in the early part of 2026, together with ongoing improvements to our mortgage and savings processes and capability, cyber security, and investments in colleague development.

Looking forward to 2026, the commencement of a multi-year transformation programme is expected to temporarily increase the Society cost base, whilst building a scalable and customer orientated foundation for future sustainable growth.

Ensuring sustainable capital

Our capital reserve has been generated since our inception in 1901 and is entirely from historic profits. As a regional mutual this is realistically the only source of capital available. It is used to ensure we are financially strong, both currently and into the future, and is necessary to support future mortgage lending, and investment in the Society.


















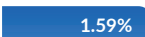
Our capital position is significantly above regulatory requirements; this provides both a buffer in the event of unexpected losses and gives us the confidence to investment in the multi-year transformation programme in line with our longer term corporate plan.

In 2027, the Society will become subject to a change in the regulatory framework, adopting the requirements laid out under the small domestic deposit taker (SDDT) regime; the primary change will be to reassess the Society's minimum capital requirement.

Key performance indicators

Key performance indicator	What is measured	Performance	Commentary
Underlying profit before tax	An alternative profit measure, used by the executive team, that excludes gains/ (losses) on derivative financial instruments, and any one-off items.	2025 £1.7m 2024 £2.2m 2023 £4.5m	Underlying profit reduced by £0.5m in the year. The main driver of performance was book growth, offset by reductions in net interest margin, due to the impact of falling base rates, and also highly competitive mortgage and savings markets. Costs were constrained in 2025, similar to 2024 levels, ahead of expected significant transformation spend commencing in 2026.
Profit before tax	As reported in the Income Statement, this is a measure of capital generation in the year, to support future Society growth.	2025 £1.2m 2024 £2.3m 2023 £4.3m	Profit before tax reduced as a result of the underlying profit changes, together with accounting for £519,000 fair value losses on derivatives (2024: gain £32,000); these gains/ losses will unwind in future years.
Gross mortgage lending	The value of mortgages lent to our customers during the year.	2025 £107m 2024 £120m 2023 £116m	In 2025, the Society focused on delivering a new mortgage origination platform and temporarily scaled back new lending to protect customer service standards.
Net mortgage lending	The annual increase in the total mortgage book, excluding fair value adjustments, and impairments.	2025 £23.8m 2024 £45.7m 2023 £47.5m	Mortgage balances grew at a lower rate of 5% in 2025 (2024: 10%), reflecting lower gross lending, partly offset by improving the retention rate from our existing customers.

Strategic review (continued)

Key performance indicator	What is measured	Performance	Commentary
Net interest margin	The difference between interest received on assets (principally mortgages, and liquidity), and interest paid on liabilities (principally funding), as a percentage of mean assets.	2025  1.91% 2024  2.05% 2023  2.46%	As expected, net interest margin has continued to decline back towards historic norms. Funding costs, although declining as Base rates reduced, still reflected a highly competitive environment for retail deposits, and as a result, the Society has diversified its funding, through an additional branch in November 2025, growing business deposits and utilising available BoE funding. Mortgages prices for new and maturing customers have similarly reduced reflecting both lower Base rates and the market's expectation of further base rate reductions.
Tier 1 capital ratio	Tier 1 capital (principally profit reserves) as a percentage of Risk Weighted Assets ("RWA").	2025  23.3% 2024  23.9% 2023  25.5%	While profit in the year has strengthened the Society's capital reserves, growth in the mortgage book has increased RWAs, resulting in a reduction in CET1 ratio. However, this still remains significantly above regulatory requirements.
Liquid assets ratio	Total of cash in hand, loans and advances to credit institutions, and debt securities as a percentage of shares and borrowings.	2025  20.7% 2024  20.0% 2023  23.8%	The Society maintained its prudent approach to holding liquidity, maintaining levels significantly above regulatory minimums; the liquidity ratio increased by c.1%, reflecting our focus on building retail deposits to support lending growth, whilst managing the repayment of £40m TFSME loans.
Savings balances	Shares and deposits held by members.	2025  £576.8m 2024  £523.9m 2023  £479.2m	Savings balances are again at record levels, as we focused on increasing savings balances to fund mortgage lending. Whilst the contribution from our new Branch at Codsall, and from our aggregator relationship was modest in 2025, it supports our capability to diversify our funding and grow balances in 2026 and beyond.
Impairment coverage	Impairment provision as a percentage of the year end mortgage book, prior to fair value adjustments.	2025  0.25% 2024  0.28% 2023  0.36%	At the end of 2025, we have reduced our estimate of mortgage impairments, reflecting the quality of our mortgage book, and our assessment that whilst the economy remains fragile, there is limited evidence of it significantly deteriorating. At the end of 2025 there were no mortgages 12 months or more in arrears (2024: one).
Management expense ratio	The aggregate of administrative expenses, depreciation and amortisation, as a percentage of mean total assets.	2025  1.64% 2024  1.75% 2023  1.59%	Overall, costs reduced modestly in the year; although cost inflation remained at 3.4% in the year, average headcount was stable at 120, with lower investment in systems and infrastructure pending expected transformation spend commencing in 2026 and benefiting from improvements in cost governance. The overall management expense ratio reduced as the cost base was covered by a 6% larger asset base.

Risk management

Financial risk management objectives and policies

The Society operates in an environment where financial risks arise as a natural consequence of its business activities. To mitigate these risks the Society operates a formal structure for managing risk which is closely monitored and controlled by the Board, supported by four Board sub-committees; the Audit, Risk & Compliance, Nominations and Remuneration committees. In addition, the Society operates three executive risk management sub-committees which actively measure and monitor risk; the Assets & Liabilities Committee ("ALCO"), the Retail Credit Risk Committee ("RCRC") and the Executive Risk Committee ("ERC") which all report into the Board Risk & Compliance Committee.

The Board has overall responsibility for risk management and ensuring the approach is aligned to the Society's business strategy and objectives. The Board has put in place a formal Risk Management Framework which includes oversight by the Board Risk & Compliance Committee, risk policy statements, risk appetites including risk metrics, mandates and reporting lines, and an active risk review process. Risk exposures are monitored monthly and managed in accordance with Board approved strategic policies.

The Society uses financial instruments for risk management purposes; the nature of these instruments and details of the financial risks are set out in note 27.

The Society is required to manage its capital to meet the requirements of the Capital Requirements Directive ("CRD IV") and related requirements set by the Prudential Regulation Authority. The Board has assessed, and confirmed, the adequacy of capital resources, including undertaking a formal Internal Capital Adequacy Assessment Process ("ICAAP"), which are requirements of the CRD IV. Additionally, the Country-by-Country Reporting disclosures to comply with the requirements of Article 89 of the Capital Requirements Directive IV ("CRD IV") are set out in note 30 of the annual accounts.

Principal risks and uncertainties

Managing risk is an essential element of running any successful business, and many of the risks the Society faces are those normally associated with any business striving to prosper in a competitive market including interest margin pressures, regulatory and statutory developments, reputation, colleague recruitment and retention, as well as the challenges presented by cyclical changes in the economy.

The Society's Risk Management Framework ensures it carefully manages the principal risks and uncertainties arising from its activities, and so helps to protect members' interests. The Framework is underpinned by the three lines of defence model which ensures roles and responsibilities for managing risk are clearly defined.

The first line of defence retains overall accountability and ownership of risks within the business area. This includes responsibility for implementing the requirements of the risk management framework, including the identification, measurement, assessment, monitoring, control, and mitigation of risk.

The Society's Risk & Compliance team act as the second line of defence and are responsible for the design of the risk management framework and overseeing its successful implementation in the first line. They also provide support, oversight and challenge to the first line, and report their findings to executive management sub-committees, Board sub-committees and/or the Board as per oversight arrangements.

The third line of defence are the Society's internal auditors who provide independent assurance over the effective operation of first- and second-line activities, and report on the effectiveness of the systems of internal control to the Board Audit Committee.

The principal risks and uncertainties the Society faces are as follows:

Strategic risk

Strategic risk is the risk that the Society fails to achieve its strategic objectives as set out in the corporate plan. This can occur through changes in the external operating environment which threaten the Society's business model, or through poor execution.

Strategic risk is managed by:

- Focusing on creating and maintaining a long-term sustainable business model, through the development and challenge of strategy and detailed business plans, risk appetites and policies. Annually, the Board formally reviews and approves the Corporate Plan;
- Monitoring the external environment, including the current cost of living pressure and the potential for recession. Both could have significant short-term consequences and long-term impacts on the economy;
- Maintaining a diverse product portfolio to mitigate against significant changes in the market;
- Continued investment in people, processes, and technology to improve the resilience of the Society and the service to customers and so supporting sustainable growth of the Society;
- Managing costs, monitoring them closely against the corporate plan. If necessary, the Society will adjust its plans to ensure costs remain at acceptable levels; and
- The Society's ExCo manage the Society exposure to strategic risk on day-to-day basis, with the Board providing challenge and monitoring of overall business performance.

Credit risk

Credit risk (mortgage and wholesale) is the risk that customers or counterparties will not meet their financial obligations to the Society as they fall due. This risk is most likely to arise in the potential inability of customers to make repayments on their mortgage, and of treasury counterparties failing to repay loan commitments.

Mortgage credit risk is managed by:

- Focusing on lending where the Society has appropriate knowledge and expertise;
- Setting a Board approved risk appetite, supported by a lending policy and specific segmental lending limits, and robust underwriting processes which seek to ensure customers only assume a debt they can afford to repay;

Strategic review (continued)

- Ongoing monitoring of performance and the exposure against risk appetite by RCRC, with oversight from the Board Risk & Compliance Committee; and
- Proactive engagement with members who have difficulty in making repayments, and working with them to clear arrears, make arrangements, or provide forbearance, where appropriate.

In respect of wholesale credit risk, the Board has an established treasury policy framework which limits treasury exposures to only those institutions considered highly credit worthy, along with limits in place to restrict the amount of exposure that can be taken in relation to any one counterparty, industry sector and geographic region.

Monitoring and oversight of treasury positions is performed by ALCO with further oversight provided by the Board Risk & Compliance Committee.

Interest rate risk

Interest rate risk is the risk that income and expenditure arising from the Society's assets and liabilities may change adversely because of changes in interest rates.

One type of interest rate risk is basis risk; this is the risk that assets and liabilities that are linked to different variable indices (such as Base Rate or SONIA) may not move in accordance with each other.

The Society manages this risk on a continuous basis, utilising derivative financial instruments where appropriate. Exposure limits are set by the Board, with monitoring and oversight performed by ALCO monthly, and further oversight provided by the Board Risk & Compliance Committee.

Further information on the Society's derivative financial instruments is set out in note 27. The interest rate sensitivity of the Society is set out in note 27.

Liquidity and funding risk

Liquidity and funding risk is the risk the Society is unable to meet its financial obligations as they fall due or can only do so at excessive cost.

The Board approved liquidity policy is to maintain sufficient liquid resources both as to amount and quality to cover cash flow imbalances and fluctuations in funding, to maintain full public confidence in the solvency of the Society and to meet its financial obligations as they fall due.

The Society maintains a level of liquid assets in line with the Board approved treasury policy. Adherence to these limits is monitored by the Chief Financial Officer with further oversight provided by ALCO and the Board Risk & Compliance Committee.

An Internal Liquidity Adequacy Assessment is performed annually to determine an appropriate level of liquid resources required under stressed conditions. Regular stress testing is performed to confirm the level of liquid resources is adequate under adverse scenarios.

Capital risk

Capital risk is the risk the Society has insufficient capital resources to meet current or future business requirements.

The Board has set a minimum risk appetite, against which performance is monitored monthly.

An Internal Capital Adequacy Assessment is performed annually to determine the appropriate level of capital required to support current and future activities. Stress testing enables the Society to understand the impact on the capital position, and Recovery Plans are maintained, should a significant stress event occur.

Operational risk (including cyber risk)

Operational risk is the risk of financial or reputational loss arising from inadequate or failed internal processes, people, and systems, or from external events. The Society assesses the impact and likelihood of such risks occurring and then ensures controls have been established and are maintained which appropriately manage the risks in accordance with risk appetite and policies.

The threat of cyber risk is a key focus for the Society to ensure it safeguards members' assets. The Society continues to invest in protecting systems and data against potential cyber-attacks with a rolling programme of investment aimed at further improving resilience.

Exposure to operational risk is monitored by ERC with further oversight provided by the Board Risk & Compliance Committee.

Conduct risk

Conduct risk is the risk the Society's behaviour leads to poor customer outcomes. The Society's conduct risk policy sets out how conduct risk is managed and sets out clear expectations around how the Society must conduct business with its customers to ensure they receive appropriate advice and support.

In response to the implementation of the FCA's Consumer Duty in 2023 and 2024, the Society strengthened its conduct risk control framework, including fair value assessments for all new and existing products. We have also enhanced customer facing literature where required and increased our monitoring.

The Risk & Compliance team monitor the Society's conduct risk exposure through assessing the effectiveness of controls in place to manage this risk. Their findings are reported to ERC and the Board Risk & Compliance Committee.

Financial risks from climate change

Climate change represents a risk to both the Society and its members, and whilst most of the financial impacts from climate change may not emerge for many years, there are a number of shorter-term impacts associated with the transition to a low-carbon economy that need to be carefully monitored and managed.

Governance

The Board has delegated oversight of climate related risks to the Board Risk & Compliance Committee which is responsible for approving the overall risk appetite in relation to climate change risk and providing oversight of the Society's exposure. It is supported in this by the ERC, RCRC, and the Chief Risk Officer who is the Senior Management function holder with responsibility for overseeing management of the financial risks from climate change. The Audit Committee provides oversight of external disclosures relating to the management of climate change risk.

We have a climate change risk policy which sets out the approach to managing climate related risks, which includes details of the roles and responsibilities of each of the three lines of defence, including the Board.

Strategy

Many climate related risks have an emergence period of 50 years or more so they can be difficult to identify, measure and manage. To support the ongoing development of our approach all such risks are considered through two perspectives:

- Physical risks - the risks arising from weather events (such as flooding, heatwaves, and storms) and long-term shifts in the climate (such as increased mean temperatures, rising sea levels and increases in extreme weather events); and
- Transition risks – the risks arising from adjustment towards a low-carbon economy, including Government climate related policy and regulatory developments, the emergence of disruptive technologies and shifting sentiment and societal pressures.

A range of climate risks which may have a financial impact on the Society if they materialised are set out below:

Principle risk type	Climate change risk type	Examples	Emergence time horizon ¹
Retail Credit Risk	Transition	<ul style="list-style-type: none"> • Increase in defaults due to transition costs of moving to greener economy and/or increased energy costs; • Declining property values due to Government housing policy (e.g. minimum Energy Performance Certificates ("EPCs")). 	Medium
	Physical	<ul style="list-style-type: none"> • Declining property values due to increase in severe weather events, e.g. flooding; • Increase in insurance costs leading to increase in uninsured properties or creating trapped borrowers. 	Long
Operational Risk	Transition	<ul style="list-style-type: none"> • Re-evaluation of third party relationships due to their carbon footprint; • Increase in costs base (e.g. corporate insurance, energy); • Reputational damage as a result of not proactively promoting environmental credentials. 	Medium
	Physical	<ul style="list-style-type: none"> • Physical damage to Society offices/branches and/or loss of services/systems due to increased number of severe weather events. 	Long
Conduct Risk	Transition	<ul style="list-style-type: none"> • Potential increase in advice risks from assumed advice given in relation to green products. 	Medium
Liquidity and Funding Risk	Transition	<ul style="list-style-type: none"> • Market participants seeking to deal only with firms with strong environmental credentials. 	Medium
	Physical	<ul style="list-style-type: none"> • Increased risk of market disruption/volatility due to severe weather events; • Reduction in retail deposits due to transition costs of moving to greener economy and/or increased energy costs; • Reduction in retail deposits as a result of the Society failing to adopt green policies and practices. 	Medium - Long
Strategic Risk	Transition	<ul style="list-style-type: none"> • Increase in reputational risk as a result of poor environmental credentials; • Increase in costs as a result of reducing Society's carbon footprint. 	Medium
	Physical	<ul style="list-style-type: none"> • Loss of income as a result of disruption caused by severe weather event; • Deterioration of balance sheet asset quality as a result of physical impacts. 	Long

We support the UK's ambition to be net-zero by 2050 and are conscious of our own contribution, both directly and indirectly, to global greenhouse gas emissions. During 2025 we continued our work with ClimatePartner, a leading solutions provider for climate action, to understand the emissions from our operations and to calculate our carbon footprint. We will then offset these emissions, through

accredited projects in the UK and around the world. With approximately 14%¹ of the UK's carbon emissions coming from homes, we recognise our lending policy can have a positive impact on reducing this. Currently, we have minimum EPC ratings for certain types of lending and will not lend against properties with a very high risk of flooding.

¹Department for Energy Security & Net Zero, 2022 UK Greenhouse Gas Emissions, Provisional Figures (February 2024).

Strategic review (continued)

Risk management

External data has been used to help quantify the current exposure to climate change risks. This has included property-level data relating to the risk of flooding, coastal erosion, and subsidence, and includes modelling to show how exposure to these risks may change under a range of climate change scenarios out to 2060.

We have assessed exposure to the physical risks of climate change within our mortgage book by using the Met Office's Climate Projections 2009 (CP09) and 2018 (CP18).

These in turn use four Representative Concentration Pathways that include a range of assumptions around how climate change will evolve.

The analysis below demonstrates that, even under the most pessimistic climate change scenario where global emissions continue to rise throughout the rest of the century, we have no material exposure to properties at risk of flooding, coastal erosion, or subsidence.

Risk metrics

Mortgage portfolio	Risk weighted exposure based on most pessimistic scenario					
	Flooding		Coastal erosion		Subsidence	
	31/12/25	31/12/24	31/12/25	31/12/24	31/12/25	31/12/24
Properties expected to be impacted at least every 10-years by 2060	0.5%	0.5%	0.5%	0.0%	0.5%	0.5%
Properties not expected to be impacted at least every 10-years by 2060	96.3%	95.4%	96.3%	96.1%	96.3%	95.6%
Properties where data is not available ¹	3.2%	4.1%	3.2%	3.9%	3.2%	3.9%

¹ Mortgages advanced after external analysis undertaken.

We monitor the EPC ratings of our mortgage book to help better understand the impact of lending activities in terms of carbon emissions, identify opportunities to change lending policies to reduce those emissions and to understand the degree to which borrowers may be exposed to potential changes in Government housing policy.

The distribution of EPC ratings across the core mortgage portfolio is shown below against both the current and potential EPC rating if energy efficiency improvements were made.

Current EPC rating	Owner occupied % by number		Buy-to-Let % by number		Total % by number	
	31/12/25	31/12/24	31/12/25	31/12/24	31/12/25	31/12/24
A-C	33.5%	30.7%	48.7%	47.3%	37.0%	34.1%
D-E	60.1%	65.2%	46.2%	52.1%	56.9%	62.6%
F-G	3.4%	3.7%	0.4%	0.5%	2.7%	3.0%
Unknown ²	3.0%	0.4%	4.7%	0.1%	3.4%	0.3%

Potential EPC rating	Owner occupied % by number		Buy-to-Let % by number		Total % by number	
	31/12/25	31/12/24	31/12/25	31/12/24	31/12/25	31/12/24
A-C	91.2%	93.0%	92.8%	95.9%	91.5%	93.5%
D-E	5.6%	6.3%	2.4%	3.1%	4.9%	5.6%
F-G	0.2%	0.2%	0.1%	0.1%	0.2%	0.3%
Unknown ²	3.0%	0.5%	4.7%	0.9%	3.4%	0.6%

² Properties purchased before EPCs became mandatory in 2008, where the certificate is more than 10 years old and has expired, or those advanced during 2025 after external analysis undertaken.

Climate change - future plans

We will continue to develop the work we carry out to understand the climate change impact of our business activities, including considering how these can be reduced or eliminated.

Jeremy Cross
Chair of the Board
4 March 2026

Board of Directors

as at 31 December 2025

Non-Executive Directors



Jeremy Cross **Chair**

I was appointed to the Board as Chair in 2022. I have spent ten years working within the building society sector and am genuinely passionate about the difference that member owned financial services organisations can make to the people and communities they serve. My background is in retail and financial services and I have been a Chartered Accountant for 30 years. Prior to joining the Tipton, I was Chair of another regional building society. I also sit on the Board of my local NHS Foundation Trust and chair the Board of a children's hospice.



Belinda Moore **Senior Independent Director**

I was appointed to the Board in 2020. I have extensive experience across a wide spectrum of marketing disciplines, gained from a career of over 30 years in the UK and overseas. I hold non-executive roles at Benenden Healthcare where I also chair the Membership Committee, and LGPS Central. In 2025 I took on additional role as Chair of Headway, The Brain Injury Charity. I am a member of the Audit and Remuneration Committees.



Myron Hrycyk **Non-Executive Director**

I was appointed to the Board in 2017. I hold an MBA from Birmingham University and am a chartered member of the British Computer Society. I have previously served as Group Chief Digital and Information Officer and Chief Procurement Officer at Severn Trent plc. I also held technology leadership roles at Unipart Advanced Logistics, including IT Director. In 2023, I stepped back from my position as Cabinet Office Crown Representative, where I worked with the Government's strategic digital technology suppliers, in order to become a Commissioner to Birmingham City Council. I am Chair of the Remuneration Committee and a member of the Audit and Risk & Compliance Committees.



Jill Bentley **Non-Executive Director**

I was appointed to the Board in 2022. I bring over 30 years of expertise in risk management and prudential risk, developed through senior positions at several major financial services firms. My career has also included external secondments, notably as Chief Risk Officer at what is now the Ministry of Housing, Communities and Local Government, and as Policy Director at UK Finance. I serve as a Non-Executive Director at ACT Medical Ltd and am currently completing the final year of a law degree. I am Chair of the Risk & Compliance Committee and a member of the Remuneration and Audit Committees.

Board of Directors (continued)



Janet Chapman Non-Executive Director

I was appointed to the Board in 2024. I have many years of experience in financial services, most recently leading the Member Service teams at Nationwide Building Society, where I also served as Chief Internal Auditor. My career has included internal audit and IT roles in banks, asset management and retail brokerage in both the UK and US. I am a Trustee at the Black Country Living Museum, a Governor at Coventry University and Chair of the Regal Tenbury Trust, which operates a theatre near my home in Worcestershire. I am Chair of the Audit Committee and a member of the Remuneration and Risk & Compliance Committees.

Executive Directors



Adam Evetts Chief Executive

I joined the Society in 2020 and was appointed to the Board in 2022, becoming Chief Executive in January 2024. I have worked in the building society sector for over 30 years and care deeply about the role we play in supporting both our customers and our local community. I serve as a Trustee for the Society's Charitable Foundation, as well as being Chair of the Tipton Education Fund, a regional grant giving body focused on raising educational attainment in the town. I am a member of the Nominations Committee and a Non-Executive Director of Roseville Court Management Ltd.



Alastair Shand Chief Financial Officer

I was appointed to the Board as Chief Financial Officer when I joined the Society in 2021. I am a Chartered Accountant, having qualified in 1993, and hold an MBA from the University of Warwick. I've worked in financial services for 25 years within retail banking, insurance and intermediary businesses, and more recently in senior finance roles within the building society sector for the last 10 years. I passionately believe in the mutual movement, and in the long term benefit that the sector brings to its customers and its communities.

Corporate Governance Report

Our approach to corporate governance

The purpose of this report is to provide an overview of the way in which the Board has operated over the last twelve months and to describe how we incorporate good governance in our decisions and activities. Corporate governance is about the rules and policies we use to manage the Society. The Board is committed to high standards of corporate governance and believes this is integral to the Society's culture and values. The Board has reviewed corporate governance practices against the UK Corporate Governance Code 2024 ("the Code") and although the Society is not required to comply with the Code, as it only applies to publicly listed companies, where the Code is considered relevant the Society has had regard for its principles on a proportionate basis.

The Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") also require the Board to have regard for the Code. A revised version of the UK Corporate Governance Code was published in January 2024 which applies for financial years beginning on or after 1 January 2025. A further requirement (Provision 29) comes into effect from the 1 January 2026, which will require the Board to make a declaration about the effectiveness of the Society's material internal controls. This declaration will detail how the Board monitors and reviews controls, state whether controls were effective as of the balance sheet date and identify any material weaknesses along with actions taken to address them.

Changes to the Board in 2025

In April 2025, Keith Rolfe, Senior Independent Director ("SID") and Chair of the Board Risk & Compliance Committee retired from the Board having served on the Board since 2015. We wish to thank Keith for his significant contribution to the Society during his tenure.

Succession arrangements were put in place in 2023, and Belinda Moore, NED, took on the role of SID from October 2024, while Jill Bentley, NED, took on the role of Chair of the Board Risk & Compliance Committee from 29 April 2025.

Role of the Board

The Board is accountable to members for the strategic direction and financial soundness of the Society. A governance framework is in place which facilitates both clear oversight of Society activities and effective decision making.

The Board has a formal Terms of Reference ("ToR") which articulates a clear set of roles and responsibilities. Board responsibilities include establishing the Society's purpose, values, and strategy, and satisfying itself that these and its culture are aligned. This is achieved through review and approval of the Corporate Plan and monitoring culture through Board and sub-Committee management information, reviewing measures such as complaints, number of risk events, and feedback from customers and regulators. Additionally, NEDs hold regular "meet and greet" session with colleagues, giving them a greater insight into the culture of the Society.

The Board is also responsible for approving budgets, regulatory assessments of the Society's capital and liquidity positions, its Risk Management Framework, and key supporting policies.

The Board must approve the annual report and accounts,

and ensure it is fair, balanced and is both understandable and provides the necessary information for members to assess performance of the Society. The responsibilities of the Directors in relation to the preparation of the accounts and the statement that the business is a going concern are contained on pages 26 and 27.

Board composition

As at 31 December 2025 the Board was comprised of seven Directors, of whom two were executive Directors and five were independent non-executive Directors. This complies with the Code which requires at least half of the Board, excluding the Chair, to be made up of independent non-executive Directors.

The Board considers that the current mix of Directors' skills, experience, backgrounds, and opinions is appropriate given the nature of the Society's business and protects members' interests and ensures effective leadership and direction.

Chair of the Board

The Chair leads the Board and is responsible for its overall effectiveness and sets its culture and direction, facilitating and encouraging effective contribution and challenge from Directors, and maintaining constructive relations between the non-executive and executive Directors. The Chair ensures the Board consider the views of the Society's members, using the annual AGM, supported by insights from member communication and comments throughout the year, to gauge member opinion.

The other members of the Board, facilitated by the Senior Independent Director, annually review the experience, commitment and capability of the Chair, whose

Corporate Governance Report (continued)

reappointment as Chair is ratified annually following the AGM. The Board considers that Jeremy Cross, the Society's Chair, has continued to meet the criteria of independence in his role.

Conflicts of interest

All Directors have a statutory duty to avoid any actual or potential conflicts of interest. The Board Governance Manual sets out procedures for declaring and, if appropriate, managing any such conflicts and the Secretary maintains a register of conflicts which is reviewed at least annually. All external appointments must be approved by the Nominations Committee prior to being accepted. Executive Directors are not permitted to accept other paid executive appointments.

The Board considers that neither the Chair nor any other Director had any material conflicts of interest which would have impacted the effective discharge of their responsibilities during the year.

Time commitments and external appointments

All Board members are required to declare at least annually details of their other commitments and to ensure they have sufficient capacity to undertake their role as a Director of the Society. The Board considers that each Director had sufficient time to discharge their duties at the Society, and they did not hold more than the prescribed number of Directorships under Article 91 of the Capital Requirements Directive IV.

Tenure and succession

The Society has a succession plan for Board members and the wider executive team. This includes the timeline for non-executive Director succession in the normal course of business.

The Nominations Committee lead the process for Board recruitment, determining the key skills required and the approach to recruitment. This may include using external recruiters to ensure a broad and diverse pool of candidates is considered. The Board make the final decision on such appointments. All Directors must be elected by members at the next AGM following appointment to the Board.

The typical standard tenure for non-executive Directors is a term of nine years. Flexibility is required for non-executive Directors to serve beyond the standard tenure and in exceptional circumstances any non-executive Director serving for over nine years will require annual re-election at the AGM. The overriding principle is that a non-executive Director should only continue in office if this is in the best interests of the Society.

Board meeting arrangements

The Board meet as often as is necessary to discharge its obligations and ensure the smooth running of the Society. In 2025 this comprised 10 meetings, with two additional meetings dedicated to planning and strategy.

For each Board meeting a comprehensive and timely set of papers is provided in advance of the meeting. The Board receive certain items at every meeting such as the minutes of the previous meeting, a schedule of outstanding actions, an update from the CEO on strategic developments and current business performance, the CFO on financial performance, supporting updates from each business area including progress on change initiatives, and an overview of risk exposures against agreed risk appetites.

The materials provided to the Board are reviewed regularly to ensure Directors are provided with the information required for effective decision making.

The Secretary is appointed by the Board and ensures that Board members have access to appropriate information and resources, as well as ensuring papers are issued well in advance of meetings to allow Board members sufficient time to prepare for meetings.

All Board members may seek advice from the Secretary on any matter relating to the governance of the Society. If necessary, Board members can seek independent professional advice to support their deliberations at the Society's cost.

Board committees

To assist the Board in carrying out its objectives and in order that specific matters can be discussed and considered in more detail, certain responsibilities are delegated to several Board committees, each one having a clear and detailed ToR. Copies of the Board and sub-committees ToR's are available from the Secretary. The Chair, Senior Independent Director, Board sub-committee chairs, Chief Executive, and Chief Financial Officer have specific regulatory responsibilities associated with their roles. Further details are available from the Secretary.

Each Board committee is comprised of a majority of independent non-executive Directors, with committee members selected for their relevant skills and expertise.

The Chair of each committee is responsible for ensuring appropriate information is provided to assist with committee discussions and decision making. A brief description of the committees is set out below:

Audit Committee: pages 21 and 22 contain details of the Committee's composition and duties.

Remuneration Committee: pages 23 to 25 contains details of the Committee's composition and duties.

Nominations Committee: The Committee meets at least twice a year and comprises Jeremy Cross (Chair), Adam

Evetts (Chief Executive), and Belinda Moore, (Non-Executive Director). It reviews succession plans and carefully considers the skills and attributes necessary for Board appointments, ensuring that candidate selection processes reflect the principles and practices set out in the Society's Equality, Diversity and Inclusion Policy. The Committee also annually reviews this Policy, ensuring that the Society continues to promote diversity, inclusion and equal opportunity.

The Chair does not chair the Committee when it is dealing with the appointment of their successor. The Committee also leads the process for Board appointments and oversees the appraisals of Directors' performance including assessing their independence.

Risk & Compliance Committee: The committee meets at least four times a year and comprises three non-executive Directors, Jill Bentley (Committee Chair), Myron Hrycyk and Janet Chapman. It is responsible for developing and reviewing the Society's risk management and compliance frameworks, including ensuring there is a comprehensive understanding of the risks facing the Society and that the Society complies with its regulatory and legislative obligations. Further details on Risk Management are set out on pages 11 to 14.

Performance and effectiveness reviews

The Code requires boards to undertake a formal and rigorous annual evaluation of their performance. The Nominations Committee is responsible for overseeing and following up this evaluation process along with the annual review of individual Director performance and producing an appropriate Board training plan. The Chair ensures matters relating to both the Board and individual Director performance are suitably addressed.

The Code also requires the Board to seek an external review of its effectiveness on a periodic basis. The last such review was completed in 2020.

All Board committees evaluate their own performance and effectiveness annually. This process serves to identify any areas where committee members may require further training or development to discharge their duties effectively, or where the overall performance or approach of the committee or Chair could be improved.

The outcome of the 2025 review of effectiveness concluded that the Board and its sub-committees were operating effectively.

Non-executive Directors regularly debate strategy and long-term sustainability at Board and committee meetings and meet periodically, without Executive Directors present, to consider all aspects of Board responsibilities, governance and performance.

Non-executive Directors also have a prime role in appointing, removing and holding Executive Directors to account for their performance against agreed performance objectives.

Stakeholder engagement

The Board has a duty to engage appropriately with all stakeholders, ensuring their views are, where appropriate, considered within Board discussions and decision making. Key stakeholders include members, colleagues, regulators and third parties.

Members

Engagement with members is carried out in several different ways including via social media, customer surveys, questionnaires, in-branch suggestion boxes and during activities supporting the local community.

Each year members are invited to attend the AGM where directors, including all Board committee chairs, are available to answer questions.

The AGM pack sent to members includes the Summary Financial Statement and a newsletter which outlines the Society's activity in the community and addresses topical product and service issues.

Members are encouraged to use their vote and attend the AGM and a donation to charity is made for each vote cast.

There is an informal session at the end of the AGM giving further opportunity for members to speak to directors and the executive team to discuss matters relating to governance of the Society and its performance in general.

At the Society's 2025 AGM over 2,000 members cast their vote in total, representing a turnout of c.9.5% of total eligible members.

Colleagues

Colleagues can engage with non-executive directors through a programme of regular business visits where NEDs gain insights around the Society's working practices and culture.

Annually, colleagues are asked to complete a detailed survey to enable the Board and executives to better understand their views on key matters. Where required, action plans are developed to improve any weaknesses identified.

Overall, the Board believe that, given the Society's size, the approach outlined above provides them with sufficient insight to understand the views and opinions of the Society's workforce, particularly in relation to the Society strategic direction, colleague engagement and culture.

Regulators

We have an open and transparent relationship with both the PRA and the FCA.

Third Parties

Our third-party partners provide an essential role in helping us deliver services to our members. We closely monitor the performance of key third party suppliers, ensuring the services they provide are resilient, effective and provide appropriate value for money. Members of the executive engage with key suppliers regularly, overseeing the completion of ongoing due diligence checks, to ensure they remain the right partner for the Society.

Corporate Governance Report (continued)

Whistleblowing

The Senior Independent Director is the Society's Whistleblowing Champion, and all colleagues are aware of how to raise concerns with them, anonymously if required, for investigation. A summary report covering the operation and effectiveness of the Society's policy in relation to whistleblowing is submitted annually to the Board for review.

Audit, risk, and internal control

Internal governance arrangements support the ongoing independence and effectiveness of the Internal Audit function and the integrity of financial statements. The Audit Committee Report on pages 21 and 22 provides further information.

The Risk Management Report on pages 11 to 14 provides further details of the principal risks and an overview of the approach to risk management.

Jeremy Cross
Chair of the Board
4 March 2026

Board and Committee Attendance Record

Director	Board	Audit	Remuneration	Nominations	Risk & Compliance
J Y Bentley	10(10)	4(4)	4(4)	1(1)	5(5)
J P Chapman	10(10)	4(4)	6(6)	-	5(5)
J D Cross	10(10)	-	-	2(2)	-
A J Evetts	10(10)	-	-	2(2)	-
M Hrycyk	9(10)	4(4)	6(6)	-	4(5)
B M Moore	10(10)	3(4)	2(2)	1(1)	-
K A Rolfe (retired 28th April 2025)	4(4)	-	-	1(1)	2(2)
A J Shand	10(10)	-	-	-	-

The figures in brackets represent the maximum number of meetings each Director could have attended.

Audit Committee Report

The Audit Committee ('Committee') is a key part of the Society's governance framework and has oversight of financial reporting, internal audit and external audit. It reports directly to the Board.

The Committee meets at least four times a year and comprises four Non-Executive Directors: Janet Chapman (Chair), Jill Bentley, Myron Hrycyk and Belinda Moore. Other regular attendees at Committee meetings include the Chief Executive, Chief Financial Officer, and the Chief Risk Officer, along with representatives from the outsourced internal auditor Deloitte LLP, and the external auditor Forvis Mazars. Other senior managers are invited to attend as required. The Board is satisfied that at least one member of the Committee has recent and relevant financial services experience, and all members have experience of working in regulated companies.

At least annually, Committee members have an opportunity to discuss matters with the internal and external auditors without Executive's being present. Minutes of meetings are circulated to all Board members and the Chair of the Committee reports to the Board at the next Board meeting.

Financial reporting

The Committee has primary responsibility to review and assess the integrity of the financial statements. It achieves this through:

- Advising the Board on whether the Annual Report and Accounts, when taken as a whole, are fair, balanced and understandable and provide the information necessary for Members to assess the Society's position and performance, business model and strategy;
- Reviewing the appropriateness and consistency of accounting policies;
- Reviewing material areas in which significant judgements and assumptions have been applied by management; and
- Reviewing the going concern assumption.

The main areas of financial reporting judgement considered by the Committee during 2025 were:

- Mortgage Impairment Provision – review and challenge of the assumptions and judgements used to determine the mortgage impairment provision;
- Revenue recognition – review and challenge the estimates and judgements applied to the calculation of interest income and fees under the effective interest rate methodology;
- Other provisions and liabilities – review and challenge of the estimates and judgements made by management when calculating the level of other provisions and liabilities;

- Going concern assumption – evaluation of the application of the going concern assumption for the year ended 31 December 2025 through review of forecast profitability, liquidity position, funding availability and regulatory capital position. The review also considered the results of stress testing completed as part of the annual capital and liquidity assessments; and
- External audit findings – review and assess reports and findings from the external auditor.

Internal controls

The Board is collectively responsible for determining the strategies for risk management and control and the nature and extent of the principal risks the Society is willing to take. Each Board sub-committee is responsible for the risks and controls which fall under its remit. The Senior Leadership Team is responsible for designing, operating, and monitoring systems of risk management and control. Further details on the assessment and mitigation of risk can be found in the Directors Report on pages 26 and 27.

The Committee reviews the effectiveness of the internal control systems throughout the year to ensure they continue to be appropriate. Internal Audit provide independent assurance to the Board on the effectiveness of the internal control framework through the Committee. The main areas of internal control which were reviewed by the Committee during 2025 were:

- Conduct and control weaknesses identified by the internal auditor, Deloitte LLP, through delivery of their Audit Plan in relation to the Society's systems and controls;
- Status of conduct and control issues raised in internal audit reports, including volume and age of outstanding issues;
- Control weaknesses identified by the external auditor, Forvis Mazars LLP, in relation to the 2024 and 2025 financial reporting processes; and
- Annual Internal Audit plan.

The information received by the Committee provided reasonable assurance that during 2025 there were no material breaches of control or regulatory standards. In addition, Deloitte LLP (as internal auditor) confirmed that an effective internal control framework had been maintained throughout the year.

Audit Committee Report (continued)

Internal audit

The Committee is responsible for monitoring and reviewing the effectiveness of internal audit activities and the adequacy of resources. To provide the level of expertise and depth of resources, the Society has outsourced internal audit work to Deloitte LLP.

Prior to the start of each year the Committee approves the Internal Audit plan and the corresponding audit fee. During the year it considers findings from internal audit reviews designed to monitor and assess the Society's internal control effectiveness and managements responsiveness to recommendations.

On an annual basis the Committee performs an annual appraisal of the effectiveness of the internal audit services provided by Deloitte LLP. The Committee concluded that the services provided during 2025 were in line with that agreed in the Internal Audit plan. Additionally, in 2025, the Committee undertook a formal competitive tender process for internal audit services – as a result of this process, Deloitte LLP have been retained by the Society.

External audit

The Committee is responsible for overseeing the relationship with the external auditor. This role includes:

- Reviewing the auditor independence and objectivity;
- Reviewing the effectiveness of the audit process;
- Recommending to the Board, the appointment, reappointment, or removal of the auditor, along with approving their annual remuneration and terms of engagement; and
- Approving the annual policy on the engagement of the auditor for non-audit services.

The external auditor is Forvis Mazars LLP, who were appointed in September 2024 following a competitive tender process.

Prior to the commencement of the annual audit, the Committee reviewed the External Audit plan which included audit planning materiality, areas of audit focus, terms of engagement, fees payable, and confirmation of auditor independence.

Audit firms often have specialist skills and expertise and can provide non-audit services competitively. The Society has a policy for the use of external auditors for non-audit work and would not consider the appointment of the external auditor for the provision of non-audit services where it might impair their independence. All material non-audit services require Committee approval to ensure that auditor objectivity and independence is safeguarded.

The Committee carries out an annual appraisal of the external auditor to ensure that their independence and effectiveness is maintained. The Committee concluded that the services provided by Forvis Mazars LLP were in line with the External Audit plan and remained satisfied with their objectivity, independence, and effectiveness.

Committee effectiveness

The Committee conducted an internal review of its own effectiveness during the year. The process involved each Committee member considering how effective the Committee was at performing its role, resources available, and whether it had performed in line with its Terms of Reference. The Committee concluded that it continued to operate effectively.

Janet Chapman
Chair of Audit Committee
4 March 2026

Report of the Remuneration Committee

Introduction

The Society's success is built on having great people working for it. Remuneration practices therefore need to help both attract and retain committed and engaged colleagues which will support the Society's long-term sustainability and represent value to members. The Remuneration Committee is responsible for overseeing the Society's approach, and in doing so ensuring it meets the remuneration requirements set out by the PRA and FCA and have regard for the requirements set out in the UK Corporate Governance Code.

2025 Remuneration review

The development and delivery of initiatives to support our "Great People" strategic theme, our HR policies and our flexible working practices helps us ensure we can attract and retain the right people by creating a vibrant workplace that encourages colleagues to thrive. This in turn helps to support our long-term sustainability and strengthen our position as a local employer of choice. Remuneration is one element of this, and our remuneration strategy has been developed around five key objectives:

- Attract, motivate, and retain talented colleagues;
- Promote and reward behaviours that support the Society's values and deliver fair outcomes to customers;
- Keep the Society safe;
- Ensure pay is fair and equitable for all colleagues; and
- Motivate colleagues to increase their engagement, productivity, and performance.

In response to ongoing pressure on both inflation and average earnings, in April 2025 we increased colleague salaries by an average of 3.4% , as well as increasing our minimum full-time salary from £22,200 to £23,200, maintaining our commitment to The Living Wage Foundation's Real Living Wage, a minimum hourly wage rate that is based on the actual cost of living.

We continue to keep our approach to remuneration under close review, including benchmarking ourselves against our peers and the wider financial services industry, and monitoring colleague turnover rates and exit interview feedback.

During 2025 the Committee considers that its approach to setting remuneration has been effective and has supported the Society in delivering its wider strategic ambitions.

Role of the Remuneration Committee

The Committee comprises only non-executive directors, all of whom are independent. The Chair of the Board is not permitted to be a member of the Committee. The Chair of the Committee must have previously been a member of a Remuneration Committee for at least 12 months prior to appointment.

The Committee is responsible for the remuneration policy for all colleagues, ensuring it is fair, aligns with the wider organisational culture, and supports the Society's strategic objectives. The Committee also makes independent recommendations to the Board regarding remuneration, incentive schemes and the contractual arrangements for executive directors and the other members of the Society's Executive Committee.

The Committee has responsibility for ensuring that the Society complies with the relevant aspects of the regulators' remuneration codes and reviews the Society's Remuneration Policy annually, recommending its approval to the Board.

Where required the Committee will seek external professional advice on matters such as market remuneration trends, remuneration governance best practice and, where appropriate, comparable remuneration packages for specific roles.

In assessing executive director remuneration, including that for new appointments, the Committee considers individual performance, information from external sources including comparable building society data, the performance of the Society as a whole, including its performance in delivering fair outcomes to customers, customer feedback scores and complaint levels, and relevant factors from the external economic environment. It then makes recommendations to the Board regarding the level of salaries, benefits, and performance related pay awards.

The Committee annually reviews the Society's gender pay gap and equal pay reports, helping it to determine whether the Society's remuneration practices are fair and equitable, and whether changes are needed to the Society's remuneration strategy or its Remuneration Policy.

The minutes of the Committee are circulated to all Board members and the Chair of the Committee reports to the Board on the discussions and decisions of the Committee at the next Board meeting.

Report of the Remuneration Committee (continued)

Overview of Executive Directors remuneration

The remuneration for executive directors reflects their responsibilities, expertise, experience, and overall contribution to the successful performance of the Society. Their benefits package is designed to motivate decision making in the interests of the Society's members as a whole and is aligned to delivery of the Corporate Plan. This year the overall package comprised basic salary, a performance related pay scheme, and other benefits. Performance related payments are non-contractual and non-pensionable.

The Society does not have a share option scheme and none of the directors has any beneficial interest in, or any rights to subscribe for shares in or debentures of, any commercial undertaking of the Society.

Executive director remuneration comprises of three elements:

- **Basic Salary:** The Society requires professional and highly competent individuals in leadership roles each of whom require regulatory approval under the Senior Managers Regime. Basic salary is set having regard for these requirements, the consequential regulatory accountability, and having had consideration of information from external sources including comparable building society data.
- **Performance Related Pay Scheme:** This annual scheme has regard for best practice by emphasising the need for sustainable performance and recognises that ensuring effective risk management and a sustainable business model are vital requirements for the long-term well-being of the Society. It has been aligned to the corporate objectives and delivery of key strategic projects and provides an incentive to perform at the highest level in a manner consistent with the long-term interests of the Society's members.

The scheme requires high performance across a range of measures before the maximum award of 20% of basic salary can be achieved. The Committee recommends to the non-executive members of the Board the scheme target measures, which are designed to ensure the continuing security and financial strength of the Society, recognise corporate and individual performance including good risk management, delivering fair outcomes to customers, upholding excellent customer service and maintaining a high standard of work. Given the Society's business transformation plans, an element of the executive incentive scheme is also directly linked to the successful delivery of key projects to agree time, cost and quality measures.

The non-executive directors of the Board have sole discretion on awards made under the scheme which includes overriding formulaic outcomes where such an approach would undermine the aims of the scheme. Such discretion would typically only be applied where performance metrics had been materially impacted

by market conditions, or where a material breach of regulations had been identified. For the 2025 reporting period no such adjustments were made.

The Society does not apply any malus or clawback provisions to executive director performance related pay awards, reflecting the materiality of the awards payable.

- **Other Benefits:** Executive directors are members of the Society's Defined Contribution Pension Scheme. The Society makes a contractual contribution of 15% of basic salary for executive directors pension payments and this is taken into consideration when assessing their overall remuneration package. The pension scheme provider for the executive directors is the same as for other employees.

Executive directors also receive benefits including a car allowance and private health cover (covering only themselves). The Society does not provide subsidised mortgages.

Each year the executive directors are appraised by the Chair of the Board in respect of their individual performance as members of the Board. The Chief Executive assesses the Chief Financial Officer's performance in respect of their executive duties, while the Chair of the Board will assess the Chief Executive's executive performance.

Executive directors have contracts of employment as set out below:

Executive	Date contract signed	Notice required by:	
		Executive	Society
Alastair Shand	05/05/21	6 months	6 months
Adam Evetts	09/11/23	12 months	12 months

There are no special terms in the event of amalgamation, transfer of engagements or transfer of business where employment is to be terminated.

Executive directors who hold outside directorships do not receive any remuneration from those organisations.

Overview of Non-Executive Directors fees

Fees relating to non-executive directors are considered by the Chief Executive and Chief Financial Officer with the Board Chair in attendance, having regard for the amount permissible under the Society's Rules. No director is involved in setting their own fees.

The basic fee payable to non-executive directors is assessed using information from comparable organisations, the time commitment required and responsibilities of the role. A supplementary fee is paid to the Chair of the Board, the Chair of Audit Committee, and the Chair of Risk & Compliance Committee to reflect the additional responsibilities and time commitment required of these roles. Non-executive directors do not participate in any incentive schemes or receive any other benefits. Non-executive directors have a letter of appointment rather than a contract of employment.

Member engagement

The Society presents this Report of the Remuneration Committee to its members to vote on as a Resolution at its Annual General Meeting (AGM). While this is a non-binding vote, the Board considers the results when determining its remuneration policies and practices. At the last AGM (April 2025) the vote on the 2024 Report of the Remuneration

Committee resulted in 93.6% of members voting in favour of it, which the Committee considers an endorsement of its approach.

Myron Hrycyk
Chair of the Remuneration Committee
4 March 2026

Directors' remuneration

Non-Executive Directors (audited)	2025 Total fees £'000	2024 Total fees £'000
J Y Bentley	39	34
J P Chapman	41	30
J D Cross	50	48
M Hrycyk	35	34
B M Moore	35	34
K A Rolfe (retired 28 April 2025)	13	39
S J Veitch (resigned 31 March 2024)	-	10
Total	213	229

Executive Directors (audited)	Salary £'000	Performance related pay £'000	Benefits £'000	Sub-total £'000	Pension contributions £'000	Total £'000
2025	£'000	£'000	£'000	£'000	£'000	£'000
A J Evetts	205	36	12	253	43	296
A J Shand	166	31	10	207	46	253
	371	67	22	460	89	549

Executive Directors (audited)	Salary £'000	Performance related pay £'000	Benefits £'000	Sub-total £'000	Pension contributions £'000	Total £'000
2024	£'000	£'000	£'000	£'000	£'000	£'000
A J Evetts	195	37	11	243	41	284
A J Shand	158	32	10	200	44	244
	353	69	21	443	85	528

All Executive Directors are eligible to be members of the Society's defined contribution pension scheme.

Directors' Report

The Board is pleased to present its annual report and accounts and annual business statement for the year ended 31 December 2025.

Information on business objectives and activities, business review and future developments, including key performance indicators, financial risk management and principal risks and uncertainties, is provided within the Chief Executive Officer's Highlights and the Strategic Report on pages 5 to 14.

Creditor payment policy

It is our normal policy to agree the terms of payment at the commencement of trading with each supplier, to ensure that they are aware of those terms and to abide by them. Where terms of payment have not been agreed we settle the supplier's invoice on being satisfied that the supplier has fully conformed with the terms and conditions of purchase. The creditor days were 15 at 31 December 2025 (2024:13 days).

Going concern

The Directors have prepared forecasts over a four-year time horizon which takes account of the Society's business activities and future plans as set out on pages 5 to 7, and the principal risks and uncertainties as detailed on pages 11 to 14.

The forecasting process considers various stress tests and scenarios including a range of severe but plausible events. The stress tests and scenarios indicate that the Society has sufficient operating liquidity and capital for the foreseeable future.

As such the Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, the accounts continue to be prepared on the going concern basis.

Directors' responsibilities in respect of the annual report and accounts, the annual business statement, and the Directors' report

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

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

The annual accounts are required by law to give a true and fair view of the state of affairs of the Society as at the end of the financial year and of the income and expenditure of the Society for the financial year.

In preparing the annual accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts;
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

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

Directors' responsibilities for accounting records and internal controls

The Directors are responsible for ensuring that the Society:

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

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

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

Directors

The names of the Directors of the Society at 31 December 2025, their roles and membership of Board committees are detailed on pages 15 and 16.

The following Director also served on the Board during the year:

- K A Rolfe (retired 28 April 2025)

No Director has any beneficial interest in the shares of any connected undertaking of the Society.

Auditor

In accordance with Section 77 of the Building Societies Act 1986, a resolution to appoint Forvis Mazars as external auditor will be proposed at the annual general meeting of the Society.

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

Post balance sheet events

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

Jeremy Cross

Chair of the Board
4 March 2026

Independent Auditor's Report

Independent auditor's report to the members of Tipton and Coseley Building Society

Opinion

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

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

In our opinion, the annual accounts:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Society's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Reviewing minutes of meetings of directors' and inspecting correspondence with relevant licensing or regulatory authorities, including the PRA and FCA;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance;
- Assessing the reasonableness of the Society's 4-year Corporate Plan, Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process documentation, which include management's stress testing, and form the base of their going concern assessment;
- Critically assessing the reasonableness of the sensitivity analysis performed by management and the various stress scenarios including reverse stress testing on the capital and liquidity position of the Society;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the annual accounts and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the annual accounts on going concern.

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

Key audit matter

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

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

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

Key audit matter

How our scope addressed this matter

Credit risk - Allowance for impairment losses on loans and advances to customers

As at 31 December 2025, the Society held £1,351k (2024: £1,441k) of provisions against a total mortgage loan book of £538m (2024: £514m). The Society’s total impairment provision consists of an individual provision of £219k (2024: £422k) on loans with impairment triggers and a collective provision of £1,132k (2024: £1,019k) on the performing portfolio. All loans are secured against residential or commercial properties.

Refer to Note 1.6 on page 41: Identification and measurement of impairment accounting policy, Note 1.12 on page 43 Accounting judgement and key sources of estimation uncertainty and Note 14 on page 49: Provision for impairment losses on loans disclosures

Credit risk and the calculation of the associated impairment provisions is an inherently judgemental area due to the use of subjective assumptions and a high degree of management estimation. The total impairment provision of the Society consists of individual provisions on loans with default indicators and a collective provision on the performing portfolio, both of which are of loans secured against residential and commercial properties.

The Society has limited actual loss experience on which to base its impairment assessment on the loan portfolio, resulting in management judgement being required in deriving assumptions to be applied in the assessment. We consider there to be a fraud risk on this judgement. The collective impairment is derived by management from a model that uses a combination of the Society’s historical experience and external credit rating data, adjusted for current conditions and resultant management estimates.

The impairment model is most sensitive to movements in the house price index ('HPI'), forced sale discount ('FSD') applied to collateral values and the probability of default ('PD') of the loans.

Management judgement is applied in estimating the individual provisions. In particular, estimates of the probability of default to reflect the risk associated with loans in arrears by at least two months, or estimates of the collateral value following repossession.

We addressed this risk by performing the following procedures:

- Evaluating the design and implementation and testing the operating effectiveness of the key controls in relation to the credit process (loan origination and approval, loan redemptions, arrears monitoring and forbearance);
- Evaluating the design and implementation of the key controls in relation to the approval of assumptions used in the impairment provision model;
- Critically assessing how management has performed the accounting estimate, including reviewing the reasonableness and appropriateness of external and internal data used. This includes testing of the PD, FSD and HPI assumption data used in the model;
- Assessing the relevance of external data used in the provisioning model based on our understanding of the Society’s portfolio;
- Assessing the completeness and accuracy of the loan population identified by management as having default indicators and therefore subject to individual provision, by testing loans that were not in arrears or forbearance for other indicators of financial distress;
- Performing an independent recalculation of the allowance for impairment on loans identified as requiring individual provision;
- Developing an auditor’s range estimate in conjunction with our Credit Risk and Property Valuation experts of the collective and individual provision using reasonable alternative assumptions relevant to the Society’s portfolio;
- Engaging our internal Property Valuation experts to challenge the reasonableness of valuations for a selection of properties held as collateral against loans;
- Performing a stand-back assessment of the resulting individual and collective impairment estimates to assess their reasonableness; and
- Assessing the adequacy of Society’s disclosures in relation to the degree of estimation uncertainty involved in arriving at the provision for impairment losses on loans and advances to customers in the annual accounts.

Our observations

Based on the audit procedures performed, we concluded that the approach taken by the Society in respect to allowance for impairment losses on loans and advances to customers is overall consistent with the requirements of FRS 102. We consider management’s estimate of the allowance for impairment losses as at 31 December 2025 to be reasonable.

Independent Auditor's Report (continued)

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

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature,

timing and extent of our audit procedures on the individual annual account line items and disclosures and in evaluating the effect of misstatements, both individually and on the annual accounts as a whole. Based on our professional judgement, we determined materiality for the annual accounts as a whole as follows:

Key audit matter	How our scope addressed this matter
Overall materiality	£540,000 (2024: £535,000)
How we determined it	1% (2024: 1%) net assets
Rationale for benchmark applied	<p>We consider that net assets is the most appropriate benchmark to use for the Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximisation.</p> <p>Further, net assets as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where net reserves is an approximation of regulatory capital resources.</p>
Performance materiality	<p>Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the annual accounts exceeds materiality for the annual accounts as a whole.</p> <p>Performance materiality of £351,000 (2024: £319,000) was applied in the audit based on 65% (2024: 60%) of overall materiality.</p> <p>In determining the performance materiality, we considered a number of factors, including the effectiveness of the internal control environment, history of corrected and uncorrected audit misstatements, and concluded that an amount in the middle of our normal range was appropriate.</p>
Reporting threshold	<p>We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £16,000 (2024: £16,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.</p>

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on the Annual Business Statement and the Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 26, the directors are responsible for the preparation of the annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report (continued)

Auditor's responsibilities for the audit of the annual accounts

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

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

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

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

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

- Gaining an understanding of the legal and regulatory framework applicable to the Society, the industry in which it operates, and considering the risk of acts by the Society which were contrary to the applicable laws and regulations including fraud;

- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Society is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, including the PRA and FCA, up until the date of the approval of the financial statements;
- Reviewing minutes of meetings of directors' held during the year and up until the date of approval of the financial statements;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience and through discussions with the directors, including the director of risk and compliance, from inspection of the Society's regulatory and legal correspondence and review of minutes of meeting of the Audit, Board of Directors, Risk and Compliance Committees during the period.

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

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the annual accounts, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loan loss provisions and significant one-off or unusual transactions.

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;

- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being skeptical to the potential of management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loan loss provisions, and performing the procedures described in the “Key audit matter” section of our report.

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

The risk of material misstatement that had the greatest effect on our audit, including fraud, is discussed under “Key audit matter” within this report.

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

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the directors on 11 September 2024 to audit the annual accounts for the year ended 31 December 2024 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2024 to 31 December 2025.

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

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

Use of the audit report

This report is made solely to the Society’s members as a body in accordance 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.

Michael Davidson (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
3 Wellington Place
Leeds
LS1 4AP
4 March 2026



Financial Statements

Income Statement

for the year ended 31 December 2025

	Notes	2025 £'000	2024 £'000
Interest receivable and similar income	2	34,319	36,632
Interest payable and similar charges	3	(21,893)	(23,982)
Net interest receivable		12,426	12,650
Fees and commissions receivable		846	1,084
Fees and commissions payable		(998)	(940)
Net (losses)/gains from derivative financial instruments	4	(519)	32
Total net income		11,755	12,826
Administrative expenses	5	(10,338)	(10,609)
Depreciation and amortisation	15,16	(330)	(200)
Impairment release on loans and advances	14	90	260
Provisions for liabilities	23	16	-
Profit Before Tax		1,193	2,277
Tax expense	8	(308)	(599)
Total Comprehensive Income	25	885	1,678

Profit for the financial year arises from continuing operations. Total comprehensive income is the same as the profit for the 2025 and 2024 financial years and is attributable to the members of the Society.

The notes on pages 39 to 69 form part of these accounts.

Statement of Financial Position

as at 31 December 2025

	Notes	2025 £'000	2024 £'000
Assets			
Cash in hand and balances with Bank of England		72,743	64,026
Loans and advances to credit institutions	9	4,388	4,964
Treasury bills	10	49,458	46,248
Liquid Assets		126,589	115,238
Derivative financial instruments	12	645	3,355
Loans and advances to customers	13	538,713	511,243
Intangible fixed assets	15	82	43
Tangible fixed assets	16	1,640	1,709
Prepayments and accrued income		796	1,095
Total Assets		668,465	632,683
Liabilities			
Shares	17	576,943	523,945
Amounts owed to credit institutions	18	22,597	47,310
Amounts owed to other customers	19	10,806	5,079
Derivative financial instruments	12	2,147	805
Current tax liabilities	20	182	290
Deferred tax liabilities	21	170	200
Accruals and deferred income	22	1,596	1,899
Provisions for liabilities	23	-	16
Total Liabilities		614,441	579,544
Reserves			
General reserves	25	54,024	53,139
Total Liabilities and Equity (Members' Capital)		668,465	632,683

The notes on pages 39 to 69 form part of these accounts.

These accounts were approved by the Board of Directors on 4 March 2026 and signed on its behalf:

Jeremy Cross	Chair
Adam Evetts	Chief Executive Officer
Alastair Shand	Chief Financial Officer

Statement of Changes in Members' Interests

for the year ended 31 December 2025

	Notes	General Reserves £'000	Total £'000
2025			
Balance as at 1 January 2025		53,139	53,139
Profit for the year		885	885
Balance as at 31 December 2025	25	54,024	54,024
2024			
Balance as at 1 January 2024		51,461	51,461
Profit for the year		1,678	1,678
Balance as at 31 December 2024	25	53,139	53,139

The notes on pages 39 to 69 form part of these accounts.

Statement of Cash Flows

for the year ended 31 December 2025

	2025	2024
Notes	£'000	£'000
Cash flows from operating activities		
Profit before tax	1,193	2,277
Depreciation and amortisation	330	205
(Profit) on disposal of tangible assets	-	(5)
Impairment (release) on loans and advances	(90)	(260)
Total cashflow from operating activities	1,433	2,217
Changes in operating assets and liabilities		
Decrease in prepayments and accrued income	299	439
Increase in accruals and deferred income	1,126	2,548
Net (increase) in loans and advances to customers	(27,380)	(46,734)
Net decrease/(increase) in loans and advances to credit institutions	1,000	(1,000)
Net (decrease) in amounts owed to credit institutions	(24,470)	(14,142)
Net increase/(decrease) in amounts owed to other customers	5,727	(1,845)
Net increase in shares	51,311	41,873
Movement in derivative financial instruments	4,052	1,331
Taxation paid	(446)	(640)
Net cash inflow/(outflow) from operating activities	12,652	(15,953)
Cash flows from investing activities		
Net decrease/(increase) in non-cash equivalent treasury bills	3,919	(29,497)
Purchase of tangible and intangible assets	(301)	(119)
Disposal of tangible and intangible assets	-	11
Net cash inflow/(outflow) from investing activities	3,618	(29,605)
Net increase/(decrease) in cash	16,270	(45,558)
Cash and cash equivalents at start of year	84,741	130,299
Cash and cash equivalents at end of year	11	84,741

In line with FRS102, interest received was £32,112,000 (2024: £36,502,000) and interest paid was £20,449,000 (2024: £21,932,000).

The notes on pages 39 to 69 form part of these accounts.

Notes to the accounts

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

Tipton & Coseley Building Society (the "Society") has prepared these annual accounts in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). As permitted in Section 11 of FRS 102, the Society has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement. The presentation currency of these annual accounts is sterling.

All amounts in the annual accounts have been rounded to the nearest £1,000.

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the annual accounts and estimates with a significant risk of material adjustment in the next year are discussed in note 1.13.

Included within the notes and financial statements are references to the Income Statements and the profit and loss account. These terms are the same and refer to items included within the Society's Income Statement reported on page 35.

Going Concern

The accounts have been prepared on the going concern basis. The Society has prepared forecasts for a four-year time horizon, with particular focus on the next 12 months, which considers current and future operating conditions and uncertainties. Furthermore, the Society is required to review annually its Internal Capital Adequacy Assessment Process (ICAAP) and its Internal Liquidity Adequacy Assessment Process (ILAAP) which include the requirement to stress test its capital and liquidity positions respectively over a range of severe but plausible scenarios. The stress tests model the impact of changes to various factors including residential house prices, borrowers' propensity to default, interest rates and circumstances that may give rise to funding outflows.

Supported by the results of these scenarios and stress tests the Directors are satisfied that the Society has sufficient operating liquidity and capital for the foreseeable future and for a period of at least 12 months from the date of signing these accounts.

1.1 Measurement convention

The annual accounts are prepared under the historical cost basis except for the following assets and liabilities which are stated at their fair value: derivative financial instruments and investment property classified as at fair value.

1.2 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' (EIR) is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability to the carrying amount of the financial asset or financial liability. When calculating the EIR, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR includes transaction costs and fees paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition of a financial asset or financial liability.

1.3 Fees and commission

Fees and commission income and expense that are integral to the EIR on a financial asset or financial liability are included in the measurement of the effective interest rate (see 1.2).

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

1.4 Expenses

Operating leases

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

Other expenses

Other expenses are recognised in the income statement in the period to which the goods are received, or the service is provided.

1.5 Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year-end date, and any adjustment to tax payable in respect of previous years.

Notes to the accounts (continued)

1.5 Taxation (continued)

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the annual accounts. The following timing difference is not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met, to the extent that it is not probable that they will reverse in the foreseeable future and the Society is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the year-end date. Deferred tax balances are not discounted.

1.6 Financial instruments

Recognition

The Society initially recognises loans and advances, deposits and debt securities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the settlement date, which is the date on which the Society transfers any consideration for an instrument. If any transactions were committed to at the year-end date these are included in contractual commitments. No adjustments to fair values are made for contractual commitments of financial instruments due to the short period between settlement and trade dates.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

Classification

Financial assets

The Society classifies non-derivative financial assets as Loans & Advances or Held to Maturity assets. Management determines the classification of financial assets at initial recognition. No assets have been classified as Available for Sale. The Society's financial assets include cash in hand and balances held with the Bank of England, Treasury Bills, loans and advances to credit institutions, other liquid assets, loans and advances to customers and derivative financial instrument assets. The Society classifies all its financial assets, other than derivatives, as measured at amortised cost using the effective interest method.

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

a) Loans & Advances and Held to Maturity Assets

Loans & Advances and Held to Maturity Assets are non-derivative financial assets with fixed or determinable payments that the Society does not intend to sell immediately or in the near term. No assets are classified as available for sale.

Loans & Advances and Held to Maturity Assets are initially measured at fair value plus incremental direct transaction costs and subsequently measured at their amortised cost using the effective interest method (see 1.2). When the Society chooses to designate the Loans & Advances as measured at fair value through profit or loss, they are measured at fair value with fair value changes recognised immediately in profit or loss.

b) At fair value through profit and loss

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Fair value hedges

On initial designation of the hedge, the Society formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. An assessment is made, both at inception of the hedge relationship and on an on-going basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125% of fair value effectiveness.

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

Notes to the accounts (continued)

1.6 Financial instruments (continued)

Financial liabilities

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

Derecognition

Financial assets or liabilities are derecognised when the contractual right to the cash flows from the financial asset or liability are discharged, cancelled or expire.

On derecognition of a financial asset or liability the difference between the carrying amount of the asset or liability (or the carrying amount allocated to the portion of the asset or liability derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. The Society has not transferred the risks and rewards of ownership of any financial assets to another party during the year ended 31 December 2025.

Measurement

a) Amortised cost measurement

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

b) Fair value measurement

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

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

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

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

Identification and measurement of impairment

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

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; and
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

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

In assessing collective impairment, modelling is used, as well as the timing of recoveries and the amount of loss incurred, and an adjustment is made if current economic and credit conditions are such that the actual losses are likely to be greater or less than is suggested by historical trends.

Notes to the accounts (continued)

1.6 Financial instruments (continued)

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

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

- temporary transfer to an interest only mortgage;
- reduced monthly payment;
- product review;
- capitalisation of arrears; and
- extension of mortgage term.

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

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

1.7 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash comprises cash in hand and unrestricted loans and advances to credit institutions repayable on demand. Cash equivalents comprise highly liquid unrestricted investments that are readily convertible into cash with an insignificant risk of changes in value with remaining maturities of less than three months.

1.8 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings. All current leases are classified as operating leases. The Society assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

- freehold premises – between 10 to 50 years straight line;
- short leasehold premises - Straight line over the remaining term of the lease;
- motor vehicles - 25% reducing balance;
- equipment and fixtures - 10% to 20% straight line; and
- computer hardware – between 3 to 5 years straight line.

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

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially recognised at cost and subsequently carried at fair value. Changes in fair value are recognised in the Income Statement in the period that they arise. No depreciation is provided in respect of investment properties.

1.9 Intangible fixed assets

Intangible assets are stated at cost less cumulative amortisation and impairment losses. Intangible assets are tested for impairment in accordance with Section 27 of FRS 102 Impairment of assets when there is an indication that an intangible asset may be impaired.

Assets are reviewed for impairment at each Statement of Financial Position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the Asset's fair value less costs to sell, and its value in use.

Notes to the accounts (continued)

1.9 Intangible fixed assets (continued)

Computer Software

Purchased software is capitalised as intangible assets where the software is an identifiable asset controlled by the Society which will generate future economic benefits and where costs can be reliably measured. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense as incurred.

Amortisation begins when the asset becomes available for operational use and is charged to the income statement on a straight-line basis over the estimated useful life of the software, which is generally 3 to 7 years. The basis for choosing these useful lives is dependent on the software asset expected life. The Society reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

1.10 Impairment excluding financial assets and deferred tax assets

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

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. An impairment loss is reversed if the reasons for the impairment have ceased to apply.

1.11 Employee benefits

Pensions

The Society operates a defined contribution scheme, with contributions charged to the Income Statements as they fall due.

Incentive Schemes

The Society recognises the expected cost of bonus payments only when: (a) the entity has a present legal or constructive obligation to make such payments as a result of past events (this means that the entity has no realistic alternative but to make the payments); and (b) a reliable estimate of the obligation can be made.

1.12 Provisions and contingent liabilities

A provision is recognised in the Statement of Financial Position when the Society has a possible legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date. Contingent liabilities are not recognised in the Statement of Financial Position.

1.13 Accounting judgement and key sources of estimation uncertainty

The Society makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are described below:

a) Impairment losses on loans and advances to customers

The mortgage portfolio is reviewed on at least a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded, the Society is required to exercise a degree of judgement. Specific impairment triggers are principally when an account has been in arrears in the 12 months preceding the Statement of Financial Position date, or when forbearance arrangements have been agreed. Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and expected cashflows. 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 as at the balance sheet date.

In determining the level of impairment provision any deterioration in economic and credit conditions is considered. The accuracy of the provision would be affected by changes to these assumptions. In the event that a fall in house prices was 5% greater than assumed, the estimated impact would be to increase the impairment provision by £514,000. A 5% decrease in the estimated fall in house prices would reduce the impairment provision by £353,000. A 0.5% increase/decrease in the probability of default for all customers would decrease/increase the provision by £184,000.

b) Effective interest rate

Amounts related to the EIR adjustment included within the income statement totalled £34,000 (2024: £133,000) with an EIR asset included in the Statement of Financial Position of £116,000 (2024: £96,000 liability). The EIR will affect the carrying values of loans and receivables. At the end of any fixed or discounted term for loans, the loan is repriced to market rate. All fees and income associated with the loan are therefore spread over the product term.

c) Fair value of derivatives and financial assets

The following techniques are employed in determining the fair value of its derivatives and financial assets:

- derivative financial instruments - calculated by discounted cash flow models using yield curves that are based on observable market data, which is discussed further in note 4.

The impact of interest rate risk sensitivities can be found in note 27 to the financial statements.

Notes to the accounts (continued)

2. Interest receivable and similar income

	2025	2024
	£'000	£'000
On loans fully secured on residential property	27,414	24,774
On other loans	55	95
On liquid assets	5,020	6,492
Interest income on derivatives	1,830	5,271
At 31 December	34,319	36,632

3. Interest payable and similar charges

	2025	2024
	£'000	£'000
On shares held by individuals	20,355	20,907
On deposits and other borrowings	1,536	2,925
Interest payable on derivatives	2	150
At 31 December	21,893	23,982

4. (Losses)/gains from derivative financial instruments

	2025	2024
	£'000	£'000
Losses on Derivatives in designated fair value hedge relationships	(3,897)	(1,496)
Adjustments to hedged items in fair value hedge accounting relationships	3,534	1,362
(Losses)/Gains on Derivatives not in designated fair value hedge relationships	(156)	166
At 31 December	(519)	32

Notes to the accounts (continued)

5. Administrative expenses

	2025	2024
	£'000	£'000
Staff costs		
Wages and salaries	5,003	4,768
Social security costs	627	525
Pension costs	654	594
	6,284	5,887
Operating lease rentals	33	25
Other administrative costs	4,021	4,697
At 31 December	10,338	10,609
Other administrative costs include:		
Remuneration of Auditor (excluding VAT):		
Audit of these financial statements	187	195
Additional other services	2	2

6. Employees

	2025	2024
	Number	Number
The average number of persons employed during the year was:		
Full time	84	86
Part time	36	34
	120	120
The average number of persons employed during the year was:		
Head office	91	90
Branch offices	29	30
	120	120

The average number of employees on a full time equivalent basis was 108 (2024: 107) and all of these are employed within the UK.

Notes to the accounts (continued)

7. Directors' loans and transactions

a) Directors' remuneration

Directors' remuneration totalling £762,000 for 2025 (2024: £757,000) is shown as part of the Report of the Remuneration Committee on pages 23 to 25.

b) Directors' loans

There were no loans granted or outstanding to Directors or connected persons in the year (2024: nil).

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 will be available for inspection at the head office for a period of 15 days up to and including the date of the Annual General Meeting.

c) Other Directors' transactions

Directors and connected persons hold savings balances with the Society; all accounts have the same terms and conditions as available to customers of the Society. The savings balances are not detailed in the register unlike loans and transactions above, due to their sensitive nature. The aggregate amount of all savings balances at 31 December 2025 was £116,821 (2024: £114,793).

8. Taxation	2025	2024
	£'000	£'000
UK corporation tax at 25% (2024: 25%)	352	568
(Over) provision in previous year	(14)	-
Total current tax	338	568
Deferred tax (note 21)	(30)	31
Total tax expense	308	599

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

	2025	2024
	£'000	£'000
Profit before taxation	1,193	2,277
Expected tax at 25% (2024: 25%)	298	568
Effects of:		
Expenses not deductible for tax purposes	24	31
Adjustment for prior years	(14)	-
Tax expense for the year	308	599

Current tax has been provided at the rate of 25%.

The deferred tax asset at 31 December 2025 has been calculated based on the prevailing tax rate when the timing differences are expected to reverse. The net deferred tax liability expected to reverse in 2026 is £35,000. This primarily relates to the reversal of timing differences on acquired intangible and tangible assets and capital allowances through depreciation and amortisation.

Notes to the accounts (continued)

9. Loans and advances to credit institutions

	2025	2024
	£'000	£'000
Repayable on demand (included in note 11)	4,388	3,964
In more than three months but not more than one year	-	1,000
At 31 December	4,388	4,964

10. Treasury bills

	2025	2024
	£'000	£'000
Repayable on demand (included in note 11)	23,880	16,751
In more than three months but not more than one year	25,578	29,497
At 31 December	49,458	46,248

Movements during the year are analysed as follows:

At 1 January	46,248	-
Additions	91,987	64,632
Disposals and maturities	(90,720)	(19,353)
Movement in Premium	1,485	482
Accrued interest	458	487
At 31 December	49,458	46,248

11. Cash and cash equivalents

	2025	2024
	£'000	£'000
Cash in hand and balances with the Bank of England	72,743	64,026
Loans and advances to credit institutions	4,388	3,964
Treasury Bills	23,880	16,751
At 31 December	101,011	84,741

Notes to the accounts (continued)

12. Derivative financial instruments

	2025		2024	
	Assets	Liabilities	Assets	Liabilities
	£'000	£'000	£'000	£'000
Unmatched derivatives	20	(13)	172	(10)
Derivatives designated in hedging relationships	625	(2,134)	3,183	(795)
Total recognised derivative assets/(liabilities)	645	(2,147)	3,355	(805)

Typically unmatched derivatives arise during the final 3 months of an interest rate swap's life where the derivative's change in fair value are immaterial, or where a new interest rate swap contract has been agreed but the corresponding asset or liability is still to be realised on the Statement of Financial Position.

13. Loans and advances to customers

	2025	2024
	£'000	£'000
Loans fully secured on residential property	537,494	513,490
Other loans – loans fully secured on land	510	719
	538,004	514,209
Provision for impairment losses on loans and advances (note 14)	(1,351)	(1,441)
Fair value adjustment for hedged risk	2,060	(1,525)
At 31 December	538,713	511,243

Maturity analysis

The remaining maturity of loans and advances to customers including fair value adjustment for hedged risk at the reporting date is as follows:

	2025	2024
	£'000	£'000
In not more than three months	3,227	2,967
In more than three months but not more than one year	7,893	8,254
In more than one year but not more than five years	60,725	57,094
In more than five years	468,219	444,369
	540,064	512,684
Provision for impairment losses on loans and advances (note 14)	(1,351)	(1,441)
At 31 December	538,713	511,243

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

Loans and advances totalling £130,288,000 (2024: £122,211,000) have been pledged as collateral with the Bank of England to provide access to contingent liquidity and secured funding (within the Sterling Monetary Framework), including the Term Funding Scheme with additional incentives for SMEs ("TFSME") and Indexed Long-Term Repo (ILTR).

Notes to the accounts (continued)

14. Provision for impairment losses on loans

	Loans fully secured on residential property	Other loans fully secured on land	Total
	£'000	£'000	£'000
Individual provision			
At 1 January 2025	422	-	422
Amounts written off (Release) for the year	- (203)	-	- (203)
At 31 December 2025	219	-	219
Collective provision			
At 1 January 2025	1,010	9	1,019
Amounts written off Charge for the year	- 49	- 64	- 113
At 31 December 2025	1,059	73	1,132
Individual provision			
At 1 January 2024	215	-	215
Amounts written off Charge for the year	- 207	-	- 207
At 31 December 2024	422	-	422
Collective provision			
At 1 January 2024	1,477	9	1,486
Amounts written off (Release) for the year	- (467)	-	- (467)
At 31 December 2024	1,010	9	1,019
The release / (charge) to the income statement comprises:			
Net release for the year above			90
Amounts written off			-
Release to the income statement in 2025			90
Release to the income statement in 2024			260

Notes to the accounts (continued)

15. Intangible fixed assets

	Purchased Software
	£'000
2025	
Cost	
At 1 January 2025	1,025
Additions	-
Disposal	(606)
At 31 December 2025	419
Amortisation	
At 1 January 2025	982
Reclassification	(106)
Charge for the year	65
On disposal	(604)
At 31 December 2025	337
Net Book Value	
At 31 December 2025	82
2024	
Cost	
At 1 January 2024	1,119
Additions	19
Disposals	(113)
At 31 December 2024	1,025
Amortisation	
At 1 January 2024	950
Charge for the year	145
On disposal	(113)
At 31 December 2024	982
Net Book Value	
At 31 December 2024	43

Purchased Software

Items disposed of during the year were decommissioned assets; these assets have been fully depreciated in prior periods and do not have a financial impact on the net book value of the assets owned by the business.

Following a review in 2025, there has been a reclassification of depreciation between tangible and intangible assets of £106,000.

Notes to the accounts (continued)

16. Tangible fixed assets

	Freehold Land & Buildings	Short Leasehold	Equipment, Fixtures, Fittings and Vehicles	Total
	£'000	£'000	£'000	£'000
2025				
Cost				
At 1 January 2025	1,554	101	1,445	3,100
Additions	-	254	47	301
Disposal	(106)	(4)	(1,025)	(1,135)
At 31 December 2025	1,448	351	467	2,266
Depreciation				
At 1 January 2025	285	97	1,009	1,391
Reclassification	1	(1)	106	106
Charge for the year	16	6	243	265
On disposal	(106)	(4)	(1,026)	(1,136)
At 31 December 2025	196	98	332	626
Net Book Value				
At 31 December 2025	1,252	253	135	1,640
2024				
Cost				
At 1 January 2024	1,566	101	1,384	3,051
Additions	-	-	100	100
Disposal	(12)	-	(39)	(51)
At 31 December 2024	1,554	101	1,445	3,100
Depreciation				
At 1 January 2024	282	90	1,004	1,376
Charge for the year	15	7	38	60
On disposal	(12)	-	(33)	(45)
At 31 December 2024	285	97	1,009	1,391
Net Book Value				
At 31 December 2024	1,269	4	436	1,709

Land and buildings

The net book value of freehold land and buildings occupied for own use at 31 December 2025 was £1,180,000 (2024: £1,197,000). Land and buildings include investment properties held at fair value at 31 December 2025 of £72,000 (2024: £72,000); no gains or losses have been recognised in 2025 (2024: nil).

Notes to the accounts (continued)

17. Shares

	2025	2024
	£'000	£'000
Held by individuals	576,859	523,906
Other shares	-	6
Fair value adjustment for hedged risk	84	33
At 31 December	576,943	523,945

Shares are repayable from the date of the Statement of Financial Position in the ordinary course of business as follows:

Accrued interest	7,195	5,508
Repayable on demand	373,264	314,370
In not more than three months	116,976	110,933
In more than three months but not more than one year	59,373	72,271
In more than one year but not more than five years	20,051	20,830
Fair value adjustment for hedged risk	84	33
At 31 December	576,943	523,945

18. Amounts owed to credit institutions

	2025	2024
	£'000	£'000
Amounts owed to credit institutions are repayable at the reporting date in the ordinary course of business as follows:		
Accrued interest	307	550
Repayable on demand	290	-
In not more than three months	22,000	10,260
In more than three months less than one year	-	36,500
At 31 December	22,597	47,310

Amounts owed to credit institutions include £22,000,000 (2024: £40,000,000) of secured funding within the Sterling Monetary Framework, including £Nil (2024: £40,000,000) under the Term Funding Scheme with additional incentives for SMEs (TFSME) and £22,000,000 (2024: Nil) under Indexed Long-Term Repo (ILTR), secured against certain loans and advances to customers.

19. Amounts owed to other customers

	2025	2024
	£'000	£'000
Amounts owed to other customers are repayable at the reporting date in the ordinary course of business as follows:		
Accrued Interest	36	63
Repayable on demand	8,770	1,228
In not more than three months	-	538
In more than three months less than one year	2,000	3,250
At 31 December	10,806	5,079

Notes to the accounts (continued)

20. Current tax liabilities

	2025	2024
	£'000	£'000
Falling due within one year		
Corporation tax	182	290
At 31 December	182	290
Corporation tax		
As at 1 January	290	362
Current year corporation tax charge (note 8)	338	568
Payments made in year	(446)	(640)
At 31 December	182	290

21. Deferred tax liability

	2025	2024
	£'000	£'000
At 1 January	(200)	(169)
Decrease/(Increase) in liability for the year (note 8)	30	(31)
At 31 December	(170)	(200)
Tax effect of timing differences due to:		
Accelerated capital allowances	(170)	(200)

The deferred tax liability at 31 December 2025 has been calculated based on the prevailing tax rate when the timing differences are expected to reverse.

22. Accruals and deferred income

	2025	2024
	£'000	£'000
Accruals	1,596	1,899
At 31 December	1,596	1,899

23. Provision for liabilities

	2025	2024
	£'000	£'000
At 1 January	16	16
Released in the year	(16)	-
At 31 December	-	16

Provision for liabilities

Provisions for liabilities were reflected in 2024 in respect of various customer claims, including claims in relation to previous sales of payment protection insurance, which were released in 2025.

Notes to the accounts (continued)

24. Retirement benefit obligations

Defined contribution schemes

The Society operates a defined contribution scheme, the assets of which are held separately from those of the Society. The total cost for the year was £654,000 (2024: £594,000). There were no outstanding or prepaid contributions at either the beginning or end of the year.

25. General reserves

	2025	2024
	£'000	£'000
At 1 January	53,139	51,461
Profit for the financial year	885	1,678
At 31 December	54,024	53,139

26. Capital

	2025	2024
	£'000	£'000
Tier 1 Capital		
General Reserves	54,024	53,139
Less: Intangible Assets	(82)	(43)
Total Tier 1 Capital	53,942	53,096
Tier 2 Capital		
Collective Provision	1,132	1,019
Total Tier 2 Capital	1,132	1,019
Total Regulatory Capital	55,074	54,115

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 ICAAP process assists the Society with its management of capital. The Board monitors the Society's capital position to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position is reviewed against stated risk appetite which aims to maintain capital at a specific level above its Total Capital Requirement (TCR).

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

Lending decisions

The Society maintains a comprehensive set of sectoral limits on an overall and 12-month rolling basis to manage credit risk appetite. Individual property valuations are monitored against House Price Index (HPI) data and updated quarterly.

Concentration risk

The design of lending products takes into account the overall mix of the loan portfolio to manage exposure to risks arising from the property market and other markets the Society is active in.

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 that reflect the risk appetite of the Society.

Stress tests are used as part of the process of managing capital requirements.

Notes to the accounts (continued)

26. Capital (continued)

The Society's capital requirements are set and monitored by the Prudential Regulation Authority (PRA). During 2025, the Society has continued to comply with Directive (Basel III) as amended by the PRA.

Further details of the Society's approach to Risk Management are given in the Strategic Review under Principal Risks and Uncertainties.

Regulatory capital is analysed into two tiers:

Tier 1 capital

which is comprised of retained earnings, less net book value of intangible assets held.

Tier 2 capital

which includes collective provisions.

The level of capital is matched against risk-weighted assets which are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets.

There were no reported breaches of capital requirements during the year. There have been no material changes in the Society's management of capital during the year.

Notes to the accounts (continued)

27. Financial instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Society is a retailer of financial instruments in the form of mortgage and savings products and also uses wholesale financial instruments to invest liquid asset balances, raise wholesale funding and to manage the risks arising from its operations.

The Society has a formal structure for managing financial risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Society's Executive Assets & Liabilities Committee (ALCO), which is charged with the responsibility for managing and controlling balance sheet exposures. Instruments used for risk management purposes include derivative financial instruments (derivatives), which are contracts or agreements whose value is derived from one or more underlying price, rate or index inherent in the contract or agreement, such as interest rates.

Derivatives are only used by the Society in accordance with the Building Societies Act 1986, to limit the extent to which the Society will be affected by changes in interest rates. Derivatives are not used in trading activity or for speculative purposes and all derivatives are, therefore, designated as hedging instruments. The principal derivatives used in balance sheet risk management are interest rate swaps which are used to hedge balance sheet exposures arising from fixed rate mortgage lending and from fixed rate savings accounts.

The Society applies fair value hedging techniques to reduce its exposure to interest rate risk as follows:

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

The fair values of these hedges at 31 December 2025 and 31 December 2024 are shown in note 12.

Summary terms and conditions and accounting policies of financial instruments:

Financial instrument	Terms and conditions	Accounting policy
UK Government Debt Instruments (Treasury Bills)	Fixed interest rate Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Loans and advances to credit institutions	Fixed interest rate Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Loans and advances to customers	Secured on property or land Standard contractual term typically 25-35 years Fixed or variable rate interest	Loans and receivables at amortised cost Accounted for at settlement date
Shares	Fixed or variable term Fixed or variable interest rates	Amortised cost Accounted for at settlement date
Amounts owed to credit institutions	Fixed interest rate Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Amounts owed to other customers	Fixed or variable term Fixed or variable interest rates Short to medium term maturity	Amortised cost Accounted for at settlement date
Derivative financial instruments	Fixed interest received/paid converted to variable interest paid/ received Based on notional value of the derivative	Fair value through profit and loss

Notes to the accounts (continued)

27. Financial instruments (continued)

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost. Note 1: 'Accounting policies' describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the Society's assets and liabilities by financial classification:

Carrying values by category 31 December 2025	Held at amortised cost		Held at fair value		Total £'000
	Loans and receivables	Financial assets and liabilities at amortised cost	Derivatives designated as fair value hedges	Unmatched derivatives	
	£'000	£'000	£'000	£'000	
Financial assets					
Cash in hand & balances with Bank of England	-	72,743	-	-	72,743
UK Government Debt Instruments	-	49,458	-	-	49,458
Loans and advances to credit institutions	-	4,388	-	-	4,388
Derivative financial instruments	-	-	625	20	645
Loans and advances to customers	538,713	-	-	-	538,713
Total financial assets	538,713	126,589	625	20	665,947
Non-financial assets	-	2,518	-	-	2,518
Total assets	538,713	129,107	625	20	668,465
Financial liabilities					
Shares	-	576,943	-	-	576,943
Amounts owed to credit institutions	-	22,597	-	-	22,597
Amounts owed to other customers	-	10,806	-	-	10,806
Derivative financial instruments	-	-	2,134	13	2,147
Accruals and deferred income	-	1,596	-	-	1,596
Total financial liabilities	-	611,942	2,134	13	614,089
Non-financial liabilities	-	352	-	-	352
Total liabilities	-	612,294	2,134	13	614,441

Notes to the accounts (continued)

27. Financial instruments (continued)

Carrying values by category 31 December 2024	Held at amortised cost		Held at fair value		Total £'000
	Loans and receivables	Financial assets and liabilities at amortised cost	Derivatives designated as fair value hedges	Unmatched derivatives	
	£'000	£'000	£'000	£'000	
Financial assets					
Cash in hand & balances with Bank of England	-	64,026	-	-	64,026
UK Government Debt Instruments	-	46,248	-	-	46,248
Loans and advances to credit institutions	-	4,964	-	-	4,964
Derivative financial instruments	-	-	3,183	172	3,355
Loans and advances to customers	511,243	-	-	-	511,243
Total financial assets	511,243	115,238	3,183	172	629,836
Non-financial assets	-	2,847	-	-	2,847
Total assets	511,243	118,085	3,183	172	632,683
Financial liabilities					
Shares	-	523,945	-	-	523,945
Amounts owed to credit institutions	-	47,310	-	-	47,310
Amounts owed to other customers	-	5,079	-	-	5,079
Derivative financial instruments	-	-	795	10	805
Accruals and deferred income	-	1,899	-	-	1,899
Total financial liabilities	-	578,233	795	10	579,038
Non-financial liabilities	-	506	-	-	506
Total liabilities	-	578,739	795	10	579,544

There have been no reclassifications during either year.

Notes to the accounts (continued)

27. Financial instruments (continued)

Fair values of financial assets and liabilities

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

The fair value hierarchy when deriving fair values is split 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
- **Level 3** – inputs for the asset or liability that are not based on observable market data

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

	Note	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2025					
Financial assets					
Derivative financial instruments					
Interest rate swaps	12	-	645	-	645
		-	645	-	645
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	12	-	2,147	-	2,147
		-	2,147	-	2,147
31 December 2024					
Financial assets					
Derivative financial instruments					
Interest rate swaps	12	-	3,355	-	3,355
		-	3,355	-	3,355
Financial liabilities					
Derivative financial instruments					
Interest rate swaps	12	-	805	-	805
		-	805	-	805

Valuation techniques

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

Interest rate swaps

The valuation of interest rate swaps is based on the 'present value' method. Expected interest cash flows are discounted using the prevailing yield curves. The yield curves are generally observable market data which is derived from quoted interest rates in similar time bandings which match the timings of the interest cash flows and maturities of the instruments.

Notes to the accounts (continued)

27. Financial instruments (continued)

Credit risk

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

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

	2025	2024
	£'000	£'000
Credit Risk Exposure		
Cash in hand and balances with Bank of England	72,743	64,026
Treasury bills	49,458	46,248
Loans and advances to credit institutions	4,388	4,964
Derivative financial instruments	645	3,355
Loans and advances to customers	538,004	514,209
Total Statement of Financial Position exposure	665,238	632,802
Off Statement of Financial Position Exposure – mortgage commitments	36,588	28,622
Total	701,826	661,424

Notes to the accounts (continued)

27. Financial instruments (continued)

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

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

Policy only permits lending to central government (which includes the Bank of England), banks with a high credit rating and building societies. The Chief Financial Officer performs regular analysis of counterparty credit risk and monitoring of publicly available information to highlight possible indirect exposures.

An analysis of the treasury asset concentration, which is all located within the United Kingdom, is shown in the tables below:

	2025	2025	2024	2024
	£'000	%	£'000	%
Industry sector				
Banks and Building Societies	4,388	3.47	4,964	4.31
UK Government Debt Instruments	49,458	39.07	46,248	40.13
Central Bank	72,743	57.46	64,026	55.56
Total	126,589	100.00	115,238	100.00

	2025	AA	A	Other
	£'000	%	%	%
Geographic region				
United Kingdom	126,589	97.75	2.25	-

	2024	AA	A	Other
	£'000	%	%	%
Geographic region				
United Kingdom	115,238	95.75	3.37	0.88

There is no exposure to foreign exchange risk. All instruments are denominated in Sterling.

There are no impairment charges against any of the Society's treasury assets at 31 December 2025 (2024: £nil).

Notes to the accounts (continued)

27. Financial instruments (continued)

b) Loans and advances to customers

All mortgage loan applications are assessed with reference to the Society's credit risk appetite statement and lending policy which are approved by the Board. When deciding on the overall risk appetite that is to be adopted, both numerical and non-numerical considerations are taken into account, along with data on the current UK economic climate and competitor activity. The lending policy must comply with all the prevailing regulatory requirements. The lending portfolio as originated is monitored by the Board to ensure that it remains in line with the stated risk appetite, including adherence to the lending principles, policies and lending limits.

For new customers the first assessment of credit risk is achieved through individual case underwriting, which assesses the credit quality of potential customers prior to making loan offers. The customers' credit assessment combines demographic and financial information. A second element is lending policy rules which are applied to new applications to ensure that they meet the risk appetite of the Society. All mortgage applications are overseen by the Underwriting department who ensure that lending criteria are applied and that all information submitted within the application is validated.

To ensure good customer outcomes and responsible lending the Society ensures at the outset that the customer can meet the mortgage repayments. This is achieved by obtaining specific information from the customer concerning income and expenditure but also with reference to external credit reference agency data. The maximum credit risk exposure is disclosed in the table on page 60.

Loans and advances to customers are predominantly made up of £537.5m retail loans fully secured against UK residential property, which is split between primarily residential loans and buy-to-let loans. The remaining £0.5m being secured on commercial property.

The Society operates throughout England & Wales and an analysis of the geographical concentration of the loan book is shown in the table below:

Geographical analysis	2025	2024
	%	%
East Anglia	3.83	3.47
East Midlands	5.29	5.30
Greater London	32.17	30.83
North	1.26	1.49
North West	6.00	5.47
South East	13.90	13.70
South West	8.21	8.71
Wales	2.17	2.11
West Midlands	23.38	24.67
Yorkshire and Humberside	3.79	4.25
	100.00	100.00

Notes to the accounts (continued)

27. Financial instruments (continued)

The average loan to value (LTV) is the mean LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of collateral held and adjusted by a house price index (HPI) for loans which are on residential property.

The weighted average LTV of mortgage loans is 59.95% (2024: 57.68%). Mortgage Indemnity Insurance is taken out for all residential loans above 80% LTV at origination for a five year period from inception with a Lloyds of London insurance firm. Total mortgage loans of £101,083,000 are covered by mortgage indemnity guarantees which covers 10.70% of the outstanding credit exposure (2024: £101,107,000, 10.52%).

Further LTV information on the mortgage portfolio is shown below:

	2025	2024
	%	%
LTV analysis		
>0% - 50%	33.83	35.20
>50% - 60%	15.09	16.00
>60% - 70%	18.64	19.48
>70% - 80%	12.85	12.96
>80% - 90%	15.27	12.25
>90% +	4.32	4.11
	100.00	100.00
Weighted average loan to value of mortgage loans	59.95	57.68

Notes to the accounts (continued)

27. Financial instruments (continued)

The table below provides information on loans by payment due status and allowance for impairment:

	2025	2025	2024	2024
	£'000	%	£'000	%
Arrears analysis				
Not impaired:				
Neither past due nor impaired	523,322	97.27	502,858	97.79
Past due up to 3 months but not impaired	9,811	1.82	6,685	1.30
Past due over 3 months but not impaired	1,918	0.36	200	0.04
Impaired:				
Not past due	1,297	0.24	708	0.14
Past due up to 3 months	903	0.17	1,857	0.36
Past due 3 to 6 months	551	0.10	703	0.14
Past due 6 to 12 months	202	0.04	995	0.19
Past due over 12 months	-	-	203	0.04
Possessions	-	-	-	-
	538,004	100.00	514,209	100.00
Allowance for Impairment				
Individual	(219)		(422)	
Collective	(1,132)		(1,019)	
	(1,351)		(1,441)	
Loans and advances to customers (net of impairment)	536,653		512,768	
	Indexed	Unindexed	Indexed	Unindexed
	£'000	£'000	£'000	£'000
Value of Collateral held:				
Neither past due nor impaired	1,122,779	1,022,470	1,097,547	971,681
Past due but not impaired	25,117	20,481	20,836	16,066
Impaired	4,704	4,616	7,706	6,126
	1,152,600	1,047,567	1,126,089	993,873

Notes to the accounts (continued)

27. Financial instruments (continued)

The Society uses HPI indexing to update the property values of its residential and buy-to-let portfolios on a quarterly basis. Collateral values are adjusted by the Nationwide house price index to derive the indexed valuation at 31 December. This is a UK house price index and takes into account regional data from the 12 standard planning regions of the UK. The collateral consists of UK property and land.

With collateral capped to the amount of outstanding debt, the value of collateral held against loans 'past due but not impaired' at 31 December 2025 is £11,729,000 (2024: £6,885,000) against an outstanding debt of £11,729,000 (2024: £6,885,000). In addition, the value of collateral held against 'Impaired' assets at 31 December 2025 is £2,953,000 (2024: £4,466,000) against outstanding debt of £2,953,000 (2024: £4,466,000).

Mortgage indemnity insurance acts as additional security. It is taken out for all residential loans where the borrowing exceeds 80% of the value of the total security at the point of origination.

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

Possession balances represent those loans where the Society has taken action to realise the underlying security. Various forbearance options are available to support customers who may find themselves in financial difficulty.

Forbearance

Temporary transfer to an interest only concession is offered for a set period for customers in financial difficulty. The concession allows customers to reduce monthly payments to cover interest only, and if made, the arrears status will not increase.

In addition, the Society is a signatory to the Mortgage Charter, whereby customers are able to self-identify concerns about their ability to make mortgage payments and are granted for up to 6 months an interest only concession.

Capitalisations occur where arrears are incorporated into the capital balance outstanding for the purposes of re-structuring the loan.

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

Product reviews for mortgages are undertaken if a change of product is appropriate; this could be due to a customer not switching product on the maturity of their fixed or discount term. All customers are contacted by the Society on maturity of their discount or fixed product rate.

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.

The level and different types of forbearance activity is reported to the Board on a monthly basis. 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 number of forbearance and payment deferral cases:

	2025	2024
	Number	Number
Type of Forbearance		
Arrangement	4	-
Interest only	7	5
Mortgage Charter	6	10
Others	3	-
Total	20	15

In total £3,865,000 (2024: £4,004,000) of loans are subject to a forbearance arrangement. Individual impairment provisions of £49,000 (2024: £98,000) are held in respect of these loans. In addition, a collective provision of £1,132,000 (2024: £1,019,000) is held.

Notes to the accounts (continued)

27. Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Society will not have sufficient financial resources available to meet its obligations as they fall due, under either normal business conditions or a stressed environment. A significant amount of liquid assets are carried in the form of cash and other readily realisable assets in order to:

- i) meet day-to-day business needs;
- ii) meet any unexpected cash needs;
- iii) maintain public confidence; and
- iv) ensure maturity mismatches are provided for.

Monitoring of liquidity, in line with the Society's Internal Liquidity Adequacy Assessment Process (ILAAP) document is performed daily. Compliance with the policy is reported to ALCO and to the Board monthly.

The ILAAP demonstrates the Society has sufficient liquid resources to withstand a range of stressed scenarios. A series of liquidity stress tests have been developed as part of the liquidity risk assessment process. They include scenarios that fulfil the specific requirements of the PRA (the idiosyncratic, market-wide and combination stress tests). The stress tests are performed monthly and reported to the Board. On a quarterly basis ALCO confirm that the liquidity policy remains appropriate.

The Society's liquid resources comprise high quality liquid assets, including a Bank of England reserves account, supplemented from time to time by deposits with credit institutions and UK Government Treasury bills. At the end of the year the ratio of liquid assets to shares and deposits was 20.74% compared to 20.00% for 2024.

The table below analyses the Society's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity at the Statement of Financial Position date. This is not representative of the Society's management of liquidity. 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 25-35 years but are generally repaid much sooner. Conversely, retail deposits repayable on demand may remain on balance sheet for an extended period.

Notes to the accounts (continued)

27. Financial instruments (continued)

The following is an analysis of remaining contractual maturities at undiscounted amounts.

31 December 2025	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial liabilities						
Shares	378,735	118,098	61,267	21,785	-	579,885
Amounts owed to credit institutions	-	22,447	-	-	-	22,447
Amounts owed to other customers	2	-	2,084	-	-	2,086
Derivative financial instruments	-	3,529	8,567	13,979	-	26,075
Total financial liabilities	378,737	144,074	71,918	35,764	-	630,493

31 December 2024	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial liabilities						
Shares	319,878	111,117	74,270	22,538	-	527,803
Amounts owed to credit institutions	3,271	7,185	38,096	-	-	48,552
Amounts owed to other customers	1,291	538	3,410	-	-	5,239
Derivative financial instruments	-	1,869	8,669	15,344	6	25,888
Total financial liabilities	324,440	120,709	124,445	37,882	6	607,482

The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates, for the average period until maturity on the amounts outstanding at the Statement of Financial Position date. The derivative financial instrument cash flows include the payable leg of all interest rate swap derivatives held by the Society at the Statement of Financial Position date.

Notes to the accounts (continued)

27. Financial instruments (continued)

Market risk

Market risk is the risk of changes to the Society's financial condition caused by interest rate risk, other price risk and currency risk. 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 has adopted the 'Matched' approach to interest rate risk, as defined by the PRA. Societies adopting the Matched approach should have a balance sheet where assets and liabilities are entirely in sterling and use hedging contracts (or internal matching of assets and liabilities with similar interest rate and maturity features) to neutralise the risk arising from loans or funding other than at administered rates, on a tranche by tranche, product by product basis. By implication, societies adopting this approach should not be taking an interest rate view for the purposes of determining a hedging strategy.

The management of interest rate risk is monitored by assessing the sensitivity of the Society's financial assets and liabilities to a 2% parallel movement in interest rates along with other non-parallel movements in interest rates. The results are reported to ALCO and the Board monthly. In addition, management review interest rate basis risk which is also reported to ALCO and the Board monthly. Both sets of results are measured against the risk appetite for market risk which is currently set at a maximum level of capital.

The table below summarises the Society's sensitivity to an increase or decrease in interest rates, after allowing for hedged items, assuming a parallel movement of 2% in yield curves and a constant financial position:

	2025	2024
	£'000	£'000
Net interest income sensitivity		
Parallel increase of 2%	(1,272)	(1,125)
Parallel decrease of 2%	1,458	1,231

All financial assets and liabilities are presented on a gross basis in the Statement of Financial Position. The Society does not have any financial assets or liabilities that are offset with the net amount presented in the Statement of Financial Position as FRS 102 Section 11.38A requires both an enforceable right to set off and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Neither of these conditions are met by the Society.

The Society has Credit Support Annexes (CSA) for its derivative instruments which typically provides for the exchange of collateral on a daily basis to mitigate net mark to market credit exposure. At 31 December 2025 £1,440,000 (2024: £3,260,000) of collateral had been deposited by counterparties with the Society for derivative contracts and £290,000 (2024: £Nil) of collateral had been deposited with counterparties by the Society for derivative contracts.

The Society is not exposed to foreign currency risk.

28. Guarantees and financial commitments

	2025	2024
	£'000	£'000
a) Capital commitments		
Capital expenditure contracted for but not provided for in the accounts	-	-
b) Total of future operating lease commitments at the year end		
Not later than one year	116	41
Later than one year and not later than five years	271	46
Later than five years and not later than ten years	278	-

Notes to the accounts (continued)

29. Related Party Transactions

During the year ended 31 December 2025 there were no related party transactions (2024: £nil), except for those set out in Note 7.

Directors and connected persons hold savings balances with the Society; all accounts have the same terms and conditions as available to customers of the Society. The savings balances are not detailed in the register due to their sensitive nature. The aggregate amount of all savings balances at 31 December 2025 was £116,821 (2024: £114,793).

30. Country By Country Reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 introduced reporting obligations for institutions within the scope of the European Union's Capital Requirements Directive (CRD IV). Article 89 of the Capital Requirements Directive IV requires credit institutions and investments firms in the EU to disclose annually, specifying by Member State in which it has an establishment, the following information 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 the Society is the provision of residential mortgages and retail savings products. Tipton & Coseley Building Society operates only in the United Kingdom.

Average employee numbers are disclosed in Note 6. Turnover is £11,755,000 (2024: £12,826,000), Profit before tax is £1,193,000, (2024: £2,277,000), and corporation tax paid was £446,000 (2024: £640,000). Turnover consists of net interest income, net fees and commissions received or paid and other income.

No public subsidies were received by the Society.

Basis of preparation

The Country by Country information for the year ended 31 December 2025 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 net income as disclosed in the Income Statement. Total net income comprises net interest income, fees and commissions receivable and payable and other income.

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

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

No public subsidies were received during the year, however the Society was a participant of the Term Funding Scheme with additional incentives for SMEs in the year. Borrowings from the scheme are shown in note 18.

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 2025 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.

31. Subsequent Events

At the date of signing these financial statements, the Directors do not consider that there have been any events since the end of the financial year that have a significant effect on the financial position of the Society.

Annual Business Statement

1. Statutory percentages

	2025	Statutory limit
	%	%
Lending limit		
Proportion of business assets not in the form of loans fully secured on residential property	0.74	25
Funding limit		
Proportion of shares and borrowings not in the form of shares held by individuals	5.47	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 and are based on the Statement of Financial Position.

Business assets are the total assets of the Society as shown in the Statement of Financial Position plus impairment for losses on loans and advances (note 14), less property, plant and equipment, intangible assets and liquid assets.

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

Total 'shares and borrowings' are the aggregate of 'shares,' 'amounts owed to credit institutions' and 'amounts owed to other customers' in the Statement of Financial Position. Shares held by individuals are set out in note 17.

2. Other percentages

	2025	2024
	%	%
As a percentage of shares and borrowings:		
Gross capital	8.85	9.22
Free capital	8.75	9.09
Liquid assets	20.74	20.00
As a percentage of mean total assets:		
Profit after taxation	0.14	0.27
Management expenses	1.64	1.75

The above percentages have been calculated from the accounts.

'Shares and borrowings' are the aggregate of 'shares,' 'amounts owed to credit institutions' and 'amounts owed to other customers' in the Statement of Financial Position.

'Gross capital' are the reserves as shown in the Statement of Financial Position.

'Free capital' is gross capital plus collective impairment for losses on loans and advances (note 14) less property, plant and equipment and intangible assets in the Statement of Financial Position.

'Mean total assets' are calculated by halving the aggregate of total assets at the beginning and end of the financial year.

'Liquid assets' are the total of cash in hand and balances with the Bank of England, Treasury Bills and loans and advances to credit institutions.

'Management expenses' are the aggregate of administrative expenses, depreciation and amortisation taken from the Income Statement.

Annual Business Statement (continued)

3. Information relating to Directors as at 31 December 2025

Directors

Name and Age	Appointment date	Occupation	Other directorships
J Y Bentley (Age: 56)	4 November 2022	Non-Executive Director	ACT Medical Ltd
J P Chapman (Age: 62)	25 April 2024	Non-Executive Director	Geffrye Museum Trust Ltd Regal Tenbury Trust Ltd Stoer View Ltd Black Country Living Museum Coventry University
J D Cross (Age: 58)	28 April 2022	Non-Executive Director	Harrogate & District NHS Trust Harrogate Healthcare Facility Management Ltd The Forget Me Not Children's Hospice Ltd Roseville Court Management Ltd Kirkby Overblow Educational Foundation Kirkby Overblow Parish Council
A J Evetts (Age: 56)	1 September 2022	Building Society Chief Executive	Roseville Court Management Ltd
M Hrycyk (Age:69)	20 November 2017	Non-Executive Director	HMG Birmingham City Council Commissioner
B M Moore (Age:63)	1 February 2020	Non-Executive Director	Benenden Healthcare LGPS Central Headway UK
A J Shand (Age:57)	14 June 2021	Building Society Chief Financial Officer	None

Documents may be served on the above named Directors at Forvis Mazars, 30 Old Bailey, London EC4M 7AU. Service of documents by email will not be accepted.

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on page 24.

Glossary

Set out below are the definitions of the terms used within the Annual Report and Accounts to assist the reader and to facilitate comparison with other financial institutions:

Arrears	A customer is in arrears when they are behind in 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 2015 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.
Credit risk	This is the risk that a customer or counterparty fails to meet their contractual obligations.
Capital Requirements Directive (CRD IV)	CRD IV is the European legislation which came into force from 1 January 2015 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 excluding those issued by central banks.
Deferred tax asset	Corporation tax recoverable (or payable) in future periods resulting from timing differences, between the accounting value of assets and liabilities and the tax base of those assets and liabilities.
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 or exchange rates of 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.
Financial Services Compensation Scheme (FSCS)	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 profit.
Gross capital	The aggregate of general reserves, and available for sale reserves.
Impaired loans	Loans where there is objective evidence that an impairment event has occurred, meaning that the Society does not expect to collect all the contractual cash flows or expect to collect them later than they are contractually due.

Glossary (continued)

Individually/collectively assessed impairment	Individual assessments are made of all mortgage loans where objective evidence indicates losses are likely or the property is in possession. A collective impairment provision is made against the remaining group of loans and advances where objective evidence indicates that it is likely that losses may be realised.
Interest rate risk	The risk of loss due to a change in market interest rates. Interest rate risk can have an impact on Society's mortgages and savings products.
Internal Capital Adequacy Assessment Process (ICAAP)	The Society's own assessment, as part of Basel III 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.
Internal Liquidity Adequacy Assessment Process (ILAAP)	The Society's own assessment, as part of CRD IV requirements of the levels of liquidity that it needs to hold in respect of its regulatory 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.
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.
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.
Mortgage Charter	The Mortgage Charter is a code introduced by HM Treasury in response to the recent economic challenges. Those lenders which are signed up to the Mortgage Charter have agreed that any of their customers who are worried about their mortgage repayments can contact them for help and guidance, without any impact on their credit file.
Net interest income	The difference between interest receivable on assets and similar income and interest paid on liabilities and similar charges.
Operational risk	The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.
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 from the 1 April 2013. The PRA is a subsidiary of the Bank of England.
Residential loans	Loans that are loaned to individuals rather than institutions. Residential mortgage lending is secured against residential property.
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	A regulatory measure which adjusts the value of assets as recorded in the statement of financial position to reflect the relative level of risk. This measure is used in calculating regulatory capital requirements.
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 and amounts owed to other customers.
Tier 1 capital	Tier 1 capital consists of internally generated capital from retained profits less intangible assets and other regulatory deductions.
Tier 1 ratio	Tier 1 capital as a percentage of Risk Weighted Assets (RWA's).



We monitor and record phone calls for your security and training purposes.

Tipton and Coseley Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. The Society's Firm Reference Number is 159601. The Society is a member of the Building Societies Association.

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