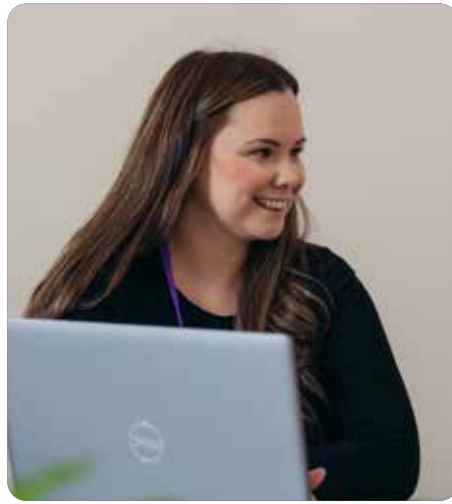


**Chorley Building Society**  
TRUSTED SINCE 1859



[chorleybs.co.uk](http://chorleybs.co.uk)



# Annual Report and Accounts

For the 52-week period ended 2 February 2026



## The Chorley and District Building Society

Since our formation in 1859, to help local mill workers buy their homes, The Chorley and District Building Society (Chorley Building Society) has built a solid foundation on making a difference to the lives of our Members and the local community. Although the world may have changed beyond all recognition, the Society has remained true to its mutual values, providing simple, flexible and attractive products and an individual service to all its Members.

## Our Vision

Sustainably growing to deliver financial strength, excellent Member service and differentiated products for our Members, year after year.

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## Key Highlights of the Year



Total assets decreased by

**(3.4)%**

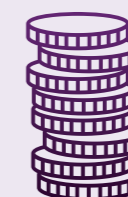
2025: increased by 5.2%



Gross mortgage lending

**£72.9m**

2025: £61.2m



Profit before tax excluding core IT transformation costs<sup>1</sup>

**£0.7m**

2025: £0.7m



(Loss) before tax

**£(2.0)m**

2025: £(0.2)m



Net interest margin

**1.93%**

2025: 1.82%

<sup>1</sup>Profit before tax excluding core IT transformation costs of £0.7m (2025: £0.7m) is calculated as statutory loss before tax of £(2.0)m (2025: £(0.2)m) add back core IT transformation costs of £2.7m (2025: £0.9m) (as disclosed in note 5).

# Directors' Report

**The Directors have pleasure in presenting the Society's 167th Annual Report and Accounts and Annual Business Statement for the 52-week period ended 2 February 2026.**

## Purpose and Strategy

The principal purpose of the Society is that of making loans that are secured primarily on residential property which are funded substantially by our saver Members.

The Society's vision is to 'sustainably grow to deliver the financial strength, excellent Member service and differentiated products for our Members, year after year'.

The Society's business model and strategy continues to serve us well and remains largely unchanged.

We are proud of our North West roots, having supported local mill workers and everyday people with ambition to own homes and secure their futures. As we approach our 170th anniversary in 2029, we remain fully committed to this legacy.

Trusted within our community, we will continue to be a leading specialist mortgage provider, expanding both locally and nationally. We will focus on profitable market niches that leverage our complex underwriting expertise, carefully managing risk to control our own destiny. We are a safe home for savers' money.

Our strategy is driven by sustainable growth, enabling us to reinvest in improving both Member and employee experiences. This includes enhancing both our branch network and digital offerings thereby boosting direct lending, growing the number of members utilising our branch network and expanding our membership base through all our distribution channels.

By leveraging new technology and processes to boost productivity, we will reduce both our overall cost base in proportion to our asset size and the need for significant staff expansion as the Society grows. Our collaborative, enterprising culture motivates employees to give their best, making us a winning team focused on mutual success.

## Introduction from the Chair of the Board

As we celebrate our 167th year, I am pleased to report that the Society has delivered a good underlying business performance, with an underlying profit of £0.7m (2025: £0.7m) although this is before tax and excludes core IT transformation costs of £2.7m (2025: £0.9m). If we include the core IT transformation investment then your Society made a loss before tax of £2.0m (2025: loss of £0.2m).

As I explained last year, the current technology at the heart of our core business operations is approaching its end of life. Consequently, we have had a project running for 3 years to deal with its replacement. This project is on track to go live during the summer of 2026. Once live and settled in, Members will benefit from a better digital channel, as well as continued high-quality customer service in branch or by post. This will enhance the experience for Members, customers and mortgage intermediaries, part of our strong customer service offering.

As a reminder, these investments are funded from our profits and capital reserves, which means we made a loss again this year. Thankfully, we don't replace systems of this scale very often!

One of the major influences on the Society's underlying performance is the economy, which in the year saw the maintenance of the lower levels of inflation since 2022, but continued weak GDP growth, and additional levels of geo-political uncertainty continue to drive volatility in the near-term.

Bank Base Rate fell from 4.75% in February 2025 to 3.75% in December 2025. When responding to changes in Bank Base Rate, the Society is mindful of the differing interests of our savers and borrowers, while maintaining our relative market position in a highly competitive savings and mortgage market.

The housing market remained resilient over the year with the previous year's increase in activity being maintained, aided by the continued real wage growth and reducing interest rates, helping borrowers with affordability. In a year where the Society faced its highest ever scheme maturity challenge, mortgage balances were broadly maintained, reflecting the attractiveness of successor schemes and the continued relevance of the Society's niche mortgage lending proposition. The ongoing attractiveness of our mortgage proposition was reflected in our second highest ever gross lending of £73m.

The savings market also proved to be resilient, but highly competitive, with the Society maintaining its savings balances at a level appropriate to its mortgage book.

While there were small reductions in both the mortgage book and savings balances during the year, these were in part the result of a managed process to better balance the Society's assets to secure the increase in Net Interest Margin necessary to support long term growth.

We continue to develop your Board for the future. I am delighted that Tracey Ashworth-Davies was appointed to the Board as a Non-Executive Director in September 2025. Tracey is an experienced financial services professional having held senior executive roles with Legal & General, Toronto Dominion Bank Group, Royal London Group and Scottish Provident. We are delighted to have her on the Board.

Stephen Penlington will retire from your Board at the Annual General Meeting after 20 years' service as the Society's Chief Executive. Stephen has skilfully led the Society through this period of change in an ever more challenging world. I would like to thank him for his enormous contribution to our success and for his commitment to your Society. We wish him well. I am very pleased to announce that we have selected his successor, Kim Roby. Kim has been with the Society for many years and is currently our Customer Services Director. There is an ongoing process of transition and handover to ensure a seamless transition. She will be attending the AGM, and I am sure would welcome the opportunity to meet as many of you as possible face-to-face.

Finally, I would like to extend my thanks to all my colleagues across the Society for their continued hard work and dedication - in particular during this critical IT transformation project which involves the entire business in various ways - and to thank you, our Members, for all your continued support and loyalty. It is highly appreciated.

Your Board will continue to focus on forging ahead with our business strategy and delivering the benefits to you, our Members, and to our local community as we move forward into 2027.

## Business Review

The main Key Performance Indicators used by the Board to monitor the performance of the Society are detailed in the table below.

Key Performance Indicators	2026	2025
Total assets	£412.8m	£427.5m
Total asset growth	(3.4)%	5.2%
(Loss)/profit before taxation	£(2.03)m	£(0.18)m
Net interest margin	1.93%	1.82%
Management expenses as a percentage of mean total assets	2.38%	1.86%
Management expenses as a percentage of mean total assets excluding core IT transformation costs	1.74%	1.65%
Gross mortgage lending	£72.9m	£61.2m
Net mortgage balances	£320.7m	£322.6m
Mortgage asset growth	(0.6)%	3.3%
Share balances	£382.6m	£390.0m
Capital	£21.9m	£23.4m
Voting Member growth	2.9%	4.5%
Member feedback scores	97.6%	98.2%
Tier 1 capital ratio	15.3%	16.8%
Liquid assets as a percentage of shares and borrowings	22.5%	25.3%

## A Successful Year Supporting Members

The Society continues to place great value on offering a professional and personalised experience for all Members, both through our friendly and highly skilled employees in our branches as well as our online offerings.

During a year that included four reductions to the Bank of England Base Rate, the Society focused on balancing the needs of mortgage and saver Members, whilst prioritising security, stability and consistently high service standards. This ensures that Members continue to benefit from a safe dependable home for their money, alongside the personal service they value.

To make sure that we always provide a great experience, we ask Members to give feedback on their interactions with us. We do this through Smart Money People, a leading financial services review site, based here in the UK. We now have 1,500 reviews and our average score is 4.87 out of 5, resulting in a member feedback score of 97.6%. Smart Money People class this as 'Excellent' and we agree! We also received a five-star rating, for an incredible ninth time in a row, in the Mortgage Lender Benchmark Survey, also conducted by Smart Money People. We are very proud of our mortgage team that continually deliver the best possible service to mortgage brokers.

We were pleased to launch a range of Regional Savings Accounts, exclusively available for those in the North-West of England. The Regional 2 Year Flexible Saver and the Regional Junior Flexible Saver provide our Members the opportunity to build their savings for the future, but still offering flexibility if they need to access their funds.

We were delighted to continue numerous initiatives during the year to provide added value to our Members. These included providing regular Member e-newsletters, a Knowledge Hub on our website, as well as providing our Members with access to a free Will-Writing service through our relationship with Accord Legal Services.

The Society's service proposition is founded upon highly qualified and well-trained employees who are motivated to act in the best interests of our Members, equipped with the appropriate training, systems and tools to do the job properly. We were delighted to be recognised in numerous industry awards throughout the year, including receiving the 'highly commended' honour for Building Society of the Year at the Mortgage Awards.

The Society is very proud to have recently been awarded with a 'Thriving Workplace' accreditation following an employee engagement survey carried out by independent group New Possible.

Our core IT system transformation programme remains on track for delivery in the summer of 2026 and will deliver tangible benefits for Members including improved digital services, faster and more efficient processing, enhanced resilience, and a stronger platform to support future product innovation.

## Charitable and Political Donations

The communities in which we operate form the heart of the Society. During the year, supporting local community groups and charities has been more important than ever. As a Society we have continued to support charities with much needed donations through Chorley High Five and our employees have been involved in many activities to raise money for our chosen charity of the year.

During the year, £28,555 (2025: £41,402) was donated and comprised 15 (2025: 20) beneficiaries, including Christmas gifts to local children who would not otherwise receive presents at Christmas. Also included are the donations we gave to the following Affinity Savings Account partners during the year; Rosemere Cancer Foundation, Regenerate, The North West Air Ambulance Charity, Derian House, St Catherine's Hospice, Galloways Society for the Blind, Chorley Football Club and Age UK Lancashire.

No donations were made for political purposes. Further details on the Society's charitable giving during the year can be found in the Charity and Community Support information in the Business Review document. This is available on the Society's website or may be obtained by request at the Society's Head Office.

## Profitability

The Society seeks to make sufficient profit in order to invest in and grow the business for the benefit of its current and future Members. Profit enhances our financial strength and is necessary to meet the levels of capital, including protection buffers, required under the Capital Requirements Directive. Financial strength also protects the Society against its principal risks and uncertainties and safeguards Members' funds. The Society prepares its results under Financial Reporting Standard (FRS) 102.

The Society made a loss before tax in the year of £2.0m (2025: loss before tax of £0.2m), mainly due to £2.7m (2025: £0.9m) of costs relating to the core IT transformation. Next year's profits will also be impacted by the core IT transformation, however sufficient capital will be maintained to meet our capital requirements. The transformation is expected to facilitate future growth and enhance our Member experience.

Income Statement Overview	2026 £m	2025 £m
Total income	8.0	7.4
Management expenses	(10.0)	(7.8)
Loan impairment provisions	-	0.2
<b>(Loss)/profit before tax</b>	<b>(2.0)</b>	<b>(0.2)</b>

### Net Interest Margin

Net interest margin is a measure of the Society's net interest income and equates to the difference between interest received on assets (predominantly Mortgages) and interest paid on liabilities (predominantly Savers), divided by the Society's average total assets during the year.

The Society's net interest margin increased from 1.82% to 1.93% during the year as a result of a managed process to better balance the Society's assets. The Board seeks at all times to manage the margin by balancing the risks and rewards in relation to borrowing Members while offering value to saver Members.

### Administrative Expenses and Depreciation

Administrative expenses and depreciation (together "management expenses") increased by £2.4m in the year. Costs relating to the core IT transformation were £2.7m (2025: £0.9m).

Employee costs increased by 17.5% and other administrative costs increased by 51.2% compared to the prior year. The increase in employee costs and other administrative costs was mainly driven by the core IT transformation. Further details can be found in note 5 on page 40.

The ratio of management expenses to mean total assets increased in the year from 1.86% to 2.38%. Excluding core IT transformation costs, the ratio increased from 1.65% to 1.74%.

### Impairment Charges

The Society maintains an appropriate Mortgage Impairment Policy designed to protect against estimated losses resulting from mortgages that are impaired on either an individual or collective basis. Impairment provisions for loans and advances to customers increased by £0.05m (2025: decreased by £0.2m).

## Mortgage Credit Quality

### Mortgage Arrears

The Society's arrears statistics as at 2 February 2026 remain low compared to both the building society sector and the mortgage industry as a whole. There was 1 case in serious arrears of 12 months or greater at the year end (2025: 3 cases). The amount of arrears outstanding on this account was £31,325 (2025: £56,899) and the capital balance was £213,370 (2025: £455,560). In all cases, the Society has assessed whether the mortgage assets affected are supported by adequate underlying equity with specific provisions raised where necessary. The low arrears levels reflects the Society's low risk business model and prudent underwriting approach. The Society always seeks to ensure that borrowers can meet affordability requirements at the date of inception of the mortgage and throughout the full mortgage term. One property had been repossessed at the year end.

### Forbearance

The Society works closely with any borrower experiencing difficulties, offering help and advice on the situation where appropriate. Forbearance measures may include actions such as temporary

interest-only concessions, reduced payment concessions, payment deferrals, an arrangement to clear outstanding arrears, capitalisation of arrears and/or extension of the mortgage term. As a mutual organisation and as a responsible lender we strongly encourage our mortgage Members who are in financial difficulty, or who think they may enter financial difficulty in the future, to make contact with us as early as possible so we can assess what support we can provide.

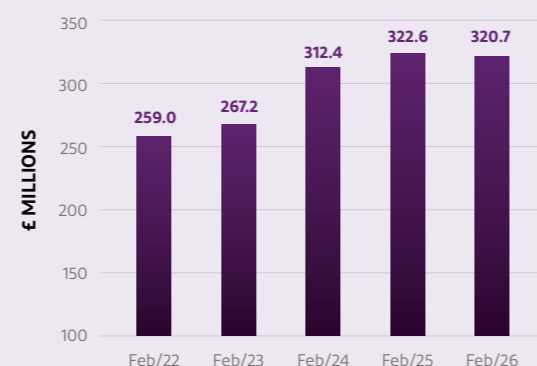
Forbearance towards borrowers was applied to 9 accounts as at the year end (2025: 16).

## Financial Position

### Mortgages (Loans and Advances to Customers)



Mortgage balances after provisions were **£320.7m** (2025: £322.6m) representing a decrease of **0.6%** (2025: growth of 3.3%).



A summary of the Society's mortgage portfolios is shown in the table:

Mortgage Portfolios	2026		2025	
	£m	Avg. LTV	£m	Avg. LTV
Prime Residential	303.3	43.9%	301.8	43.3%
Buy-to-Let	16.9	49.5%	20.3	50.8%
Commercial	0.5	38.6%	0.5	39.1%
Provisions, EIR & Fair Value Adjustment	-	-	-	-
	<b>320.7</b>	<b>44.2%</b>	<b>322.6</b>	<b>43.7%</b>

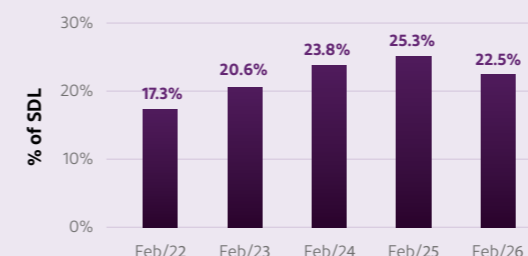
Demand for the Society's range of standard residential mortgage products remained strong. As at 2 February 2026, the Society's mortgage book comprised 99.8% of mortgages secured on residential properties: included in this are Self-Built mortgages (10.7%) and Buy-to-Let mortgages (5.3%).

Our mortgage assets remain of high quality with an average loan-to-value (LTV) of 44.2% (2025: 43.7%). Lending over 80% LTV at inception is insured through a Mortgage Indemnity Policy which protects the Society from any losses incurred if the property is taken into possession.

All loans are individually underwritten by experienced, knowledgeable underwriters. Every mortgage application is personally considered on a case-by-case basis when assessing affordability rather than utilising computerised underwriting tools. Responsible lending and reviewing each case on an individual basis is fundamental to the high quality of our mortgage book. The Society's mortgages are all secured with a first charge registered against the underlying property as collateral. All mortgages are shown at an indexed LTV using the quarterly regional Nationwide House Prices Indices. Further information on security LTV is provided in note 25 on page 46.

## Liquidity

Liquid assets as a percentage of shares, deposits and loans (SDL) decreased to **22.5%** (2025: 25.3%)



Liquid assets were **£87.8m** (2025: £101.9m) representing a decrease of **13.9%** (2025: increase of 12.3%).

Liquid Assets	2026		2025	
Total liquid asset balances	£87.8m		£101.9m	
<b>By Asset Class</b>	<b>£m</b>	<b>%</b>	<b>£m</b>	<b>%</b>
Cash in hand and balances with the Bank of England	60.6	69	98.4	97
Treasury Bills	23.7	27	-	-
Loans and advances to credit institutions	3.5	4	3.5	3
	<b>87.8</b>	<b>100</b>	<b>101.9</b>	<b>100</b>

During the year, the Society intentionally reduced excess liquidity levels, whilst continuing to maintain an appropriate level of high quality liquid assets. The Society's liquid assets are maintained principally in the form of balances with the Bank of England and Treasury Bills issued by the UK Government. Liquid assets are readily realisable as cash when required to ensure that the Society can meet its financial obligations as they fall due under normal and stressed scenarios. The Society has no exposure to any counterparty outside of the UK.

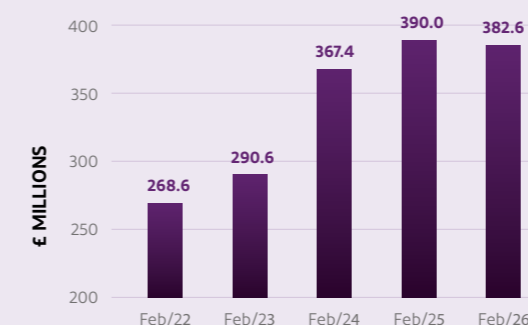
The Liquidity Coverage Ratio (LCR) measures unencumbered high quality liquid assets as a percentage of net cash outflows over a 30 day stress period.

The LCR is measured monthly and as at 31 January 2026 was 350% (31 January 2025: 298%), comfortably in excess of the minimum regulatory limit set by the regulators of 100%.

### Savings (Share Balances)



Savings balances were **£382.6m** (2025: £390.0m) representing a decrease of **1.9%** (2025: growth of 6.1%).



The Society aims to generate a level of savings balances that meet its mortgage funding and liquidity requirements by providing attractive pricing in the market for new and existing Members alike and a high quality service proposition. Our philosophy remains to operate fairly with simple product design, attractive terms and conditions and to deliver long-term Member value. We continue to benchmark our interest rates, monitor trends and, most importantly, ensure our Members remain at the heart of any decisions that we make.

### Funding

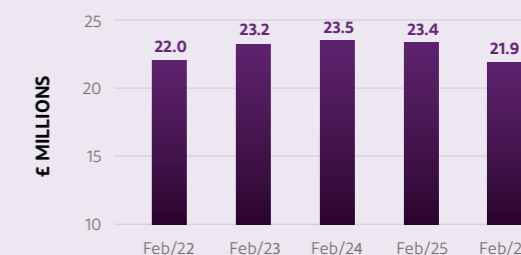
The Society manages its funding levels carefully to ensure it achieves an appropriate level, mix and duration of funding which is essential in providing the Society with the financial resources it needs to meet its growth aspirations. As a mutual building society, the Society's business model is to obtain most of its funding through retail savers funds from its Members, with the balance of funds to support liquidity levels obtained from non-retail sources. The Society is a participant in the Bank of England's Sterling Monetary Framework (SMF). As at 2 February 2026, the amount of SMF borrowings outstanding amounted to £5m (2025: £7.5m). The Society also accesses funding from the wholesale market. Wholesale borrowings decreased during the year from £4.0m to £nil. This level is comfortably within the limits established by the Board.

### Capital

The Board seeks to maintain a satisfactory level of capital to ensure that the Society is protected against any adverse changes in economic conditions and to cover the level and nature of the risks to which it is or might be exposed. The following table shows the composition of the Society's capital and the capital ratios at the end of the year.



Capital reserves were **£21.9m** (2025: £23.4m) decreasing by **6.4%** (2025: decline by 0.6%).



The decrease in capital and the CET1 ratio from 2025 to 2026 has mainly been driven by the increased costs arising from the core IT transformation.

Capital	2026 £m	2025 £m
General Reserve	21.9	23.4
Intangible Assets	(0.2)	(0.4)
<b>Tier 1 Capital</b>	<b>21.7</b>	<b>23.0</b>
Collective Provision for Impairment Losses	0.3	0.3
<b>Tier 2 Capital</b>	<b>0.3</b>	<b>0.3</b>
<b>Total Capital</b>	<b>22.0</b>	<b>23.3</b>
<b>Total Risk-Weighted Assets</b>	<b>141.8</b>	<b>136.8</b>
<b>CAPITAL RATIOS</b>	<b>%</b>	<b>%</b>
Common Equity Tier 1 Ratio	15.3	16.8
Leverage Ratio	5.0	5.2
Pillar 1 Ratio	8.0	8.0
Pillar 2A Ratio	0.07	0.07

The leverage ratio is a measure of capital strength assessing qualifying Tier 1 capital against on-and-off-balance sheet assets. The leverage ratio as at the year-end was 5.0% (2025: 5.2%) and although the 3.25% minimum regulatory limit prescribed to firms with retail deposits in excess of £50 billion does not apply to the Society, it is in excess of this limit.

### Principal Risks and Uncertainties

The principal risks and uncertainties faced by the Society are set out in the Risk Committee Report on pages 20 to 24.

### Financial Risk Management Objectives and Policies

The Society operates in a business environment that contains financial risks. To mitigate these risks, the Board has implemented a clearly defined Risk Management Framework that contains the following features:

- › A risk-focused governance structure;
- › Risk policies and risk limits;
- › Risk identification, monitoring and reporting processes and;
- › An effective internal control framework.

A detailed assessment of the Society's Risk Management Framework is set out in the Risk Committee Report on pages 20 to 24.

The financial instruments used by the Society to mitigate certain risks, particularly interest rate risk, are set out in note 25 on pages 44 to 47.

### Directors

The following persons served as Directors of the Society during the year:

#### Non-Executive Directors

Peter Brickley	Chair of the Board
David Bagley	Vice Chair & Senior Independent Director (to 20 May 2025)
Julia Cattnach	Vice Chair & Senior Independent Director
Joanna Hall	Non-Executive Director
Gail Teasdale	Non-Executive Director
Lee Bambridge	Non-Executive Director
Janat Hulston	Non-Executive Director
Tracey Ashworth-Davies	Non-Executive Director (from 1 September 2025)

### Executive Directors

Stephen Penlington	Chief Executive
David Shelley	Finance Director
Kimberley Roby	Customer Services Director
Steven Melbourne	Chief Risk Officer

In accordance with the Memorandum and Rules of the Society, Tracey Ashworth-Davies, being eligible, will seek election to the Board at the Annual General Meeting (AGM) on 20 May 2026. The Chief Executive, Stephen Penlington, will be retiring at the AGM. He will be replaced by Kim Roby, currently the Customer Services Director.

Directors and Officers insurance has been put in place by the Society. None of the Directors have any interest in any connected undertakings of the Society.

### Supplier Payment Policy

The Society's policy is to ensure invoices are paid within the agreed payment terms, provided the supplier performs according to the terms and conditions of the contract. The Society has two payment dates per month, so the maximum expected payment term is 15 days unless an invoice is queried for any reason.

### Events since the Period End

Following the period end, the military conflict in the Middle East has led to market volatility and increased uncertainty in global economic conditions with the potential for higher energy prices and a resulting rise in inflation and interest rates.

The Directors have carried out an assessment of the potential impact and have concluded that this is a non-adjusting post balance sheet event with the greatest impact on the business expected to be from the economic ripple effect on the global economy and the resulting impact on borrowers' affordability. The Directors have taken account of these potential impacts in their going concern assessments.

### The Future Outlook

Economic conditions are highly uncertain due to the military conflict in the Middle East with the potential for an increase in energy prices, inflation and interest rates, which can be reasonably expected to impact mortgage affordability and therefore may impact profitability.

As discussed in the Risk Committee report the core IT transformation will remain a key focus for the Society. This investment in modernising our core systems and branches will enhance Member experience but will negatively impact our profit in the short term and has the potential for cost and timeline challenges.

Despite the high level of uncertainty, the Board considers the Society to be well positioned for a potential economic downturn or any future adverse events, as evidenced in severe stress tests carried out. The Society maintains adequate levels of liquidity and capital and is able to withstand the severe stresses it has undertaken. Our Board remains vigilant and continues to watch for any adverse economic indicators. Whilst there may be challenges on the horizon, the Society is well placed to continue its successful business performance. Our business model remains viable and the risks to our business are understood, well controlled and our underwriting and assets are of high quality, with low levels of arrears and substantial equity. We have more than sufficient levels of capital and liquidity to meet our objectives and our underlying profitability performance is strong. The Board believes that a successful future outlook lies ahead.

### Going Concern

As outlined above, the Society is currently undergoing a core IT transformation, whilst current economic conditions present risks and

uncertainties for all businesses. The Directors have carefully considered the risks and uncertainties and the extent to which they might affect the preparation of the financial statements on a going concern basis.

### The Directors consider that:

- › The Society maintains an appropriate level of liquidity that is sufficient to meet the normal demands of the business and the requirements which might arise in stressed circumstances;
- › The availability and quality of liquid assets is such that funds are available to repay exceptional demand from saver Members;
- › Other assets are primarily in the form of mortgages secured on residential property. Regular assessment of the recoverability of all mortgage assets is undertaken and provisions are made where appropriate and;
- › The generation of profits is and will continue to be at a level that maintains amounts of capital required to meet at least regulatory requirements including capital buffers.

The Society has considered the financial impacts of the risks arising from the current level of uncertainty by undertaking rigorous stress-testing of the potential outcomes, the results of which demonstrate that it has sufficient capital resources to withstand a range of severe stress scenarios.

The military conflict in the Middle East has led to market volatility and increased uncertainty in global economic conditions and there is no certainty as to when this conflict will be resolved. However at this stage, the Directors do not believe that this could have a material adverse effect on the Society.

The Directors are therefore satisfied that the Society has adequate resources to continue in business for the foreseeable future and at least twelve months from 26 March 2026. For this reason, the accounts are prepared on a going concern basis.

### Provision of Information to the Auditor

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

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

### Independent Auditor

The Society regularly assesses the effectiveness of the external audit process and the approach taken to the appointment and reappointment of the external Auditor. This assessment is done on an annual basis, after the completion of the year end audit. This is reported to and discussed at the Audit Committee meeting.

Forvis Mazars LLP has expressed its willingness to continue in office as Auditor and in accordance with Section 77 of the Building Societies Act 1986, a resolution for the reappointment of Forvis Mazars LLP as Auditor will be proposed at the Annual General Meeting on 20 May 2026.

On behalf of the Board

**Peter Brickley**  
Chair of the Board

26 March 2026

# Our Directors



**Peter Brickley**  
Chair of the Board and  
Chair of Nominations Committee

Peter joined the Board in October 2022. He is Chair of the Board and Chair of the Nominations Committee. Before retiring at the end of 2025 he held several executive positions in a number of global businesses including BAT, Centrica, Heineken, SABMiller and latterly Coca Cola Europacific Partners where he led Business Process reengineering through technology and innovation. Previously he has been a Non-Executive Director for 14 years at the Newbury Building Society, of which he served seven years as Chairman. Peter lives in the Cotswolds with his wife; and has two adult daughters. His hobbies are diverse – from classic cars, wine, brewing beer, music and walking with their dogs. Peter is also a Parish Councillor.



**Stephen Penlington BSc, MBA**  
Chief Executive

Stephen joined the Society in 2006 as Chief Executive. He has a wealth of experience in financial services and has been in the building society movement ever since graduating from the University College of Wales in 1980 with a BSc Economics Honours degree. Stephen is Chair of the Executive Committee and a member of the Mortgage Credit Risk Committee, the Assets & Liabilities Committee and the Conduct & Operational Risk Committee. A committed family man, he is an avid reader, loves music, keep-fit and is a rugby enthusiast. Stephen lives in Chorley and is a trustee of the Chorley Constituency (2015) Charitable Trust and Chorley Pals Memorial.



**David Shelley BSc, MSc, FCCA**  
Finance Director

David joined the Society in 2016 as Head of Finance and joined the Board in November 2022 as Finance Director. He is a Fellow of the Association of Chartered Certified Accountants and graduated from Loughborough University in 2020 with an MSc degree in Leadership and Management. David has over 15 years of experience within the Financial Services. He is Chair of the Assets & Liabilities Committee, and the Product & Treasury Committee, he is also a member of the Executive Committee, the Conduct and Operational Risk Committee, and the Mortgage Credit Risk Committee. David lives in Northwich with his wife and four young children.



**Kimberley Roby BA (Hons), MSc**  
Customer Services Director

Kim joined the Society in 2006 and joined the Board in September 2017 as Customer Services Director. She has responsibility for the Society's Marketing, Product, Mortgage, Savings, Business Development, Transformation and IT operations. Kim is Chair of the Mortgage Credit Risk Committee and a member of the Assets & Liabilities Committee and the Conduct & Operational Risk Committee. Kim plays a key part on organising numerous charity events as a member of the Charity Committee ensuring the Society supports local initiatives wherever possible. She has a degree in leadership and management from Loughborough University. She is a Non-Executive Trustee of Mosaic Multi Academy Trust and lives in Coppull Moor with her husband and three young children.



**Joanna Hall CIM**  
Non-Executive Director and  
Chair of Remuneration Committee

Joanna joined the Board in June 2019 and is Chair of the Remuneration Committee and a member of the Audit and Nominations Committees. She brings over 35 years of experience in financial services, having held Non-Executive Director roles across a range of organisations in the sector, and is passionate about helping companies deepen customer relationships, clearly articulate their value and simplify the way they do business. Originally from the North West, Joanna now lives in Kent with her husband and dog. She has two grown-up children and enjoys Pilates, golf and travelling.



**Janat Hulston**  
Non-Executive Director

Jan joined the Board in July 2024 and is a member of the Risk and Remuneration Committees. She has over 35 years' experience in Banking and Finance having previously worked for NatWest, holding several senior positions across UK & Ireland including Managing Director for NatWest Branch Network UK. She was Chair of the NW Midlands & East Regional Board where she championed female entrepreneurship and continues to support small business growth. Jan is a Non-Executive Director at Bolton NHS Foundation Trust and the Vice Chair of a charity. She is passionate about customer service and is committed to making a difference for people across all communities. She was born in the North-West and currently lives in Greater Manchester with her husband and dog, has two grown up children and enjoys walking and travelling.



**Gail Teasdale ACA**  
Non-Executive Director, Chair of Audit Committee  
and Whistleblowing Champion

Gail joined the board in October 2020 and is Chair of the Audit Committee and a member of the Risk Committee. She is a member of the Institute of Chartered Accountants England and Wales. She has held a number of senior roles across commercial and not for profit sectors. She is an experienced NED. She believes members are at the core of decision making. She was born in Yorkshire and lives there with her husband and dogs. In her spare time she likes to go walking and running.



**Tracey Ashworth-Davies FCIPD**  
Non-Executive Director

Tracey joined the board in September 2025 and is a member of the Audit and Remuneration Committees. She is an experienced financial services professional having held senior executive roles with Legal & General, Toronto Dominion Bank Group, Royal London Group and Scottish Provident. She has also held executive roles outside the sector in the global drinks industry, construction and the NHS. She is currently on the boards of Scottish National Investment Bank and the Financial Ombudsman Service. Strongly committed to education, she is Chair of St George's School in Edinburgh and previously served as a member of the Court of Heriot Watt University. Tracey graduated in Psychology from the University of Leeds and qualified as a Fellow of the Chartered Institute of Personnel & Development. Having grown up in Lancashire, where close family remain, she now lives in Edinburgh. Her interests include rugby, theatre and travel.



**Steven Melbourne BA (Hons), MSc**  
Executive Director and Chief Risk Officer

Steven joined the Society in 2017 and joined the Board in October 2023. Steven was part of the first cohort to graduate from the Building Society Association's flagship MSc in Leadership & Management from Loughborough University in 2018. He has worked in financial services and the building society sector for almost 20 years and brings a wealth of experience in risk management, finance and treasury. Steven is Chair of the Conduct & Operational Risk Committee and a member of the Executive Committee, the Assets & Liabilities Committee, and the Mortgage Credit Risk Committee. Steven lives in Bolton with his wife and two young children.



**Lee Bambridge (BA Hons)**  
Non-Executive Director and  
Chair of Risk Committee

Lee joined the Board in November 2023 and is Chair of the Risk Committee and a member of the Audit Committee. He spent over 15 years at Newbury Building Society, initially as their Finance Director, before moving onto the role of Chief Risk Officer until he retired in May 2023. Previously he had worked as a Finance Director and Treasurer at BAE Systems. Lee lives in Hampshire with his wife and his interests include music, shooting, pickleball and bridge.



**Julia Cattanach LLB (Hons)**  
Senior Independent Director, Vice Chair,  
and Consumer Duty Champion

Julia joined the Board in February 2022 and is a member of the Risk and Nominations Committees. She is qualified as a solicitor in England & Wales. She has had a career in legal and compliance in financial services and has been the Chief Risk Officer for Experian in the UK since 2016. Experian is a global data and analytics firm, well known in the UK for its credit reference agency activities. Julia was born and grew up in New Zealand before coming to the UK in 1996. She lives in Nottingham with her husband and son.

# Statement of Directors' Responsibilities

## Directors' responsibilities for preparing the Annual Report and Accounts, Annual Business Statement and Directors' Report.

The following statement, which should be read in conjunction with the statement of Auditor's responsibilities on page 29, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Report and Accounts, Annual Business Statement and Directors' Report.

The Directors are responsible for preparing the Annual Report and Accounts, Annual Business Statement and Directors' Report in accordance with applicable laws and regulations. The Building Societies Act 1986 ("the Act") requires the Directors to prepare the Society's Annual Accounts for each financial year. Under that law they are required to prepare the Society's 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 Society's 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 Society Annual Accounts, the Directors are required to:

- › Select suitable accounting policies and then apply them consistently;
- › Make judgements and estimates that are reasonable and prudent;
- › State whether 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 related to going concern and;
- › Use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations or have no realistic alternative but to do so.

In addition to the Annual Accounts, the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, 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;
- › 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 also responsible for such internal control as they determine is necessary to ensure the preparation of the Annual Accounts 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.

On behalf of the Board

**Peter Brickley**  
Chair of the Board

26 March 2026

# Corporate Governance Report

The Directors are committed to adopting best practice in corporate governance. The Society's approach is based on the principles and provisions of the UK Corporate Governance Code (the Code) published by the Financial Reporting Council (FRC) which directly applies to publicly listed companies. The Code does not directly apply to mutual organisations however, the Society pays due regard to its principles to the extent deemed reasonable and proportionate by the Board, when establishing and reviewing its corporate governance arrangements.

The underlying principles of good governance are leadership, effectiveness, accountability, remuneration and relationships with Members, in the context of ensuring the sustainable success of the Society over the long-term. This report outlines the approach adopted by the Society and how the Board considers it has demonstrated application of the principles of the Code and good practices across the sector.

### The Role of the Board

The Society recognises that it must be governed effectively with the long-term success of the Society placed front and centre of all decision making. The Board considers that robust governance arrangements are essential for independent and effective decision making, ensuring the objective of safeguarding Members' interests.

#### The principal functions of the Board are:

- › To provide leadership and direction within a framework of prudent and effective controls;
- › To determine the Society's strategy;
- › To review business performance and;
- › To ensure that the necessary financial and business systems, procedures, controls and human resources are in place for the management of risk and to safeguard the interests of Members.

There are specific matters reserved for Board decision-making, complemented by specialist Board sub-committees with delegated powers. Board responsibilities are detailed in their Terms of Reference, which have been summarised below. Full details of the Terms of Reference can be found on the Society's website at [chorleybs.co.uk](http://chorleybs.co.uk).

#### These include the following sub-committees:

**Audit Committee** – More information can be found on page 18

**Risk Committee** – More information can be found on page 20

**Nominations Committee** – More information can be found on page 26

**Remuneration Committee** – More information can be found on page 27

### Board Sub-Committees

#### › Audit Committee

The Committee meets at least four times a year and considers all aspects related to audit and compliance for oversight of all of the Society's financial reporting, internal controls, internal audit, external audit arrangements, compliance, whistleblowing and fraud prevention arrangements, and regulatory reporting procedures.

It reviews the fairness and accuracy of disclosures and recommends acceptance of the Annual Report and Accounts to the Board. It monitors the performance, independence, objectivity, competence and effectiveness of the internal and external Auditors and is responsible for recommending appointment, reappointment or removal of the internal and external Auditors.

#### At the year end, the following Non-Executive Directors were members of this Committee:

- › Gail Teasdale – Committee Chair
- › Tracey Ashworth-Davies
- › Lee Bambridge
- › Joanna Hall

The Chief Executive, Customer Services Director, Finance Director and Chief Risk Officer attend representing the Executive, together with the Head of Compliance. Representatives of the Society's Internal Auditors and External Auditors attend each Committee meeting by invitation and at least once a year, the Committee meets with the Society's External and Internal Auditors without any employee present.

The Head of Compliance has a reporting line directly to the Chair of the Committee and meets with the Committee on their own at least once a year. The Board is satisfied that the composition of the Committee provides recent and relevant financial experience.

#### › Risk Committee

The Committee provides focus on the Society's current and future risk exposures, future risk strategy including the determination of risk appetite and key risks identified within the Risk Management Framework, with a particular, but not exclusive, focus on prudential risks, and the risks posed by climate change, as well as promoting a strong risk culture that seeks good Member outcomes. This Committee complements the Audit Committee and provides the Board with assurance on the effectiveness of the Society's controls for the assessment of risk, and ensures key risks have appropriate coverage in the assurance plan on an ongoing basis.

It oversees the development, implementation and continual improvement of the Society's Risk Management Framework and its integration with the Strategy and the Corporate Planning process, making sure that the Society has an effective Risk Management Framework, including adequate and supporting resources. It will also challenge risk management practices, review the arrangements

of the Executive and Senior Management teams and management committee structure, to ensure it promotes and maintains a supportive risk culture that puts Members and employees at the forefront of its work. The Chief Risk Officer is given direct access to the Board Chair and Committee Chair, without the presence of the other Executives to discuss any issues regarding risk management.

The Audit and Risk Committees work alongside each other, within specified roles and delegated authorities, to support the Board in its overall responsibilities.

**At the year end, the following Non-Executive Directors were members of this Committee:**

- › Lee Bambridge – Committee Chair
- › Julia Cattanach
- › Jan Hulston
- › Gail Teasdale

As with the Audit Committee, the Chief Executive, Customer Services Director, Finance Director and Chief Risk Officer attend representing the Executive, together with the Head of Compliance.

The Chief Risk Officer has a reporting line directly to the Chair of the Committee and meets with the Committee on their own at least once a year. The Board is satisfied that the composition of the Committee provides recent and relevant financial and risk experience.

› **Nominations Committee**

This Committee comprises entirely Non-Executive Directors and meets at least twice annually but can meet as frequently as is required to fulfil its duties and consider matters relating to Board and management succession, along with wider people and culture considerations.

It leads the process for Board appointments and makes recommendations to the Board. It considers the balance and diversity of skills, knowledge and experience of the Board, Executive and Senior Management team, the requirements of the business and recommends change where appropriate. The Board is satisfied that the composition of the Committee provides recent and relevant experience.

**At the year end, the following Non-Executive Directors were members of this Committee:**

- › Peter Brickley – Committee Chair
- › Julia Cattanach
- › Joanna Hall

The Chief Executive, Customer Services Director and Head of HR, Training & Facilities and Health & Safety (H&S) attend each meeting of the Committee.

› **Remuneration Committee**

This Committee comprises entirely Non-Executive Directors and meets at least twice annually but can meet as frequently as is required to fulfil its duties and considers matters relating to remuneration.

The Committee reviews the framework and broad policy for the remuneration of the Board's Chair, Non-Executive Directors, Chief Executive Officer, Executive Team and all other Remuneration Code Staff (Material Risk Takers).

The Chair of the Board, Chief Executive, Customer Services Director and Head of HR, Training & Facilities and H&S attend each meeting of the Committee although none are involved in consideration of any matters relating to their own remuneration and are absented from any such discussion.

**At the year end, the following Non-Executive Directors were members of this Committee:**

- › Joanna Hall – Committee Chair
- › Tracey Ashworth-Davies
- › Jan Hulston

**Management Committees**

The Board delegates authority in other matters to a number of Management Committees, as part of the Society's governance structure. These committees are Executive-led and report to the Board or one its sub-committees.

› **Executive Committee**

The Committee is chaired by the Chief Executive, comprises of Executive Directors, and meets regularly to manage the day-to-day activities of the Society through the development and implementation of the Board strategy, operational plans, policies, processes and budgets. It steers and monitors the Society's operational and financial performance, effectively manages risks as per the Society's Risk Management Framework, allocates and prioritises appropriate resource and ensures compliance with all governing legislation and regulations.

› **Assets & Liabilities Committee**

This Committee is chaired by the Finance Director and comprises of four Executive Directors and members of the Senior Management team. The Committee meets regularly and is responsible for strategic asset & liability management, covering liquidity, funding, capital, interest rate risk, margin management and treasury credit risk.

› **Mortgage Credit Risk Committee**

This Committee is chaired by the Customer Services Director and meets at least three times a year, and more often as is required to fulfil its duties. It monitors and controls mortgage credit risk, and the risk of financial losses arising from a mortgage borrower failing to meet their financial obligations to the Society, within the parameters of the lending policy.

› **Conduct and Operational Risk Committee**

The Committee is chaired by the Chief Risk Officer and comprises of Executive Directors and members of the Senior Management team. The Committee's remit is to provide focus on conduct, operational and regulatory risks and issues.

Terms of References for all Management Committees are approved by the Board and are available upon request in writing to the Society's Head Office.

**Division of Responsibilities**

The offices of Chair of the Board, Vice Chair/Senior Independent Director (SID), and Chief Executive are held by different people and each role is clearly defined, documented and agreed by the Board.

The Society's Chair, Peter Brickley, is responsible for leading the Board, and to ensure that it acts effectively, by setting a culture and direction for the Society, and facilitating communication with the Society's Members on behalf of the Board. The Chair ensures constructive relationships are maintained between the Non-Executive and Executive Directors.

The Society's Vice Chair/SID, Julia Cattanach, is responsible for deputising for the Chair if they are unable to attend a meeting or perform their duties, and as SID she is responsible for:

- › Acting as the main point of contact for Members if they have concerns which the normal channels of communication with the Chair, Chief Executive or other Executive Directors have failed to resolve, or for which such contact is inappropriate.
- › Acting as a sounding board for the Chair and Chief Executive on Board and Member matters.
- › Being the focal point for Board members for any concerns regarding the Chair, or the relationship between the Chair and the Chief Executive.
- › Conducting the Chair's annual performance appraisal, taking into account the views of the Non-Executive and Executive Directors.

- › Acting as a trusted intermediary for Non-Executive Directors where this is required to help them to challenge and contribute effectively to the success of the Society.
- › Taking the initiative in discussions with the Chair or other Board members if it should seem that the Board is not functioning effectively.
- › Taking responsibility for an orderly succession process for the Chair by leading the Nominations Committee panel and relaying the recommendation back to the full Nominations Committee and Board.

Terms of Reference have been created for the SID which are reviewed by the Nominations Committee and approved by the Board.

The Chief Executive has overall responsibility for managing the Society on a day-to-day basis and is accountable to the Board for the financial and operational performance of the Society and for the formulation of a business plan to achieve the strategic objectives set by the Board.

**Non-Executive Directors**

**The Non-Executive Director role is to:**

- › Provide leadership of the Society within a framework of prudent and effective controls which enables risk to be assessed and managed.
- › Constructively challenge and help develop proposals on strategy, ensuring the necessary financial and human resources are in place for the Society to meet its objectives and review management performance.
- › Agree the Society's values and standards in meeting obligations to Members whilst complying with all statutory and regulatory requirements.

In addition to the roles of Vice Chair and SID, Gail Teasdale is the Society's Whistleblowing Champion and provides an independent point of contact for employees who may wish to raise issues. Julia Cattanach is the Society's Consumer Duty Champion.

**The Composition of the Board**

At the end of the financial year, the Board comprised seven Non-Executive Directors and four Executive Directors, providing a balance of skills, diversity and experience appropriate for the requirements of the business.

Committee and Board membership is reviewed annually to ensure that appropriate expertise and skills are maintained. All Non-Executive Directors are considered by the Board to be independent in character and judgement. Tracey Ashworth-Davies, Non-Executive Director, was co-opted to the Board on 1 September 2025 and, being eligible, will seek election at the Society's Annual General Meeting on 20 May 2026.

The Chief Executive, Stephen Penlington, will be retiring at the Society's Annual General Meeting on 20 May 2026. He will be replaced by Kim Roby, currently the Customer Services Director.

**Appointments to the Board**

There is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. The Nominations Committee leads the process for Board appointments and makes recommendations to the Board although the Board makes the final decision. All appointments are made on merit, based on the specific skills, competencies and experience required under the Society's succession plan. The Board considers equality and diversity and

inclusion although it has adopted the principle that appointments should be made on merit. Vacancies are advertised widely.

Each Director must meet the tests of fitness and propriety prescribed by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Roles that fall into the Senior Managers Regime must also receive regulatory approval. The Society is committed to diversity and at the year-end had 54% (2025: 45%) female representation on the Board. This is in excess of the recommendation made in the Davies Report which, for diversity purposes, has set a minimum target of 25% female representation. Members of the Society are entitled to nominate candidates for election to the Board. The Rules of the Society clearly set out the procedure for nominating a Director and the Society welcomes nominations for suitably qualified individuals. The Nominations Committee evaluates the ability of Directors to commit the time required for the effective discharge of their role prior to appointment. The letter of appointment and job description set out the minimum time commitment expected. The attendance record during the year of Board and Committee members is set out on page 17 and this is taken into consideration during the annual assessment of each Director's performance.

**Development**

The Society provides a formal induction for Non-Executive Directors and the Chair of the Board ensures that Non-Executive Directors continually update their skills and knowledge to fulfil their role on the Board and any Committees. On appointment, all new Directors receive appropriate induction training and ongoing development is provided by attendance at industry courses, seminars and conferences organised by professional bodies. Any development needs are reviewed as part of the annual appraisal of the Board and individual Director's performance and effectiveness, and any training needs identified are provided as appropriate.

All Directors are encouraged to attend industry events, seminars and training courses to maintain an up-to-date knowledge of the industry, regulatory framework and environmental issues.

**Management Information and Support**

The Chair of the Board ensures that members of the Board receive sufficient accurate, timely and clear information to enable it to discharge its responsibilities. The Society regularly reviews and improves management information to assist all Committees in discharging their duties. The Society's Secretary provides support on corporate governance matters and the Board has access to independent advice if required.

**Evaluation**

The performance and effectiveness of the Board, its members and Committees is assessed formally on an annual basis:

- › The Chair of the Nominations Committee appraises the Chief Executive's performance,
- › The Nominations Committee reviews the other Executive Director appraisals,
- › The contribution of all Directors is evaluated by the Chair using questions based on those recommended in the FRC guidance on Board Effectiveness and taking into account the views of the other Directors,
- › The Chair's performance is evaluated by the Non-Executive Directors facilitated by the Senior Independent Director and considers the views of the Executive Directors.

Each Committee reviews its effectiveness annually and reports the outcomes to the Nominations Committee. Then with input from the Nominations Committee, the Board evaluates its overall performance and that of each Committee. This process is used to improve the effectiveness of Directors and the Board collectively, to identify training needs, the future needs of the Society and to inform the decision as to whether a Director is proposed for re-election.

The evaluation of Board effectiveness is externally facilitated on a periodic basis. An external assessment was last completed in 2022, and the outcomes were assessed by the Nominations Committee.

**Re-Election**

All new Directors are subject to election by Members of the Society at the Annual General Meeting following their co-option to the Board. Directors are appointed for a three-year term subject to satisfactory performance. The Board does not believe it is appropriate for the Society to subject all Directors to annual re-election (unless they have served three terms) because of the need to ensure continuity. Directors are required to seek re-election after three years and every three years thereafter. Non-Executive Directors do not generally serve more than three full terms. Any Non-Executive Director serving for a period in excess of nine years is subject to annual re-election by the Members.

**Financial and Business Reporting**

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Members to assess the performance, business model and strategy of the Society.

The Board has not identified any material uncertainties as to the Society's ability to continue to adopt the going concern basis of accounting over the foreseeable future.

Further information is provided in the Statement of Directors' Responsibilities on page 12 and the business performance is reviewed in the Directors' Report on page 4.

**Risk Management and Internal Control**

The Board determines the Society's risk appetite and strategies for risk management and has ultimate accountability for the maintenance of an effective internal risk control system. Senior Management are responsible for designing, operating and monitoring risk management and internal risk control processes. The Audit and Risk Committees review the adequacy of these processes and Internal Audit and Risk & Compliance provide independent and objective assurance that the systems and processes are appropriate, and controls effectively applied.

The Society has a strong compliance culture, and the Board is satisfied, following oversight by both the Audit and Risk Committees, that the Society's compliance with regulatory and legislative requirements throughout its systems are effective and appropriate to the scale and complexity of the Society's business. Further information is provided in the Audit Committee and Risk Committee reports on pages 18 and 20.

**Remuneration**

The Remuneration Committee Report found on page 27 sets out the remuneration policies for Non-Executive Directors, Executive Directors and Material Risk Takers. This report explains how the Society complies with the Code principles relating to remuneration.

**Dialogue with Members**

As a mutual organisation, the Society has Members rather than shareholders. The Society seeks the views of its Members in a variety of ways, including face-to-face contact, written correspondence, telephone, SMS messaging, email and questionnaires. The purpose of this dialogue is to understand the wishes of Members and better serve their needs.

**Constructive Use of the Annual General Meeting (AGM)**

Each year the Society sends details of the AGM and voting forms to those Members who are eligible to vote. The resolutions include the election and re-election of Directors and any other relevant matters. The AGM will take place on Wednesday 20 May 2026 at Shaw Hill, Whittle-le-Woods, Chorley PR6 7PP. Members are invited to join the AGM and are encouraged to exercise their right to vote in advance of the AGM by voting online or by completing and returning a proxy form. The distribution of AGM notices (with at least 21 clear days' notice) and the receipt and counting of proxy votes is carried out by independent scrutineers. At the AGM, a poll is called in relation to each resolution and the proxy votes cast are included in the result. The results are subsequently disclosed on the Society's website.

**Directors' Attendance Record**

The following persons were Directors of the Society during the year, their attendance at Board and Sub-Committee meetings being disclosed together with the total number of such meetings:

	Board	Risk Committee	Audit Committee	Nominations Committee	Remuneration Committee
<b>Non-Executive Directors</b>					
Peter Brickley (Chair of the Board)	9 (9)			4 (4)	
David Bagley (Vice Chair & Senior Independent Director) <sup>1</sup>	2 (2)		1 (2)	2 (2)	2 (2)
Julia Cattanach (Vice Chair & Senior Independent Director) <sup>2</sup>	9 (9)	4 (4)	2 (2)	2 (2)	
Joanna Hall	9 (9)	2 (2)	3 (3)	4 (4)	3 (3)
Gail Teasdale	9 (9)	4 (4)	6 (6)		
Lee Bambridge	8 (9)	4 (4)	6 (6)		2 (2)
Janat Hulston	9 (9)	2 (2)			1 (1)
Tracey Ashworth-Davies <sup>3</sup>	4 (4)		1 (1)		1 (1)
<b>Executive Directors</b>					
Stephen Penlington	9 (9)				
Kimberley Roby	9 (9)				
David Shelley	8 (9)				
Steven Melbourne	9 (9)				
<b>Total number of meetings</b>	<b>9</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>3</b>

(The number in brackets is the maximum number of scheduled meetings that the Director was eligible to attend).

<sup>1</sup> Retired 20 May 2025

<sup>2</sup> Appointed Vice Chair & Senior Independent Director on 21 May 2025

<sup>3</sup> Joined the Board on 1 September 2025

Outside of Board meetings, the Directors met for a day focused on strategy, the Non-Executive Directors met without the Executive Directors present and the independent Non-Executive Directors met without the Chair present to appraise the Chair's performance. Meetings include all those held by video conference.

On behalf of the Board

**Peter Brickley**  
Chair of the Board

26 March 2026

# Audit Committee Report

## The Audit Committee forms part of the Society's Corporate Governance Framework.

It is made up of Non-Executive Director members only. The main function of the Committee is to assist the Board in fulfilling its oversight responsibilities in relation to the ongoing review, monitoring and assessment of the following:

- › **Financial Reporting** – The integrity of the financial statements and significant financial judgements contained within them.
- › **Internal Controls** – The effectiveness of internal controls and systems.
- › **Internal & External Audit Arrangements** – The internal and external audit processes for the Society, including the performance and independence of both the internal and external Auditors and the engagement of the external Auditor in any non-audit work.
- › **Financial Crime & Whistleblowing Compliance** – The effectiveness of the Society's financial crime and whistleblowing arrangements.

This report provides a summary of the Committee's work and how it has discharged its responsibilities during the year. The composition of the Committee and Committee meeting attendance is described in detail as part of the Corporate Governance Report on page 13. After each Committee meeting the Chair of the Committee reports to the Board at the next Board meeting.

### Key roles and responsibilities as delegated by the Board

The main function of the Committee is to assist the Board in fulfilling its oversight responsibilities, specifically the ongoing review, monitoring and assessment of the areas described below.

### 1. Financial Reporting

The primary role of the Committee in relation to financial reporting is to monitor the integrity of the Annual Report and Accounts of the Society.

#### This responsibility is discharged through the following:

- › Review of the Annual Report and Accounts, for completeness and compliance with prevailing, applicable accounting standards and other regulatory and legal requirements.
- › Reporting to the Board on the appropriateness of critical accounting policies and any changes, taking into account the views of the external Auditor.
- › Review and challenge of significant financial reporting judgements where they have been applied.
- › Review of any correspondence from Regulators in relation to financial reporting.
- › Review of the going concern assessment.

## The following significant accounting estimates and judgements are regularly reviewed and challenged by the Committee, including the Society's policies for each estimate and judgement:

- › **Loan impairment provisions:**  
The Committee reviews and challenges the criteria for recognition of mortgage impairment provisions and key assumptions applied when calculating provisions.
- › **Interest income recognition:**  
The Committee reviews and challenges the key assumptions applied in the calculation of interest income as per the effective interest rate methodology, including the expected life of mortgage assets.
- › **Valuation of Derivative Financial Instruments:**  
The Committee reviews the appropriateness of the valuation methodology of derivative financial instruments.
- › **Accounting Treatment of Software-as-a-Service (SaaS) Costs:**  
The Committee reviews and approves the accounting treatment of SaaS costs, which is a critical judgement for the Society.

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

The Committee has identified no material uncertainties as to the Society's ability to continue to adopt the going concern basis of accounting over the period of twelve months from the date the financial statements are approved, which is 26 March 2026.

Furthermore, the Committee considers that it has properly discharged its duties in relation to the financial reporting of the Annual Report and Accounts and had recommended approval of them by the Board.

### 2. Internal Controls & Compliance

The Board recognises that robust systems of internal control are essential to the achievement of the Society's strategic objectives and in safeguarding the interests of Members and the Society's assets. In addition, internal control contributes to effective and efficient operations.

The Committee is responsible for the ongoing review, monitoring and assessment of the Society's internal controls and risk management systems, covering all material controls, including financial, operational and compliance controls. Each year the Committee approves a risk-based compliance monitoring plan along with an internal audit plan and then monitors the progress of these plans.

## The internal control framework comprises regular reporting from the Senior Management team, Internal and External Auditors including the following:

- › Reports from Internal Audit
- › Reports from the Chief Risk Officer
- › Reports from the Head of Compliance

The information received and considered by the Committee during the year provided adequate and effective assurance in relation to the Society's internal control framework.

### 3. Internal Audit

#### The Committee is responsible for providing oversight of the Society's relationship with Internal Audit, and specifically the:

- › Appointment, reappointment, removal and assessment of independence, objectivity and effectiveness of the outsourced Internal Audit provider.
- › Approval of the mandate of Internal Audit, monitoring and review the effectiveness of its work, and annually approve the Internal Audit Plan to ensure it is appropriate for the needs of the Society.
- › Monitoring the progress made by management in addressing any internal audit findings.

On an annual basis the Society's Internal Auditor undertakes a programme of risk-based audits. Each audit examines the Society's control environment, tests that controls are robust and that they work effectively in accordance with the Society's policies and procedures and wider laws and regulations. Additionally, the audits will review the Society's relevant records and reports for accuracy and reliability. The Committee assesses the effectiveness of the internal audit process through a combination of feedback from Committee members and Society management, completion of standard questionnaires and other external independent information where available.

The Audit Committee approves the annual internal audit plan and receives regular updates on the progress made against the plan and the results of each audit visit.

The Society has outsourced its Internal Audit Function to RSM Risk Assurance Services LLP.

### 4. External Audit

#### The Committee is responsible for providing oversight of the Society's relationship with the External Auditor, and specifically the:

- › Appointment, reappointment, removal and assessment of independence, objectivity and effectiveness of the External Auditor.
- › Recommending to the Board for the approval, terms and remuneration in respect of audit services provided.
- › Annual approval of the use of External Auditor for non-audit work where necessary.

The Committee assesses the effectiveness of the External Audit process through a combination of feedback from Committee members and Society management, completion of standard questionnaires and other external independent information where available.

The Society's external auditor is Forvis Mazars LLP.

### 5. Whistleblowing & Financial Crime

#### The Committee is also responsible for providing oversight of the Society's whistleblowing and financial crime arrangements, by:

- › Reviewing the adequacy and security of the Society's arrangements for its employees and third-party contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- › Ensuring there is proportionate and independent investigation of any reports of inappropriate activity or wrongdoing and appropriate follow up action.
- › Reviewing regular reports (including an annual report) from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Society's anti-money laundering systems and controls.

### Committee Effectiveness

The Committee undertakes a self-assessment review to monitor the performance against its Terms of Reference. Feedback is received from Committee members and attendees by the completion of standard questionnaires and other external independent information where available.

On behalf of the Audit Committee

**Gail Teasdale**  
Chair

26 March 2026

# Risk Committee Report

The Society recognises that risk is inherent in providing mortgages and savings products for our Members. Whilst these risks can never be eliminated entirely, through effective risk management, they can be mitigated to acceptable levels. The Board has an agreed risk appetite that establishes the amount of risk acceptable to the business in pursuit of its overall strategy, helping the Society achieve sustainable growth whilst ensuring good outcomes for its Members.

The Board's risk appetite is reviewed at least annually to ensure it continues to align with the Society's operating environment, strategy and Risk Management Framework (RMF).

## Governance

The Board is ultimately responsible for the effective management of risk in the Society. However, the Board delegates the detailed oversight of risk matters to the Risk Committee as set out in the Risk Committee's Terms of Reference. Risk Committee membership is comprised solely of Non-Executive Directors and therefore acts independently from the executive management team. Its role is to consider all significant risk related matters, including forward looking risks and to ensure the Society has an effective RMF and strong risk culture so that risk is robustly managed.

The RMF, and the Risk Appetite Framework (RAF) are approved by the Board following a review and recommendation by the Risk Committee.

As part of a Board process, the Risk Committee undertakes an annual self-assessment to monitor its performance against its Terms of Reference. Feedback is received from Committee members and attendees by the completion of standard questionnaires and other external independent information where available. As a result of the latest review, three minor changes have been actioned.

## Risk Management Framework

The Society's RMF has established a formal, consistent process for the identification and the management of risk. The RMF documents the Society's formal structure for managing risk and the Board's risk appetite.

The Chief Risk Officer (CRO), who is a member of the Board and attends Risk Committee meetings, oversees the effective implementation of the RMF, including the review of risks and uncertainties in the business. The CRO provides an overview of the risk profile of the Society at every meeting. The other Executive Directors also attend each Risk Committee meeting to provide an overview of the Society's risk profile in the areas they are responsible for.

The Committee also ensures that a robust stress testing framework is in place, challenging the severity and reasonableness of scenarios and key assumptions. The RMF makes use of stress and scenario testing to consider potential stressed outcomes which inform the Society's risk appetite.

The Risk & Compliance Function is responsible for overseeing the effective engagement of colleagues in the operation of the RMF, providing guidance and training as well as oversight and challenge.

The Society adopts a three lines of defence model which separates the ownership and management of risk and controls (first line), oversight, support, and challenge (second line) and internal audit assurance (third line). During the year the Committee has overseen the continuing separation between first and second-line activities to ensure that the three lines of defence model continues to evolve in line with the Society's size and growth plans.

## Risk culture

The Society's risk culture guides decision making and underpins how colleagues approach their work. Risk culture is expressed through the attitudes and behaviours demonstrated by all colleagues regarding risk awareness, risk taking and risk management, which is then measured through dedicated risk culture metrics including staff surveys. The Risk Committee reviews these risk culture metrics at each meeting, and each year it undertakes a dedicated risk culture deep dive.

The Committee also assesses the independence and effectiveness of the risk function and determines whether the RMF is appropriately embedded within management decision making processes.

## Principal Risks and Uncertainties

The Society has seven Principal Risks and the Committee regularly reviews both the Key Risk Indicators for each Principal Risk and the output from a range of stress and scenario testing to ensure that risk levels remain and will continue to remain within the Society's agreed risk appetite. The Society maintains levels of capital and liquidity it considers are required to provide financial resilience based on the assessment of the risks it faces.

The principal risks and uncertainties of the Society are outlined on the following pages:

Principal Risks	Direction of Risk	2025/26 Committee Considerations	Mitigation
<p><b>Strategic Risk</b></p> <p>The risk that the Society is not able to continue in business or that it may not be able to carry out its business plans and/or strategy, including due to insufficient capital to cover regulatory requirements and/or to support its growth plans.</p>	↑	<p>The Committee has closely monitored Strategic Risk over the year particularly in relation to the economy, competition and the implications of the core technology transformation project. The risk is considered to have risen as a result of increased forecast costs on the project and lower levels of underlying profitability. Stresses have been undertaken to ensure realistic downsides can be managed within our risk appetite.</p>	<p>The Board manages Strategic Risk via the Business Plan, which is developed at an annual strategy day and by regular deep dives of key areas at Board meetings.</p> <p>The Business Plan also includes scenarios which take into account potential adverse market conditions.</p> <p>Board approved limits, including Capital at Risk limits are also in place, which are assessed via the Business Plan and through stress testing.</p>
<p><b>Credit Risk</b></p> <p>This is the risk that mortgage borrowers or treasury counterparties to whom the Society has lent money may be unable to meet their obligations as and when they fall due, resulting in financial loss.</p>	↔	<p>The Committee has been monitoring key credit risk indicators and in particular both mortgage credit Capital at Risk and arrears and forbearance statistics. This knowledge is utilised in reviewing any proposed updates to the Lending Policy that are recommended to the Board for approval.</p> <p>Certain areas of credit risk in the book have increased during the year, as a decision was taken to expand lending activity in areas which have more reward and limited increased risk, with this additional risk being within our risk appetite. However, this was broadly offset with decreases in risk from other areas of the book, including lower levels of arrears and forbearance.</p> <p>Treasury Credit Risk positions have remained stable over the year with the Society's treasury assets mainly placed with the Bank of England or with the UK Government via Treasury Bills.</p>	<p>The Society manages Credit Risk associated with mortgage borrowers by maintaining a Board approved Lending Policy, which includes credit Capital at Risk limits. This policy includes clearly defined criteria and processes for approving individual mortgages including requirements to undertake a full credit history check and affordability assessment of the borrower and a full valuation of the proposed security by a suitably qualified valuer.</p> <p>Furthermore, the Society maintains an Arrears &amp; Forbearance Policy which stipulates the processes and parameters for managing borrowers with financial difficulties, along with conducting robust credit risk stress testing via its Internal Capital Adequacy Assessment Process (ICAAP).</p> <p>Treasury Credit Risk is mitigated via the Society having a Board approved Treasury Counterparty list, and limits, which is restricted to high rated UK counterparties, with exposures and counterparty ratings monitored regularly.</p>
<p><b>Liquidity &amp; Funding Risk</b></p> <p>This is the risk that the Society, although solvent, either does not have available sufficient financial resources to meet its financial obligations as they fall due or can do so only at excessive cost.</p>	↓	<p>The Committee monitors Liquidity &amp; Funding Risk particularly in relation to the impact of quantitative tightening and the repayment of the Term Funding Scheme on the Society's funding markets.</p> <p>During the year the Committee reviewed and recommended both the Financial Risk Management Policy (FRMP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) to the Board for approval.</p> <p>While minimum liquidity levels could have been reduced based on the ILAAP analysis and the increase in the Financial Services Compensation Scheme (FSCS) limit to £120k, the Committee decided to retain existing limits until the core system transition was completed.</p>	<p>The Society manages Liquidity &amp; Funding Risk by maintaining a Board approved FRMP, a Prudential Funding Plan and an ILAAP. The FRMP clearly defines the parameters that must be met to ensure sufficient funds are available at all times, including times of stress.</p> <p>The purpose of the ILAAP is to document and demonstrate the Society's overall liquidity adequacy setting out its approach to liquidity and funding.</p> <p>Maintaining an adequate amount and composition of liquidity is essential to cover cash flow imbalances, fluctuations in funding, maintain public confidence in the Society and to enable it to meet its financial and regulatory obligations. Stress tests are carried out regularly to confirm that the Society can withstand abnormal cash outflows.</p>

Principal Risks	Direction of Risk	2025/26 Committee Considerations	Mitigation
<p><b>Market Risk (Interest Risk)</b></p> <p>This is the risk that the value of, or income from, assets and liabilities change adversely, as a consequence of movements in interest rates including market rates.</p>	↔	<p>Within the context of continued interest rate volatility, and the Society's continued expansion of fixed rate mortgage offerings, the Committee has continued to monitor Market Risk throughout the year.</p> <p>The external conditions resulted in Market Risk continuing to remain elevated, however, this position is broadly similar to the prior year.</p>	<p>The Society manages Market Risk (Interest Rate Risk) arising from the differing interest rate characteristics and maturity profile of its mortgage and savings products by maintaining a Board approved FRMP. This Policy defines the Society's risk appetite for Interest Rate Risk and includes clear limits and triggers for off-setting assets and liabilities. In addition, the Policy includes limits and triggers for Basis Risk. Furthermore, the Policy allows for the use of financial derivative instruments to manage interest rate risk, which are set out in note 25 on pages 44 to 47.</p>
<p><b>Operational Risk</b></p> <p>Operational risk is the risk of loss arising from inadequate or failed internal processes or systems, human error, or external events. Therefore, operational risks can potentially arise from all the Society's activities, across all business areas.</p>	↑	<p>Within the context of the core technology transformation project, the Committee throughout the year has continued to monitor the impact of this on the Society's Operational Risk profile and capital position.</p> <p>This project has inevitably increased the Society's Operational Risk profile, with final migration to the new platform, and exit from the old, being a particular area of focus.</p>	<p>The Society manages Operational Risk through a series of policies and documents including:</p> <ul style="list-style-type: none"> <li>› Financial Crime Risk Management Policies</li> <li>› Cyber/Information Security Policy (including Cyber Incident Response Plan)</li> <li>› Data Retention/Protection Policy</li> <li>› Operational Resilience Policy</li> <li>› Outsourcing &amp; Third-Party Supplier Policy</li> <li>› Business Continuity and Disaster Recovery Plans</li> <li>› Change Management Policy</li> <li>› Health &amp; Safety Policy</li> <li>› Model Governance Policy</li> </ul> <p>Operational risk registers are maintained by Senior Management for each department and are subject to regular review and assessment by the Conduct &amp; Operational Risk Committee. Furthermore, the Society also ensures that it has effective insurance coverage.</p>
<p><b>Conduct Risk</b></p> <p>The risk that the Society's processes, behaviours, offerings or interactions will result in poor outcomes for members</p>	↔	<p>Within the context of the Consumer Duty, the Committee has continued to monitor the Society's Conduct Risks throughout the year. In addition, it reviewed the Conduct Risk Policy, considered the Consumer Duty Annual report, and recommended them both to the Board.</p> <p>The Society's Conduct Risk profile remained unchanged over the year, and the Committee will continue to monitor the position through the transition to the new core system to ensure conduct risks remain appropriately controlled in future customer journeys.</p>	<p>The Society manages Conduct Risk by maintaining a Conduct Risk Policy and a Vulnerable Customer Policy.</p> <p>The Conduct Risk Policy describes the Board's risk appetite for Conduct Risk and details the responsibilities for ensuring that the Society conducts its dealings with Members in a fair and transparent manner. By way of example, matters are considered in relation to product and services, price and value, Member understanding and Member support.</p> <p>While no longer a regulatory requirement, the Society has retained a Board level Consumer Duty Champion.</p>
<p><b>Legal &amp; Regulatory Risk</b></p> <p>This is the risk of legal or regulatory sanctions/fines/censures, or material loss, as a result of a failure to comply with laws, regulations, codes of conduct and standards of good practice.</p>	↔	<p>The Committee has carefully monitored Legal &amp; Regulatory Risk over the year with regular discussions taking place regarding key changes to regulation.</p> <p>Furthermore, the Committee has received updates from the Audit Committee regarding assurance reviews undertaken during the year.</p>	<p>The Society manages Legal &amp; Regulatory risk via robust horizon scanning, Board approved Key Risk Indicators, a strong compliance culture, and effective internal audit and compliance monitoring plans.</p> <p>The Society also maintains an open and transparent relationship with all regulatory bodies.</p>

In addition, to the current risk profile the Risk Committee also considers the impact emerging risks can have on the profile. Emerging risks are threats or opportunities for which the impact upon the Society cannot yet be reasonably measured or assessed. Timely identification and monitoring of these emerging risks can enable the Society to take appropriate steps to begin to mitigate against the emerging threat or move to position the Society in such a way as to be ready to take advantage of an emerging risk opportunity. The Risk Committee receive a summary of emerging risks from the CRO at each meeting.

**The key emerging risks which the Society is currently considering include the following:**

Emerging Risks	Overview	Key Mitigating Actions
<b>Geo-Political &amp; Macro-Economic</b>	<p>The Committee is monitoring the macro-economic and geo-political situation, particularly in relation to the UK fiscal position, global trade/tariffs and geo-political conflicts.</p> <p>Recent macro-economic and geo-political events have driven significant volatility and uncertainty, which is likely to continue at least in the near-term. Economic conditions remain weak, and interest rate expectations are volatile.</p> <p>Economic growth is expected to remain weak and geo-political matters continue to have the potential to materially impact the global economy, both in terms of inflationary pressures and therefore interest rates, along with supply chains.</p>	<p>In order to mitigate emerging geo-political &amp; macro-economic risks, the Society has in place a framework of Capital at Risk metrics, its Lending Policy and FRMP, stressed mortgage affordability tests which also consider energy costs, an Arrears &amp; Forbearance Policy, mortgage indemnity insurance, capital and liquidity stress testing, business planning, participating in the Bank of England's Sterling Monetary Framework, and conducting robust emerging risk horizon scanning.</p>
<b>Political &amp; Societal Risks</b>	<p>In the context of external developments during the year, the Committee identified a new emerging risk relating to political and societal matters.</p> <p>Increasing levels of political and societal polarisation has the potential to directly and indirectly impact the Society's principal risks and business strategy.</p>	<p>Key mitigants for these emerging risks include, keeping both the Lending Policy and the FRMP under close review, stressed mortgage affordability testing, capital and liquidity stress testing, participating in the Sterling Monetary Framework and robust business planning.</p>
<b>Markets &amp; Competition</b>	<p>The Committee is monitoring the position as competition in the Society's savings and niche mortgage markets continues to be intense. Driven in part by the Bank of England's ongoing quantitative tightening, there is a continued disconnect between the Bank of England Base Rate and savings rates.</p> <p>The implementation of the Renters Rights Act from 1 May 2026 is expected to cause some disruption to the Buy-to-Let market as some landlords may choose to exit this market.</p>	<p>To mitigate markets and competition emerging risks, the Society has in place robust business planning, market &amp; competition horizon scanning, an effective prudential funding plan, marketing and distribution strategies, and is targeting certain key niche areas in the mortgage market where the Society's exceptional service levels and deep knowledge of the lending area excel.</p>
<b>Technology &amp; Digitalisation</b>	<p>As part of the Board's governance structure, the Committee is providing oversight over the change in the risks during the core IT transformation process, including a change in risks due to the ongoing management of a solution with greater digital capability.</p> <p>The pace of technology change and digitalisation is rapidly changing business models and customer services in the banking sector. Although the Society is committed to its branch network and face-to-face services, it cannot ignore developments in technology which is resulting in changing demand from existing and future Members.</p>	<p>In order to mitigate emerging technology and digitalisation risks, the Society is investing in its core technology platforms via its IT transformation project, which has a robust project structure and project governance in place.</p> <p>The Society also uses external partners who specialise in technology and digitalisation to complement internal resource,</p> <p>In addition, the Society also has in place a robust Cyber Security Policy and controls, an Operational Resilience Policy, an Outsourcing &amp; Third-Party Supplier Policy, and has made investment to its change management capabilities.</p>

**Basel 3.1 / Small Domestic Deposit Takers Regime**

The Prudential Regulation Authority (PRA) is implementing changes to regulations in relation to capital. These changes will affect all financial institutions and will be in place by 2027.

The full suite of changes under Basel 3.1 will be introduced for larger firms, whilst smaller firms will be required to implement a reduced set of changes under a Small Domestic Deposit Takers (SDDT) regime.

Capital requirements will become more sensitive to risk, with lower risk items attracting less regulatory capital and higher risk items attracting more regulatory capital than the current standardised levels.

In 2025/26 the Society put in place a Basel 3.1/ SDDT Working Group consisting of both the first line of defence and the second line of defence, which has been working to better understand the potential impact of the future changes.

Further internal work will take place in 2026/27, and information will be provided to the PRA, which will allow the Committee / Society to fully understand its new regulatory capital position and requirements under Basel 3.1/SDDT, prior to the 1 January 2027 implementation.

Over the next year the Risk Committee will continue to carefully consider the potential impacts of these emerging risks to ensure any mitigation actions or opportunities are addressed on a timely basis.

As set out in last year's report, over the remainder of 2026, the key operational risk will continue to be the transition to, and embedding of, the Society's new core IT system. Whilst significant progress has been made over the last year, this is a complex and expensive project and could be prone to continued cost and timeline challenges. The Risk Committee, under the governance structure implemented by the Board, will continue to monitor the actual and potential impacts on the Principal Risks of the Society and recommend any actions it considers necessary.

On behalf of the Risk Committee

**Lee Bambridge**  
Chair

26 March 2026

# Financial Risks from Climate Change Disclosures

**Due to the all-encompassing nature of this risk discipline, financial risks from climate change have been incorporated into the considerations for each of the Society's existing Principal Risks.**

**The Society recognises the risks and challenges posed by climate change, particularly in the form of physical risks and transition risks.**

- › Physical risks relate to specific weather events such as flooding, or longer-term events such as rising sea levels. A key element of this risk is to property, both the Society's own properties and properties held as security for lending.
- › Transition risks can arise from the process of adjustment towards a low-carbon economy. This could lead to a changing regulatory expectation in terms of the way the Society is expected to run its own business, including who it uses as suppliers. It may also impact property held as security, for example the energy efficiency expectations of mortgaged properties.

The Society has successfully embedded both physical and transition climate change risks into its risk management, risk metrics, governance and scenario analysis practices.

› **Risk Management**

Financial risks from climate change have been fully incorporated into the Society's Risk Management Framework and incorporated into risk appetites, risk metrics, risk policies, risk registers and with forward looking horizon scanning practices.

Within the year the Society has continued to offer green mortgage features specifically designed to assist borrowers with retrofitting their properties and making them more energy efficient.

› **Risk Metrics**

The Society ensures it has sufficient climate change risk metrics, through both internal and external management information and reporting that take into account both physical and transition risk. The Society has integrated climate change metrics into committee reporting, particularly in relation to mortgage credit risk. Where the Society has obtained an Energy Performance Certificate (EPC) for the underlying security in connection with its mortgage lending (79% of total mortgage balances), the following table shows the breakdown of mortgage balances by EPC rating as at 31 January 2026:

	A	B	C	D	E	F	G
<b>2026</b>	3%	23%	22%	34%	15%	3%	1%
<b>2025</b>	2%	21%	21%	36%	16%	3%	0%

› **Governance**

Under the Senior Managers Regime, responsibilities for financial risks from climate change have been allocated to the Chief Risk Officer and the Finance Director. Financial risks from climate change have also been incorporated into the terms of references for the Board and its committees, and are also reflective in job descriptions of relevant first line staff.

› **Scenario Analysis**

The Society conducts scenario testing via the use of third-party loan portfolio screening, covering the physical risks of flooding, coastal erosion and subsidence. This also covers the cost of remediation to make lower energy efficient properties more efficient. This exercise continues to show that the Society's exposure to climate risks remains low, which is reflected in the Society's Internal Capital Adequacy Assessment Process (ICAAP).

This internal scenario analysis has continued to be complemented with a long-term qualitative assessment, which takes into account the impact of both physical and transition risks using various climate pathways.

**Steven Melbourne**  
Chief Risk Officer

26 March 2026

# Nominations Committee Report

**The Nominations Committee assists the Board in discharging its oversight responsibilities in relation to the ongoing review, monitoring and assessment of:**

- › The skills, knowledge, experience and diversity of the Board and Board's structure, maintaining up to date succession plans, identifying potential internal/external candidates to be appointed as Non-Executive Directors/Executive Directors.
- › Role and capability description for Board appointments, undertaking the recruitment and selection process and making suitable recommendations to the Board.
- › The framework and broad policy for the remuneration of the Board's Chair, Chief Executive Officer, Executive Team and Remuneration Code Staff (Material Risk Takers).
- › Committee Membership & Director Commitments.

This report provides a summary of the Committee's work and how its responsibilities are discharged throughout the year. The composition of the Committee and meeting attendance is described in detail as part of the Corporate Governance Report on page 13. The Chair of the Committee reports to the Board at the Board meeting following every Committee meeting.

## The Procedure for Nominations

The Committee leads the process for Director appointments which entails a formal, robust, and transparent process for new Directors appointed to the Board. It considers the balance of skills, knowledge and experience of the Board when dealing with Board appointments and pay particular attention to the Board succession plan and skills matrix for both Non-Executive and Executive roles before it makes its recommendation to the full Board.

Each appointed Director must obtain the required regulatory approvals and meet the fitness and propriety standards required in order to fulfil their role. The Board will give due regard to the equality and diversity on the Board. Nevertheless, appointments are made on merit. Vacancies are advertised widely to ensure opportunities are accessible to underrepresented groups.

Within prudential constraints, the Board aims at diversity in its membership, for example gender diversity. The Society is run by a Board of Directors which, as at 2 February 2026, comprised seven Non-Executive Directors and four Executive Directors. Of these, 54% identify as female. Across the wider Society, 75% of Senior Management identify as female with a further 71% of the Society's other employees also identifying as female.

## Election/Re-election

All Directors are subject to election by Members at the first Annual General Meeting following their appointment to the Board – this is called 'co-option'. All new Directors (both Executive and Non-Executive) receive appropriate induction and training, including attendance at various industry courses, seminars and conferences organised by professional bodies.

Directors are required to seek re-election after three years and every three years thereafter and do not generally serve more than three full terms. Any Non-Executive Director serving for a period in excess of nine years, is subject to annual re-election by the Members.

## Commitment

When considering the effectiveness of the Directors, the Board takes into account other demands on Directors' time. Directors are required to declare any significant commitments with an indication of the time involved. This applies to existing and prospective Non-Executive Directors.

## Development

All Directors are encouraged to attend industry events, seminars and training courses to maintain an up-to-date knowledge of the industry, regulatory framework and environmental issues. Any development needs are identified as part of the annual appraisal of the Board and individual Director's performance and effectiveness, and training provided as appropriate.

## Information and support

The Chair ensures that the Board and members of committees receive sufficient information to enable them to discharge their duties. The Senior Management Team ensures that information is delivered in accordance with Board requests.

Board members have access to the advice of the Society Secretary, who is responsible for advising the Board on all governance matters.

## Evaluation

Each year, Directors are subject to a formal appraisal at which their contribution to the Board's performance is assessed. The assessment includes training, development and attendance.

The Chair carries out the Chief Executive's and Non-Executives' appraisals. The Chair is appraised by the Non-Executive Directors, with the Chair's appraisal undertaken by the Senior Independent Director.

On behalf of the Nominations Committee

**Peter Brickley**  
Chair

26 March 2026

# Remuneration Committee Report

**The Remuneration Committee assists the Board in discharging its oversight responsibilities in relation to the ongoing review, monitoring and assessment of:**

- › The framework and broad policy for the remuneration of the Board's Chair, Chief Executive Officer, Executive Team and Remuneration Code Staff (Material Risk Takers).

The Committee acts within the principles of the UK Corporate Governance Code, FCA's Remuneration Code, and the requirement to disclosure under the EU Capital Requirements Directive V (CRD V) and operates within its Terms of Reference agreed by the Board which are reviewed annually. A full copy of the Terms of Reference can be found on the Society's website.

This report provides a summary of the Committee's work and how its responsibilities are discharged throughout the year. The composition of the Committee and meeting attendance is described in detail as part of the Corporate Governance Report on page 13. The Chair of the Committee reports to the Board at the Board meeting following every Committee meeting.

## The Procedure for Determining Remuneration

The Committee also reviews and approves the process for the remuneration of Non-Executive Directors, Executives, and other Material Risk Takers and explains the process for setting them. This is carried out on an annual basis.

When considering proposals for remuneration, the Committee will take into consideration data from comparable organisations and from the market within which the Society operates.

The Society has adopted a simple remuneration structure which is appropriate to its business and is efficient and cost effective in promoting its long-term strategy. Transparent salary, other benefits and pension contributions are supplemented by a modest and straight-forward performance related pay scheme that promotes continued involvement in the Society's ongoing success.

The Society's Remuneration Policy does not include significant performance-related variable remuneration, nor does it offer guaranteed variable remuneration, share options, or medium or long-term incentive schemes. The Society does not offer variable remuneration, commission, retention awards or cash payments in excess of a set percentage of overall basic salary. This is considered an important element of risk management so that variable remuneration does not form a significant element of total remuneration and so avoids incentivising behaviour inconsistent with the proper management and control of risk. The Committee will however, consider the maximum pay awarded in terms of variable remuneration on an annual basis.

## Non-Executive Directors' Remuneration

The Society's Remuneration Policy rewards Directors through fees according to their time committed, expertise and experience, and overall contribution to the successful performance of the Society. The remuneration of all Non-Executive Directors is approved by the

Committee on an annual basis. The elements of Non-Executive Directors' remuneration comprise:

Element	Approach
<b>Basic fee*</b>	Reviewed annually taking into consideration fees from comparable financial services organisations and from the market within which the Society operates.
<b>Additional fees</b>	Payable for additional responsibilities such as Chair, Vice-Chair and Committee Chair positions held.

\* Non-Executive Directors fees include taxable travel expense paid

Non-Executive Directors do not participate in any performance related pay scheme, pension arrangements or other benefits.

## Contractual Terms

Non-Executive Directors have contracts for services and are appointed for an initial term of three years. The Chief Executive is employed on a contract of employment that may be terminated by either party giving twelve months' notice. The Finance Director, Customer Services Director, and Chief Risk Officer are employed on a contract of employment that may be terminated by either party giving six months' notice.

## Executive Directors' and Material Risk Takers' Remuneration

The Society's Remuneration Policy sets remuneration levels which seek to attract and retain Executive Directors and to set rewards that reflect responsibilities, time commitment and overall contribution to the successful performance of the Society. The remuneration of all Executive Directors is approved by the Committee on an annual basis. The elements of Executive Directors' remuneration comprise:

Element	Approach
<b>Basic pay</b>	Reviewed annually taking into consideration responsibilities, individual performance and salaries from comparable financial services organisations and from the market within which the Society operates.
<b>Performance related pay</b>	Reviewed annually taking into consideration a range of financial and non-financial performance measures established to ensure the business is managed in the best interests of Members. Performance related pay arrangements are usually set at a percentage of overall basic salary.
<b>Pension</b>	The Society operates a defined contribution pension scheme, where both the Society and the individual make contributions to the private pension arrangements and does not offer a defined benefits pension scheme.
<b>Benefits</b>	A number of benefits may be provided including car allowance and private medical insurance and other benefits as provided to employees generally.

**Directors' Remuneration (Audited)**

Total remuneration of the Society's Directors is shown in the following tables.

**Non-Executive Directors**

	2026 £000	2025 £000
Peter Brickley (Chair of the Board)	42	37
David Bagley (Vice Chair & SID) <sup>1</sup>	9	29
Julia Cattanach (Vice Chair & SID)	30	27
Joanna Hall	29	28
Gail Teasdale	29	28
Lee Bambridge	29	28
Janat Hulston <sup>2</sup>	27	16
Tracey Ashworth-Davies <sup>3</sup>	11	-
John Sandford <sup>4</sup>	-	13
Kevin Bernbaum <sup>4</sup>	-	9
<b>Total</b>	<b>206</b>	<b>215</b>

<sup>1</sup> Until 20 May 2025

<sup>2</sup> From 1 July 2024

<sup>3</sup> From 1 September 2025

<sup>4</sup> Until 22 May 2024

**Executive Directors**

2026	Salary £000	Pension £000	PRP* £000	Benefits £000	Total £000
Stephen Penlington	186	26	13	2	227
Kimberley Roby	126	12	21	1	160
David Shelley	119	11	13	1	144
Steven Melbourne	112	11	16	-	139
<b>Total</b>	<b>543</b>	<b>60</b>	<b>63</b>	<b>4</b>	<b>670</b>

2025	Salary £000	Pension £000	PRP* £000	Benefits £000	Total £000
Stephen Penlington	180	26	25	1	232
Kimberley Roby	122	12	17	1	152
David Shelley	110	10	10	1	131
Steven Melbourne	110	10	15	-	135
<b>Total</b>	<b>522</b>	<b>58</b>	<b>67</b>	<b>3</b>	<b>650</b>

\*Performance Related Pay

**Summary of Material Risk Takers' Remuneration**

Total remuneration of the Society's Material Risk Takers (MRT) is shown in the tables below.

2026	Number during the year	Fixed Remuneration £000	Variable Remuneration* £000	Total £000
Non-Executive Directors	8	206	-	206
Executive Directors	4	607	63	670
Material Risk Takers	8	523	28	551
<b>Total</b>	<b>20</b>	<b>1,336</b>	<b>91</b>	<b>1,427</b>

2025	Number during the year	Fixed Remuneration £000	Variable Remuneration* £000	Total £000
Non-Executive Directors	9	215	-	215
Executive Directors	4	583	67	650
Material Risk Takers	6	465	39	504
<b>Total</b>	<b>19</b>	<b>1,263</b>	<b>106</b>	<b>1,369</b>

\*Variable remuneration reflects the annual performance related pay scheme paid by the Society.

On behalf of the Remuneration Committee

**Joanna Hall**  
Chair

26 March 2026

# Independent Auditor's Report

to the Members of The Chorley and District Building Society

**Opinion**

We have audited the annual accounts of The Chorley and District Building Society (the 'Society') for the 52-week period ended 2 February 2026 which comprise the Statement of Income and Movements in Member's Interests, the Statement of Financial Position, the Cash Flow Statement, and notes to the 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 2 February 2026 and of the Society's income and expenditure for the period 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, inspecting correspondence with relevant licensing or regulatory authorities, including the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') and attending a bilateral meeting with the PRA, to identify any matters that may impact the going concern assessment;
- › Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance;
- › Challenging the appropriateness of the directors' key assumptions in their forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included inspecting the Society's latest 5-year Business Plan, latest Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') documentation and its reverse stress testing;
- › Testing the arithmetical accuracy of the directors' forecasts, and assessing the historical accuracy through performing a retrospective review of the forecasts;
- › 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 and evaluating the headroom against the minimum regulatory requirements;
- › Reviewing minutes of meetings of directors' held during the year and up until the date of approval of the financial statements;
- › Considering the consistency of the directors' forecasts with other areas of the annual accounts and our audit;
- › Considering whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion; 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 the matter and our key observations arising from those procedures.

Key audit matter	How our scope addressed this matter
<p><b>Credit risk – Allowance for impairment losses on loans and advances to customers</b> (2026: £580,000, 2025: £550,000)</p> <p>Refer to note 1.3 for the associated accounting policy and management’s critical judgements and estimates in applying the accounting policy, and notes 11, 12 and 25 of the annual accounts for disclosures.</p> <p>Credit risk is an inherently judgemental area due to the use of subjective assumptions and high degree of estimation in arriving at the period-end provisions. The total impairment provision of the Society consists of an individual provision 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.</p> <p>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.</p> <p>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.</p> <p>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 more, or estimates of the collateral value following repossession.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>› Evaluating the design and implementation and testing the operating effectiveness of the key controls in relation to the credit process (loans origination and approval, loan redemptions and arrears monitoring);</li> <li>› Evaluating the design and implementation of the key control in relation to the approval of assumptions used in the impairment provision model;</li> <li>› Critically assessing how management has determined the impairment estimate, including reviewing the reasonableness and appropriateness of external and internal data used, and consider whether this is consistent with our understanding of the Society’s portfolio;</li> <li>› Assessing the completeness and accuracy of loan population identified by management as having default indicators and therefore subject to individual impairment provision;</li> <li>› Performing credit file reviews for loans requiring individual impairment provision to assess the appropriateness of management’s judgements and assumptions;</li> <li>› Performing an independent recalculation of the collective and individual impairment provision;</li> <li>› Comparing the Society’s key assumptions with Society’s internal empirical data as well as external data from lenders with similar loan portfolios and characteristics to assess the reasonableness and appropriateness of the assumptions applied by management;</li> <li>› With the assistance of our internal Credit Risk and Property Valuation experts, developing an auditor’s range estimate of the collective provision using reasonable alternative assumptions relevant to the Society’s portfolio;</li> <li>› Developing a point estimate for the individual provision using reasonable alternative assumptions relevant to the Society’s portfolio;</li> <li>› Engaging our internal Property Valuation experts to challenge the reasonableness of valuations for a selection of properties held as collateral against loans;</li> <li>› Performing a stand-back assessment of the resulting individual and collective impairment estimates to assess their reasonableness; and</li> <li>› Assessing the adequacy of the related 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 in compliance with the requirements of FRS 102.</li> </ul> <p><b>Our observations</b></p> <p>Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision as at 2 February 2026 to be reasonable and in compliance with the requirements of FRS 102.</p>

**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:

<b>Overall materiality</b>	£215,500 (2025: £233,600)
<b>How we determined it</b>	1% (2025: 1%) of net assets
<b>Rationale for benchmark applied</b>	<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>
<b>Performance materiality</b>	<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 £150,900 (2025: £163,700) was applied in the audit based on 70% (2025: 70%) of overall materiality.</p> <p>In determining the performance materiality, we considered a number of factors, including the effectiveness of internal control environment, history of corrected and uncorrected audit misstatements, and concluded that an amount toward the upper end of our normal range was appropriate.</p>
<b>Reporting threshold</b>	We agreed with the directors that we would report to them misstatements identified during our audit above £6,400 (2025: £7,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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 period 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 12, the directors are responsible for the preparation of the annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

**Auditor's responsibilities for the audit of the annual accounts**

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

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

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

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

**To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance 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 during the period and up until the date of the approval of the financial statements;
- › Attending a bilateral meeting with the PRA;
- › 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 and management, including the Chief Risk Officer, from inspection of the Society's regulatory and legal correspondence and review of minutes of meetings of the Board of Directors and Audit Committee during the period and up to the date of approval of the financial statements.

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, 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 sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

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](http://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 12 October 2020 to audit the annual accounts for the period ended 1 February 2021 and subsequent financial periods. The period of total uninterrupted engagement is six periods, covering the periods ended 1 February 2021 to 2 February 2026.

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

30 Old Bailey  
London  
EC4M 7AU  
United Kingdom

26 March 2026

## Statement of Income and Movements in Members' Interests

For the 52-week period ended 2 February 2026 and for the 52-week prior period ended 3 February 2025.

	Note	2026 £000	2025 £000
Interest receivable and similar income	2	21,119	22,427
Interest payable and similar charges	3	(13,016)	(14,845)
Net interest income		8,103	7,582
Net (losses)/gains from derivative financial instruments	4	(114)	(224)
Fees and commissions receivable		61	62
Fees and commissions payable		(13)	(18)
Total income		8,037	7,402
Administrative expenses	5	(9,755)	(7,402)
Depreciation and amortisation	5	(262)	(341)
Operating (loss)/profit before provisions and taxation		(1,980)	(341)
Provisions for impairment losses	12	(47)	160
(Loss)/profit on ordinary activities before tax		(2,027)	(181)
Tax credit/(charge) on (loss)/profit on ordinary activities	8	541	38
(Loss)/profit for the financial year		(1,486)	(143)
Members' interests at the beginning of the year		23,368	23,511
Members' interests at the end of the year		21,881	23,368

The Notes on pages 37 to 47 form part of these accounts.

The above results are all derived from continuing operations.

## Statement of Financial Position

As at 2 February 2026 and as at 3 February 2025

	Note	2026 £000	2025 £000
<b>Assets</b>			
<b>Liquid Assets</b>			
Cash in hand		271	147
Balances with the Bank of England and loans to credit institutions	9	63,817	101,768
Treasury Bills	10	23,685	-
<b>Loans and advances to customers</b>			
Loans fully secured on residential property	11	320,185	322,064
Other loans – fully secured on land	11	543	534
Intangible fixed assets	14	225	369
Tangible fixed assets	15	2,051	1,675
Prepayments and accrued income	16	1,597	949
Deferred tax asset	23	433	-
Derivative assets	17	10	41
<b>Total Assets</b>		<b>412,817</b>	<b>427,547</b>
<b>Liabilities</b>			
Shares	18	382,558	389,973
Amounts owed to credit institutions	19	-	4,094
Amounts owed to other customers	20	6,954	8,913
Other liabilities	21	4	142
Accruals and deferred income	22	1,022	755
Deferred tax liability	23	-	108
Derivative liabilities	17	398	194
<b>Total Liabilities</b>		<b>390,936</b>	<b>404,179</b>
General reserve		21,881	23,368
<b>Total Liabilities and Reserves</b>		<b>412,817</b>	<b>427,547</b>

The Notes on pages 37 to 47 form part of these accounts.

Approved by the Board of Directors on 26 March 2026.

**Peter Brickley**  
Chair of the Board

**David Shelley**  
Finance Director

**Stephen Penlington**  
Chief Executive

## Cash Flow Statement

For the 52-week period ended 2 February 2026 and for the 52-week prior period ended 3 February 2025.

Cash Flows from Operating Activities	Note	2026 £000	2025 £000
(Loss)/profit before tax		(2,027)	(181)
Adjustments for:			
Depreciation and amortisation	5	262	341
Increase/(decrease) in impairment of loans and advances	12	29	(162)
Loss on disposal of intangible fixed assets	14	1	5
Loss on disposal of tangible fixed assets	15	3	1
Net losses/(gains) from derivative financial instruments	4	114	224
Profit on disposal of investment	13	-	(8)
<b>Changes in operating assets and liabilities</b>			
(Increase)/decrease in prepayments and accrued income		(648)	(152)
Increase/(decrease) in accruals and deferred income		267	155
Increase/(decrease) in other creditors		(138)	(2)
(Increase)/decrease in loans and advances to customers (excluding provisions)		1,937	(10,158)
Increase/(decrease) in shares		(7,415)	22,534
Increase/(decrease) in amounts owed to credit institutions and other customers		(6,053)	(1,345)
(Increase)/decrease in loans and advances to credit institutions (not on demand)		(171)	(362)
(Increase)/decrease in Treasury Bills accrued interest	10	(133)	-
(Increase)/decrease in derivative net accrued interest	17	24	(1)
Taxation paid		-	(23)
<b>Net cash increase/(decrease) from operating activities</b>		<b>(13,948)</b>	<b>10,866</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible fixed assets	14	(2)	(73)
Purchase of tangible fixed assets	15	(496)	(166)
Purchase of Treasury Bills	10	(23,552)	-
Proceeds from sale of investment	13	-	162
<b>Net cash increase/(decrease) from investing activities</b>		<b>(24,050)</b>	<b>(77)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(37,998)</b>	<b>10,789</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>101,070</b>	<b>90,281</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>63,072</b>	<b>101,070</b>
<b>Cash and cash equivalents consist of:</b>			
Cash in hand		271	147
Loans and advances to credit institutions repayable on demand	9	62,801	100,923
<b>Cash and cash equivalents</b>		<b>63,072</b>	<b>101,070</b>

## Notes to the Accounts

### 1. Statement of Accounting Policies

#### 1.1 General Information

The Chorley and District Building Society (the Society) is incorporated in Lancashire, UK under the Building Societies Act 1986. The address of its registered office is Key House, Foxhole Road, Chorley, PR7 1NZ.

#### 1.2 Statement of Compliance

The financial statements of The Chorley and District Building Society are prepared in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and UK applicable accounting standards including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102").

#### 1.3 Summary of Significant Accounting Policies

The principal accounting policies are summarised below. The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Society's accounts.

#### Basis of Preparation

The financial statements have been prepared in accordance with applicable UK accounting standards including Financial Reporting Standard 102 and the Building Societies (Accounts and Related Provisions) Regulations 1998. The financial statements have been prepared under the historical cost accounting convention.

#### Going Concern

The current economic conditions present risks and uncertainties for all businesses. The Directors have carefully considered the risks and uncertainties and the extent to which they might affect the preparation of the financial statements on a going concern basis.

The Directors consider that:

- The Society maintains an appropriate level of liquidity sufficient to meet the demands of the business and the requirements which might arise in stressed circumstances;
- The availability and quality of liquid assets is such that funds are available to repay exceptional demand from retail saver Members;
- Other assets are primarily in the form of mortgages secured on residential property. Regular assessment of the recoverability of all mortgage assets is undertaken, and provisions made where appropriate and;
- Reasonable profits have been generated in order to keep gross capital at a suitable level to meet regulatory requirements.

The Society has considered the financial impacts of the risks arising as a result of the current level of uncertainty by undertaking rigorous stress-testing of the potential outcomes, the results of which demonstrate that it has sufficient capital resources to withstand a range of severe stress scenarios. The Directors are therefore satisfied that the Society has adequate resources to continue in business for the foreseeable future and at least twelve months from 26 March 2025. For this reason, the accounts are prepared on a going concern basis.

#### Total Income

Interest receivable/payable is credited/charged to the Statement of Income and Movements in Members' Interests using the effective interest rate method. The effective interest method is the rate that exactly discounts estimated cash flows to zero, through the expected life of the instrument. Expected lives are estimated using historical data and management judgement and the calculation is adjusted when actual experience differs from estimates, with changes being recognised immediately in the Statement of Income and Movements in Members' Interests. This policy also applies to accounts where a discounted rate of interest is charged.

The calculation of the Effective Interest Rate includes transaction costs and fees paid or received that are an integral part of the Effective Interest Rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability. Other fees and commissions are recognised as the related services are performed and include insurance commissions receivable in the year. Insurance agency commissions received or receivable are recognised by the Society as and when they are received from the agent.

#### Taxation

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

The charge for taxation is based on the result for the year and considers taxation deferred because of timing differences between the treatments of certain items for taxation and accounting purposes.

Deferred tax is provided at current rates on a non-discounted basis, on all timing differences between the recognition of gains and losses in the accounts and their recognition in a tax computation.

Deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

#### Fixed Assets and Depreciation

Tangible fixed assets are stated at historical purchase cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

The costs of fixed assets are written down to their estimated realisable value over their estimated useful lives as follows:

Using the straight-line method:

- Freehold buildings at the rate of 2.2% per annum

Using the reducing balance method:

- Equipment at the rate of 10% to 75% per annum
- Fixtures and fittings at the rates of 10% to 25% per annum

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in the Statement of Income and Movements in Members' Interests.

#### Intangible Assets and Amortisation

FRS 102 requires judgement to be exercised when determining whether software costs should be recognised as tangible or intangible assets.

Where software is regarded as an integral part of the related hardware and the hardware cannot operate without the piece of software, it is to be treated as a tangible asset. However, where the software is not an integral part of the related hardware e.g. computer software, it is to be treated as an intangible asset.

Management have decided that software costs are not an integral part of the related hardware and so have classified these costs as an intangible asset. Intangible assets are stated at historical purchase cost less accumulated amortisation and accumulated impairment losses.

Amortisation is calculated, using the reducing balance method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

- Software development at the rate of 50% per annum
- Computer software at the rate of 25% per annum

The useful economic life was assessed at the time of purchase. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Society are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use;
- Management intends to complete the software and use or sell it;
- There is an ability to use or sell the software;
- It can be demonstrated how the software will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available and;
- The expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

**Impairment of Non-Financial Assets**

At each year-end date, non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset may be impaired. If there is such an indication the recoverable amount of the asset is compared to the carrying amount of the asset.

The recoverable amount of the asset is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the Statement of Income and Movements in Members' Interests.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the Statement of Income and Movements in Members' Interests.

**Employee Benefits**

The Society provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

**i. Short term benefits**

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

**ii. Pension costs**

The Society operates a defined contribution pension scheme for all its employees, the funds of which are separate from those of the Society. Contributions are charged to the Statement of Income

and Movements in Members' Interests in the period to which those contributions relate.

**Financial Instruments**

The Society has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

**i. Financial assets**

Basic financial assets, including liquid assets, treasury bills and loans and advances to customers, are initially recognised at transaction price including transaction costs, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the Effective Interest Rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Income and Movements in Members' Interests.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Income and Movements in Members' Interests.

Investments in equities over which the Society has no significant influence are measured at cost less impairment.

The Society uses interest rate swaps (pay fixed, receive SONIA (Sterling Overnight Index Average)) to hedge against the interest rate risk exposure on fixed rate mortgages that are funded by variable rate savings. Interest rate swaps are recognised at fair value in the Statement of Financial Position with the gain or loss on re-measurement recognised immediately in the Statement of Income and Movements in Members' Interests.

The Society applies "International Accounting Standard 39 Financial Instruments: Recognition and Measurement" ("IAS 39") as allowed by FRS 102 section 12 paragraph 15A in relation to fair value hedge accounting of interest rate exposure of a portfolio of financial instruments.

On initial designation of the hedge, the Society formally documents the relationship between the hedging instruments and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Society makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the hedged items during the period for which the hedge is designated, and assesses actual results to confirm that each hedge is highly effective.

Providing that the hedge is highly effective, the carrying value of the hedged item (fixed rate mortgages) is adjusted by the change in fair value and any gains or losses on re-measurement are recognised immediately in the Statement of Income and Movements in Members' Interests.

At the start of the hedge relationship, any opening fair value adjustment of the hedged item is amortised to the Statement of Income and Movements in Members' Interests using the effective interest method over the remaining re-pricing period of the hedged item.

Where cash collateral is received in respect of interest rate swaps, it is included as a liability within "Amounts owed to credit institutions". Where cash collateral is pledged, it is included as an asset in "Loans and advances to credit institutions".

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

**ii. Financial liabilities**

Basic financial liabilities, including shares and amounts owed to credit institutions and other customers are initially recognised at transaction price including transaction costs, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

**Borrowings from Sterling Monetary Framework (SMF)**

The Society is a participant in the Bank of England's Sterling Monetary Framework (SMF). Loans and advances that the Society pledges as collateral to the Bank of England under the SMF are not derecognised from the Statement of Financial Position, as the Society retains substantially all the risks and rewards of ownership, including all cash flows arising from the loans and advances and exposure to credit risk. SMF borrowings are recognised in 'Amounts owed to other customers'.

**Cash and Cash Equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings.

**Impairment of Loans and Advances to Customers**

Where objective evidence of impairment is identified in relation to an individual mortgage, an assessment is carried out to determine whether a specific impairment provision to cover anticipated losses is required. Where the assessment does not result in a specific impairment provision being made, the mortgage is assessed for a collective impairment provision. Specific individual impairment assessments are carried out for mortgages which are in possession, are in arrears by two or more months, have known employment issues or are cases of significant concern for the Society.

The specific individual impairment assessment compares the current achievable market value of the security to the outstanding loan balance and calculates an impairment provision that would cover any potential losses. The current achievable market value is calculated by applying an industry recognised national house price index to either the original valuation on advance, or a subsequent valuation and the calculation takes into account an appropriate allowance for costs of repossession and sale, the impact of any applicable Mortgage Indemnity Guarantee (MIG) cover and the expected time taken between the mortgage defaulting and the Society taking possession of the property.

Where the criteria for a specific impairment provision is not met, mortgages are assessed for a collective impairment provision. Collective impairment assessments are carried out on a portfolio basis out using a risk-based approach and reflect the probability that other loans may also be impaired at the year-end date with the result that the amount advanced may not be recovered in full. Such provisions are calculated based on estimated loss factors using a combination of the Society's historical experience of default and that of the Society's peers. The rates are regularly reviewed in the light of actual experience. The calculation incorporates the same assumptions for property value and sale costs as the specific provision calculation.

**Software-as-a-service (SaaS) costs**

Where the Society has access to a supplier's software which runs on that supplier's cloud-based network infrastructure, this is considered to be a SaaS arrangement. The Society does not have control and direction over the software in a SaaS arrangement, meaning it cannot be recognised as an Intangible Asset and the costs of licensing and hosting such software are expensed as incurred.

**Critical judgements and estimates in applying the accounting policy**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and, in any future, periods affected.

**- Effective Interest Rate (EIR)**

In determining the expected life of mortgage assets, the Society uses historical and forecast redemption data as well as management judgement. Throughout the year, the expected life of loans and advances to customers are reassessed for reasonableness. A variation in the expected life of mortgage assets may result in an adjustment to the carrying value in the Statement of Financial Position and to the timing of the recognition of interest income. At the year end the total adjustment to loans and advances to customers applying the EIR method was £481,271 (2025: £507,721)

A one month increase in the expected life of a mortgage would increase the value of loans and advances to customers by £172,142 (2025: £318,507) with a corresponding increase to interest income.

**- Provisions for impairment on loans and advances to customers**

The Society reviews its mortgage advances portfolio at least on a monthly basis to assess impairment. In determining whether an impairment loss should be recorded, the Society is required to exercise a degree of judgement. Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and expected cash flows. Estimates are applied to determine prevailing market conditions (e.g. interest rates and house prices) and customer behaviour (e.g. default rates).

As at 2 February 2026, provisions for impairment of loans and advances to customers totalled £579,700 (2025: £550,292) against £320,690,760 (2025: £322,601,600) of mortgage balances. The full economic impact of rising interest rates is still unknown and this results in a high level of uncertainty regarding the Society's exposure to potential impairment losses.

Management believe that the level of provisions reflects a high level of uncertainty and additional credit risk in both the current and previous year. The true impact on the Society will only be known in the future and actual losses could be far more, or far less than those provided for at year end. As such and in order to understand the potential impact of inaccuracies in the management judgements, the Society has carried out sensitivity analysis in respect of the key estimates which indicated that a 25% rise in the probability of default would increase the provision for impairment on loans and advances to customers by £88,162 (2025: £83,994) and would result in a corresponding charge to the Statement of Income and Movements in Members' Interests. Further analysis showed that a 5% reduction in the amount of collateral we expect to recover in the event of repossession would lead to a further £174,306 (2025: £181,102) increase in the provision and a corresponding charge to the Statement of Income and Movements in Members' Interests.

**- Valuation of derivative financial instruments**

The fair values of interest rate swaps are calculated on a discounted cash flow basis with the future cash flows determined using generally observable SONIA yield curves derived from quoted interest rates that match the timings of the cash flows and maturities of the instruments.

**- Determination of whether Configuration and Customisation (C&C) services are distinct from the SaaS access**

The Society has determined that Configuration and Customisation (C&C) expenditure incurred during the set-up of SaaS software is not distinct from the provision of that SaaS arrangement and is therefore recognised as a prepayment and expensed over the term of the initial SaaS arrangement contract.

**2. Interest Receivable and Similar Income**

	2026 £000	2025 £000
On loans fully secured on residential property	17,353	17,758
On other loans	45	44
On liquid assets	3,756	4,518
Net interest (expense)/income on derivatives	(35)	107
	<u>21,119</u>	<u>22,427</u>

**3. Interest Payable and Similar Charges**

	2026 £000	2025 £000
On shares held by individuals	12,599	14,182
On deposits and other borrowings	417	663
	<u>13,016</u>	<u>14,845</u>

**4. Net (losses)/gains from Derivative Financial Instruments**

	2026 £000	2025 £000
Derivatives in designated fair value hedge relationships	(238)	(43)
Adjustments to hedged items in fair value hedge accounting relationships	97	(141)
Derivatives not in designated fair value hedge accounting relationships	27	(40)
	<u>(114)</u>	<u>(224)</u>

**5. Administrative Expenses**

	2026 £000	2025 £000
<b>Employee costs (including Executive Directors)</b>		
Wages and salaries	4,069	3,522
Social security costs	498	362
Pension and other costs	433	372
	<u>5,000</u>	<u>4,256</u>
Other administrative expenses	4,755	3,146
	<u>9,755</u>	<u>7,402</u>

Administrative expenses includes £2.7m of costs relating to the core IT transformation (2025: £0.9m).

In addition to the other administrative expenses above are the following amounts, in respect of:

Depreciation and amortisation	262	341
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**Services provided by the Society's Auditor**

	2026 £000	2025 £000
Fees payable for the audit	146	131
Non-audit assurance services	2	2

Remuneration of the Auditor disclosed above excludes VAT.

**6. Employees**

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

	Full Time		Part Time	
	2026	2025	2026	2025
Head Office	68	58	16	15
Branch Offices	4	4	2	2
	<u>72</u>	<u>62</u>	<u>18</u>	<u>17</u>

**7. Remuneration of and Transactions with Directors and other Related Party Transactions**

**a) Directors' remuneration**

Total Directors' remuneration amounted to £875,928 (2025: £865,233). Full details of the Directors' remuneration are set out in the audited tables on page 28.

**b) Directors' loans and transactions**

At 2 February 2026 there were 2 (2025: 3) outstanding mortgage loans to 2 (2025: 3) Directors and connected persons that had been granted in the ordinary course of business, amounting in aggregate to £436,739 (2025: £853,232). Executive Directors are entitled to preferential terms on mortgage loans up to £200,000. Any loans in excess of £200,000 have the same terms and conditions as available to Members of the Society.

A Register is maintained at the Head Office of the Society, under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and their connected persons. A statement of the appropriate details contained in the Register, for the financial year ended 2 February 2026, will be available for inspection at the Head Office for a period of 15 days up to and including the 167th Annual General Meeting being held on 20 May 2026.

**c) Other Directors' transactions**

All Directors of Building Societies are required to maintain a savings balance of at least £1,000 each in that Society. All accounts have the same terms and conditions as available to Members of the Society. At 2 February 2026 the aggregate balances were £175,203 (2025: £94,615).

**d) Key management compensation**

Key management comprise Non-Executive Directors, Executive Directors and Material Risk Takers. The compensation paid or payable to key management for employee services is shown below:

	2026 £000	2025 £000
Salaries and other short-term benefits	1,427	1,369

Directors have no long-term incentive schemes or defined benefit pension schemes. During the year the Society made payments into a defined contribution pension scheme on behalf of Executive Directors, details of which are set out in the audited tables on page 28.

**e) Related party transactions**

On 31 October 2024 the Society sold its shareholding in Mutual Vision Technologies Limited as detailed in note 13.

In 2024-25 £671,037 was paid to Mutual Vision Technologies Limited in respect of IT services before the investment was sold.

**8. Tax on Profit on Ordinary Activities**

	2026 £000	2025 £000
<b>a) The tax charge for the year comprised:</b>		
Corporation tax at 25% (2025: 25%)	(560)	(34)
Adjustment in respect of prior year	5	-
Current tax (credit)/charge for the year	<u>(555)</u>	<u>(34)</u>
Deferred taxation at 25% (2025: 25%) (note 23)	14	(4)
Tax on profit on ordinary activities	<u>(541)</u>	<u>(38)</u>

**b) Factors affecting the tax charge for the year:**

The tax assessed for the year differs to the standard rate of corporation tax in the UK of 25% (2025: 25%) due to the following:

(Loss)/Profit on ordinary activities before taxation	(2,027)	(181)
Taxation (credit)/charge at 25% (2025: 25%)	<u>(507)</u>	<u>(45)</u>

**Effects of:**

Capital allowance in excess of depreciation and other timing differences	(59)	8
Expenses not deductible for tax purposes	6	3
Origination and reversal of deferred tax timing differences	14	(4)
Adjustment in respect of prior year	5	-
Tax on profit on ordinary activities	<u>(541)</u>	<u>38</u>

**9. Balances with the Bank of England and loans to Credit Institutions**

	2026 £000	2025 £000
<b>In the ordinary course of business loans and advances to credit institutions are repayable from the year end date as follows:</b>		
Accrued interest	316	595
Repayable on demand	62,801	100,923

**Other loans and advances by residual maturity repayable:**

In more than three months but not more than one year	250	250
In more than one year but not more than five years	450	-
	<u>63,817</u>	<u>101,768</u>

'In more than one year but not more than five years' is collateral pledged in relation to interest rate swaps of £450,000 based on the longest swap maturity date.

**10. Treasury Bills**

Treasury bills held as liquid assets are issued by the UK Government and are held with the intention of use on a continuing basis in the Society's activities.

	2026 £000	2025 £000
<b>In the ordinary course of business treasury bills are repayable from the year end date as follows:</b>		
Accrued interest	133	-
In not more than three months	3,921	-
In more than three months but not more than one year	19,631	-
	<u>23,685</u>	<u>-</u>

**Movements in treasury bills are summarised below:**

Brought forward	-	-
Additions	23,552	-
Maturities	-	-
Movement in accrued interest	133	-
Total loans and advances to customers	<u>23,685</u>	<u>-</u>

**11. Loans and Advances to Customers**

	2026 £000	2025 £000
<b>Maturity Analysis: The remaining maturity of loans and advances to customers from the year end date is as follows:</b>		
<b>Repayable with remaining maturity:</b>		
Properties in possession	245	344
In not more than three months	2,586	2,392
In more than three months but not more than one year	5,609	6,918
In more than one year but not more than five years	50,407	49,027
In more than five years	262,325	264,428
Total including effective interest rate adjustment	321,172	323,109
Deduct: Provisions for impairment losses (note 12)	(580)	(550)
Add: Fair value adjustment	136	39
Total loans and advances to customers	<u>320,728</u>	<u>322,598</u>

Where accounts are in arrears at the year end, the whole of the outstanding balance, including the arrears element, has been included in the appropriate maturity section, depending on the original anticipated date of maturity when the advance was made.

## 12. Provisions for Impairment Losses

	Loans Fully Secured on Residential Property		
	£000 Specific	£000 Collective	£000 Total
Brought forward 3 February 2025	214	336	550
Utilised during the year	(17)	-	(17)
Charged during the year	37	10	47
Carried forward 2 February 2026	234	346	580
Brought forward 5 February 2024	306	406	712
Utilised during the year	(2)	-	(2)
Charged during the year	(90)	(70)	(160)
Carried forward 3 February 2025	214	336	550

## 13. Investments

The carrying value of the Society's investment in Mutual Vision Technologies Limited was as follows:

### Investment in Mutual Vision Technologies Limited

	2026 £000	2025 £000
Brought forward	-	154
Disposal of investment	-	(154)
Carried forward	-	-

## 15. Tangible Fixed Assets

	Freehold Land & Buildings £000	Equipment, Fixtures & Fittings £000	Total £000
Cost at 3 February 2025	1,754	907	2,661
Additions	195	301	496
Disposals	-	(251)	(251)
At 2 February 2026	1,949	957	2,906
Accumulated depreciation at 3 February 2025	325	661	986
Charge in Year	17	100	117
Disposals	-	(248)	(248)
At 2 February 2026	342	513	855
Net Book Value at 2 February 2026	1,607	444	2,051
Net Book Value at 3 February 2025	1,429	246	1,675

Freehold land and buildings are occupied by the Society for its own activities. During the year, the Society made a loss of £2,935 (2025: £1,023) on disposal of Equipment, Fixtures & Fittings. An independent valuation exercise was performed by Allied Surveyors & Valuers on 9 January 2025 for all the Society's properties. Where the valuation was lower than the carrying value, management calculated the value in use of the properties and determined that the carrying values remained appropriate.

The Society previously held a 14.60% holding in Mutual Vision Technologies Limited, an unlisted company registered in England and operating in the United Kingdom, originally formed by a consortium of Building Societies to acquire the trade of their existing computer software supplier.

On 31 October 2024 the Society sold its shareholding and received proceeds of £162,348, recognising a gain on disposal of £8,450 against the carrying value of £153,898.

## 14. Intangible Fixed Assets

	Software £000
Cost at 3 February 2025	2,145
Additions	2
Disposals	(551)
At 2 February 2026	1,596
Accumulated amortisation at 3 February 2025	1,776
Charge in Year	145
Disposals	(550)
At 2 February 2026	1,371
Net Book Value at 2 February 2026	225
Net Book Value at 3 February 2025	369

During the year, the Society made a loss of £1,202 (2025: £5,213) on disposal of Software.

## 16. Prepayments and Accrued Income

	2026 £000	2025 £000
Prepayments and accrued income	1,597	949

Within prepayments and accrued income is £826,197 (2025: £nil) relating to core IT transformation costs, which will be expensed over the relevant period.

## 17. Derivative financial instruments

	Notional amount		Fair Value Assets		Fair Value Liabilities	
	2026 £000	2025 £000	2026 £000	2025 £000	2026 £000	2025 £000
Derivatives designated as fair value hedges - Interest rate swaps	98,200	46,700	1	18	367	145
Derivatives not in hedge relationship - Interest rate swaps	21,500	16,000	4	10	12	46
Accrued interest	-	-	5	13	19	3
	119,700	62,700	10	41	398	194

## 18. Shares

	2026 £000	2025 £000
<b>Shares comprise:</b>		
Held by individuals	382,558	389,973
<b>Shares are repayable from the year end date in the ordinary course of business as follows:</b>		
Accrued interest	5,116	5,566
Repayable on demand	274,619	278,118
In not more than three months	12,619	18,150
In more than three months but not more than one year	44,081	51,199
In more than one year but not more than five years	43,651	34,043
In more than five years	2,472	2,897
	382,558	389,973

## 19. Amounts owed to Credit Institutions

	2026 £000	2025 £000
<b>Repayable from the year end date in the ordinary course of business as follows:</b>		
Accrued interest	-	94
In not more than three months	-	1,750
In more than three months but not more than one year	-	2,250
	-	4,094

## 20. Amounts owed to Other Customers

	2026 £000	2025 £000
<b>Repayable from the year end date in the ordinary course of business as follows:</b>		
Accrued interest	35	38
Repayable on demand	287	380
In not more than three months	-	400
In more than three months but not more than one year	6,632	8,095
In more than one year but not more than five years	-	-
	6,954	8,913

Included in the amounts above for 2 February 2026 is £5,000,000 (2025: £7,500,000) borrowed from the Bank of England under the Sterling Monetary Framework (SMF). As at 2 February 2026, mortgages with total redemption balances of £69,604,030 (2025: £42,249,995) were pledged as collateral in relation to the borrowed funds.

## 21. Other Liabilities

	2026 £000	2025 £000
<b>Amounts falling due within one year:</b>		
Other creditors	4	142
	<u>4</u>	<u>142</u>

## 22. Accrual and Deferred Income

	2026 £000	2025 £000
Accruals	1,022	755

## 23. Deferred Tax

	2026 £000	2025 £000
Deferred tax asset/(liability)	433	(108)
<b>Deferred Taxation</b>		
Brought forward	(108)	(152)
Amount (credited)/charged during the year	541	38
Other	-	6
	<u>433</u>	<u>(108)</u>

The amounts recognised for Deferred Taxation are set out below:

Excess of capital allowances over depreciation	(162)	(148)
Tax losses carried forward	595	34
Other	-	6
	<u>433</u>	<u>(108)</u>

The deferred tax asset as at 2 February 2026 has been calculated on the 25% UK corporation tax rate that has applied since 1 April 2023. Tax losses carried forward relates to losses incurred in 2024-25 and 2025-26 when the Society was undertaking a core banking system transformation project and is recognised based on the expected return to profitability as per the Society's business plan forecasts.

## 24. Pension Costs

The Society contributes to a defined contribution employee pension scheme, the premiums for which are reviewed annually in consultation with independent pension advisors. The funds in the scheme are held separately from those of the Society. The scheme is operated on a contributory and non-contributory basis for employees. Contributions totalling £377,305 (2025: £330,593) were paid during the year.

## 25. Financial Instruments

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

The Society has a formal structure for managing risk, including establishing risk limits, reporting lines, mandates and other control procedures. The structure is reviewed regularly by the Assets & Liabilities Committee which is charged with the responsibility for managing the Society's exposures and the use of financial instruments for risk management purposes.

Instruments used for risk management purposes may 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

Derivatives will only be used by the Society in accordance with the Building Societies Act 1986. They are used solely to reduce the risk of loss arising from changes in interest rates and are not used for trading or speculative purposes.

The Society uses interest rate swaps (pay fixed, receive SONIA) to hedge against the interest rate risk exposure on fixed rate mortgages that are funded by variable rate savings.

The Society uses standardised International Swaps and Derivatives Association ("ISDA") agreements with other financial institutions. The ISDA contracts grant legal rights of set off for derivative transactions with the same counterparty. This can reduce potential credit risk where the derivative contracts may be for offsetting values.

The fair values of interest rate swaps are calculated on a discounted cash flow basis with the future cash flows determined using generally observable SONIA yield curves derived from quoted interest rates that match the timings of the cash flows and maturities of the instruments. The valuations are classed as level 2.

### Financial Instrument Classification

The recognition and measurement of Financial Instruments is set out in the Accounting Policies (note 1). The following table shows the assets and liabilities of the Society assigned to the categories by which they are recognised and measured:

	Held at amortised cost		Held at fair value through profit or loss		Total	
	2026 £000	2025 £000	2026 £000	2025 £000	2026 £000	2025 £000
<b>Assets</b>						
Cash on hand	271	147	-	-	271	147
Balances with the Bank of England and loans to credit institutions (note 9)	63,817	101,768	-	-	63,817	101,768
Treasury bills (note 10)	23,685	-	-	-	23,685	-
Loans and advances to customers (note 11)	320,728	322,598	-	-	320,728	322,598
Derivative assets (note 17)	-	-	10	41	10	41
<b>Total financial assets</b>	<b>408,501</b>	<b>424,513</b>	<b>10</b>	<b>41</b>	<b>408,511</b>	<b>424,554</b>
<b>Liabilities</b>						
Shares (note 18)	382,558	389,973	-	-	382,558	389,973
Amounts owed to credit institutions (note 19)	-	4,094	-	-	-	4,094
Amounts owed to other customers (note 20)	6,954	8,913	-	-	6,954	8,913
Other creditors (note 21)	4	142	-	-	4	142
Accruals (note 22)	1,022	755	-	-	1,022	755
Derivative liabilities (note 17)	-	-	398	194	398	194
<b>Total financial liabilities</b>	<b>390,538</b>	<b>403,877</b>	<b>398</b>	<b>194</b>	<b>390,936</b>	<b>404,071</b>

### Financial Risk Management

The Society's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and market risk (including interest rate risk).

### Liquidity and Funding Risk

This is the risk that the Society, although solvent, either does not have available sufficient financial resources to meet its financial obligations as they fall due or can do so only at excessive cost. The Society's Financial Risk Management Policy (FRMP) clearly defines the parameters that must be met to ensure sufficient funds in liquid form are available at all times, including times of stress, to cover cash flow imbalances and fluctuations in funding, to maintain public confidence in the solvency of the Society and enable it to

meet its financial and regulatory obligations. Stress tests are carried out regularly to confirm that the Society can withstand normal and abnormal cash outflows.

The liquidity position is managed daily by the treasury function. Liquidity risk is monitored by the Assets & Liabilities Committee (ALCO), which meets on a regular basis. The ALCO monitors the amount and composition of liquidity, the credit ratings of counterparties and ensures compliance with regulations. The FRMP is reviewed annually by the ALCO and approved by the Board.

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

	On demand £000	≤ 3 Months £000	> 3 Months - ≤ 6 Months £000	> 6 Months - ≤ 1 Year £000	> 1 Year - ≤ 5 Years £000	> 5 Years £000	Total £000
<b>The maturity analysis of the financial liabilities of the Society at 2 February 2026</b>							
Amounts owed to credit institutions	-	-	-	-	-	-	-
Amounts owed to other customers	287	-	6,735	-	-	-	7,022
Shares	274,594	12,642	26,454	18,035	46,300	2,834	380,859
Derivative liabilities	-	26	65	164	134	-	389
<b>Total on balance sheet items</b>	<b>274,881</b>	<b>12,668</b>	<b>33,254</b>	<b>18,199</b>	<b>46,434</b>	<b>2,834</b>	<b>388,270</b>
Off balance sheet commitments	-	4,267	20,594	4,044	4,044	-	32,949
<b>Total</b>	<b>274,881</b>	<b>16,935</b>	<b>53,848</b>	<b>22,243</b>	<b>50,478</b>	<b>2,834</b>	<b>421,219</b>
<b>The maturity analysis of the financial liabilities of the Society at 3 February 2025</b>							
Amounts owed to credit institutions	-	1,793	1,312	1,045	-	-	4,150
Amounts owed to other customers	384	488	3,184	5,052	-	-	9,108
Shares	278,113	18,199	29,193	22,569	36,496	3,428	387,998
Derivative liabilities	-	8	28	70	94	-	200
<b>Total on balance sheet items</b>	<b>278,497</b>	<b>20,488</b>	<b>33,717</b>	<b>28,736</b>	<b>36,590</b>	<b>3,428</b>	<b>401,456</b>
Off balance sheet commitments	-	14,063	12,862	4,195	4,194	-	35,314
<b>Total</b>	<b>278,497</b>	<b>34,551</b>	<b>46,579</b>	<b>32,931</b>	<b>40,784</b>	<b>3,428</b>	<b>436,770</b>

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

**Credit Risk**

This is the risk that mortgage borrowers or treasury counterparties to whom the Society has lent money may be unable to meet their obligations as and when they fall due, resulting in financial loss.

Counterparty credit ratings are used to inform the Society's assessment of credit risk arising from deposits made with treasury counterparties. The table below provides ratings details for the Society's treasury investment portfolio as at 2 February 2026 using the equivalent Fitch long-term deposit rating assessment.

**Credit Rating**

	2026 %	2025 %
AAA to AA-	99.67	96.54
A+ to A-	0.33	3.46
	100.00	100.00

Maturity groupings, based on the remaining period at the year end date to the contractual maturity date, have been disclosed in the notes to the financial statements, see notes 9 and 10.

The counterparty of the Society's derivative assets of £10k (2025: £41k) are a UK credit institution with an AA- credit rating.

The Society manages credit risk associated with mortgage borrowers by maintaining a Board approved Lending Policy, which includes a full credit history check and affordability assessment of the borrower and a full valuation of the proposed security by a suitably qualified valuer. Mortgages are closely monitored following completion, with appropriate and timely action taken on those mortgages which fall into arrears. The Mortgage Credit Risk Committee reviews trends and indicators by monitoring product and sector limits, together with detailed analyses of arrears and loan-to-value ratios.

**The Society's exposure to retail credit risk can be broken down as below and includes all mortgage offers as at 2 February 2026:**

	2026 £000	2025 £000
Residential & BTL mortgages	353,097	357,382
Commercial lending	543	534
	353,640	357,916

The Society monitors individual borrowers but also sets and applies limits to manage concentration risk.

**The Society's geographical concentration of residential mortgage loans is as follows:**

Region	2026	2025
North West	21.53%	21.81%
Outer Metropolitan Area	9.99%	8.48%
South West	9.15%	9.73%
Outer South East	9.08%	10.93%
Greater London	8.81%	8.71%
Yorkshire & Humberside	8.70%	8.72%
West Midlands	7.39%	7.44%
Scotland	7.32%	6.77%
East Midlands	5.93%	5.75%
Wales	4.83%	4.22%
East Anglia	3.67%	4.33%
North	3.60%	3.11%
	100.00%	100.00%

One of the key indicators of the credit risk associated with a mortgage book is the relationship between the amount of the loan made and the value of the underlying security, which is known as the loan-to-value percentage (LTV). In general, the lower the LTV percentage the greater the equity within the property and the lower the losses expected to be realised in the event of default and subsequent repossession.

The Society sets strict LTV criteria for new loans, which must be supported by an external valuation of the security. The LTV profile of the Society's book is monitored closely against the limits set by the Mortgage Credit Risk Committee.

**The indexed LTV analysis of the Society's loan portfolio is as follows:**

	2026 %	2025 %
≤60% LTV	60.30	63.05
>60-70% LTV	11.74	13.58
>70-80% LTV	10.36	10.20
>80-85% LTV	5.63	3.38
>85-90% LTV	7.10	5.70
>90% LTV	4.87	4.09
	100.00	100.00

The Society's overall average LTV ratio is 44.2% (2025: 43.7%).

**The table below provides further information on the Society's loans and advances to customers (including EIR adjustments but excluding the impact of impairment provisions) by payment due status as at 2 February 2026:**

	2026 £000	2026 %	2025 £000	2025 %
<b>Not Impaired</b>				
Neither past due nor impaired	317,132	98.74	317,056	98.12
Past due up to 2 months but not impaired	2,209	0.69	2,388	0.74
<b>Impaired</b>				
Past due 2 to 3 months	-	0.00	1,216	0.38
Past due 3 to 12 months	1,373	0.43	1,902	0.59
Past due over 12 months	213	0.07	203	0.06
Possessions	245	0.08	344	0.11
	321,172	100.00	323,109	100.00

**Collateral Held**

**The Society holds collateral in the form of property against loans and advances to customers as follows:**

	2026 £000	2025 £000
Property against impaired loans and advances to customers	4,156	8,772
Property against non-impaired loans and advances to customers	822,218	838,466
	826,374	847,238

**Forbearance**

A range of forbearance options are available to support borrowers 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 interest-only concessions, reduced payment concessions, payment deferrals, an arrangement to clear outstanding arrears, capitalisation of arrears and/or extension of the mortgage term.

**The following table analyses residential mortgage borrowers with renegotiated terms:**

	2026 Number	2025 Number
Temporary interest-only	3	6
Reduced payments	-	1
Payment deferral	2	-
Arrangements to clear arrears	4	4
Capitalisation	-	-
Extension of term	-	1
Multiple arrangements	-	4
	9	16

Specific impairment provisions of £53,154 (2025: £37,591) are held in respect of these mortgages, see note 1.

**Market Risk (Interest Rate Risk)**

This is the risk that the value of, or income from, assets and liabilities change adversely, as a consequence of movements in interest rates including market rates. The Society manages interest rate risk arising from the differing interest rate characteristics and maturity profile of its mortgage and savings products by maintaining a Board approved Financial Risk Management Policy (FRMP). This policy defines the Society's risk appetite for interest rate risk (including basis risk), includes clear limits and triggers for off-setting assets and liabilities and allows for the use of financial derivative instruments where appropriate. The FRMP is reviewed annually by the Assets & Liabilities Committee and is recommended to the Board for approval.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to various interest rate scenarios. The key scenario that is considered on a monthly basis is that of a 200 basis point (bps) parallel fall or rise in the yield curve.

**The interest rate sensitivity of the Society at 2 February 2026 was:**

	2026 £000	2025 £000
Sensitivity to profit and reserves		
200bps parallel increase	24	535
200bps parallel decrease	(28)	(566)

**Capital Management**

The Board's objective when managing capital is to safeguard the Society's ability to continue as a going concern in order to provide long-term benefits for Members and other stakeholders. Regulatory capital consists of the Society's general reserves, which are profits of the Society accumulated over the last 167 years. The Society

manages its capital requirements through the annual Internal Capital Adequacy Assessment Process (ICAAP).

The ICAAP is closely monitored by the Board and the Board receive regular updates on the amount of capital held and the amount of headroom the Society has over its required level of capital.

The required level of capital is set by the PRA through the Society's Total Capital Requirements (TCR). This allows the Board to ensure that the quantity and quality of capital held is both sufficient and appropriate to mitigate the risks the Society faces and to safeguard Members' interests.

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

**26. Country-By-Country Reporting**

The reporting obligations set out in Article 89 of the European Union's Capital Requirements Directive V (CRD V) have been implemented in the UK by the Capital Requirements (Country-by-Country Reporting) Regulations.

The Society has assets in excess of £412 million (2025: £427 million).

As a mutual organisation the Society's primary focus is its Members and it aims to provide mortgage and savings products supported by excellent customer service.

The financial statements include the audited results of the Society. The principal activities are detailed in the Annual Report and Accounts. The Society was incorporated in the United Kingdom.

**For the year ended 2 February 2026:**

- Net interest income was £8.1m (2025: £7.6m), (loss)/profit before tax was £(2.0)m (2025: £(0.2)m) all of which were arising from UK-based activity. Net interest income is calculated as interest receivable and similar income less interest payable and similar charges.
- The average number of full-time equivalent employees was 83 (2025: 73) all of which were employed in the UK.
- The Society paid £nil of corporation tax in the year (2025: £0.02m) all within the UK tax jurisdiction.
- The Chorley and District Building Society has not received any public subsidies during the year or in the previous year.

## Annual Business Statement

For the year ended 2 February 2026

### 1. Statutory Percentages

	2 February 2026	Statutory Limit
Proportion of business assets not in the form of loans fully secured on residential property (the "lending limit")	0.99%	25%
Proportion of shares and borrowings not in the form of shares held by individuals (the "funding limit")	1.79%	50%

The above percentages have been calculated in accordance with and the statutory limits are those prescribed by Sections 6 and 7 of the Building Societies Act 1986.

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

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

### 2. Other Percentages

	2 February 2026	3 February 2025
<b>As a percentage of shares and borrowings:</b>		
Gross Capital	5.62%	5.80%
Free Capital	5.12%	5.38%
Liquid Assets	22.54%	25.29%
<b>As a percentage of mean total assets:</b>		
(Loss)/profit after Taxation	(0.35)%	(0.03)%
Management Expenses	2.38%	1.86%

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

- "Shares and borrowings" represent the total of shares, amounts owed to credit institutions and amounts owed to other customers
- "Gross capital" represents the general reserve
- "Free capital" represents the aggregate of gross capital and collective impairment losses less intangible and tangible fixed assets
- "Mean total assets" represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year
- "Liquid assets" represent the total of cash in hand, loans and advances to credit institutions, debt securities and treasury bills
- "Management expenses" represent the aggregate of administrative expenses and depreciation.

## Directors at 2 February 2026

Name	Year of Birth	Date Co-opted	Business Occupation	Other Directorships
Tracey Ashworth-Davies	1962	01.09.25	Non-Executive Director	Financial Ombudsman Service Ltd Scottish National Investment Bank PLC St George's, Edinburgh
Lee Bambridge	1963	01.11.23	Non-Executive Director	None
Peter Brickley	1960	01.10.22	Technology	None
Julia Cattanach	1971	03.02.22	Chief Risk Officer	Experian Group Limited Experian Limited Experian Refi Outsource Services Limited Experian Refi Solutions Limited International Communication and Data Limited KYC Global Technologies (UK) Limited KYC Global Technologies Limited KYC360 Academy Limited
Joanna Hall	1965	26.06.19	Non-Executive Director	Union Bancaire Privée (uk) LTD (UBP)
Janat Hulston	1962	01.07.24	Managing Director (Banking)	Bolton NHS Foundation Trust Manchester Care & Repair
Steven Melbourne	1985	01.10.23	Chief Risk Officer	None
Stephen Penlington	1958	20.05.06	Chief Executive	None
Kimberley Roby	1982	01.09.17	Customer Services Director	MOSAIC Learning Trust
David Shelley	1981	22.11.22	Finance Director	None
Gail Teasdale	1968	01.10.20	Non-Executive Director	The Housing Finance Corporation

The Non-Executive Directors have contracts for services and are appointed for an initial term of three years.

The Chief Executive is employed on a contract of employment that may be terminated by either party giving twelve months' notice.

The Finance Director, Customer Services Director and Chief Risk Officer are employed on a contract of employment that may be terminated by either party giving six months' notice.

**Documents may be served on the above-named Directors c/o the Society's Auditor, Forvis Mazars LLP, 30 Old Bailey, London, EC4M 7AU, United Kingdom.**



**Chorley  
Building  
Society**

TRUSTED SINCE 1859



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## Head Office

Key House  
Foxhole Road  
Chorley  
PR7 1NZ

T. 01257 235000

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## Branches

Key House  
Foxhole Road  
Chorley  
PR7 1NZ

T. 01257 235000

28/30 High Street  
Chorley  
PR7 1DW

T. 01257 235000

153/155 Towngate  
Leyland  
PR25 2LH

T. 01257 235000

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