

Report & **Accounts**

2024/2025

WE ARE **DUDLEY**



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An Outstanding Year for the Society delivering significant growth in member balances



Strong Growth

£124M

GROSS MORTGAGE LENDING

+19%

2023 - 2025 MORTGAGE BALANCES

+22%

2023 - 2025 SAVINGS BALANCES



Delivering Member Value

3.86%

AV SAVING RATE* VS OTHERS: 3.16%

£22M

INTEREST PAID TO OUR MEMBERS

£1.4M

UNDERLYING PROFIT BEFORE TAX



Record Engagement

95%

HIGHEST EVER CUSTOMER NPS

40%

HIGHEST EVER INTERMEDIARY NPS

84%

HIGHEST EVER EMPLOYEE ENGAGEMENT



Awards and Recognition



*Comparison based on the Society's deposit balances as of 31 March 2025 using market data where it is publicly available from the Building Societies Association and Moneyfacts.



Directors, Management and Advisors

Principal Office Address:

7 Harbour Buildings
The Waterfront
Brierley Hill
West Midlands
DY5 1LN

Directors

Chair

Peter Hubbard

Deputy Chair

Nicole Coll

Tariq Khatri
Michael Hudson
James Paterson
Michael Bhopal

Independent External Auditor

PricewaterhouseCoopers LLP
One Chamberlain Square
Birmingham
B3 3AX

Internal Auditor

Deloitte LLP
Four Brindleyplace
Birmingham
West Midlands
B1 2HZ

Management

Chief Executive Officer
James Paterson

Chief Financial Officer
Michael Bhopal

Your Chair's WELCOME

We've had another year of great progress despite challenging times, at home and abroad. We continue to deliver on our promise to help people live better lives, and we do this by supporting our members, our colleagues, our intermediaries – and the communities we work in.

The Annual General Meeting will take place on 17 July 2025 at the Black Country Living Museum. You can register to attend online or over the phone. And you can vote and send in questions to the Board by text, email or post.



Supporting members through global challenges

With the war in Ukraine entering its fourth year, conflict in the Middle East, and the US imposing trade tariffs across the board, there's no doubt that global politics have a profound effect on the UK economy.

Coupled with that, new governments always bring change and Labour's policies have had a mixed impact. Stamp duty adjustments led to a rush of transactions before the deadline, and house building targets have been put in place to address the housing shortage. While these measures aim to address supply issues, challenges like fluctuating mortgage rates and cost of living pressures persist.

It's unlikely that the Bank of England Base Rate will fall to near zero again, especially as inflation isn't yet fully under control. However, it has been coming down steadily since its high of 5.25% in August 2023. This is good news for our borrowers who have had to endure a tough interest rate market. We've made sure that we've been there to support all borrowers throughout this and we're glad to see less than £140,000 worth of arrears across the mortgage book.

While our model is a simple one that offers great opportunities, we're reminded again of the balances we have to make. We must offer the best returns we can for our savers, whilst keeping payments affordable for our borrowers. And we also need to invest in our business and keep it strong for the future.

A commitment to our branches

Far from closing branches, we're deeply committed to our branch network. We see them as community hubs, important spaces where members can get personal support and help. We're not only keeping them open, but expanding our network too.

Our new branch in Bridgnorth opened at the start of June. This shows how important we think it is for customers to be able to access face-to-face services, particularly in rural communities. That is why we are already in search of our next location. In Dudley, we launched a Branch Access Account for former Castle & Crystal Credit Union customers, the branch is invaluable. It's given local people who were left without a place to keep their money the chance to get tailored, in-person service and support.

The importance of mutuals

As a mutual, we're part of an economic group that contributes £165.7 billion to the UK economy. We're pleased that the Government has recognised the important contribution that co-operatives and mutuals, and their model of shared ownership, make.

Alongside the Building Societies Association, we're helping to frame the changes needed to support the Government's aims of doubling the mutual sector. Whether this is by simplifying regulations, increasing access to additional capital or making it easier for the public to engage with us, we're contributing to what we hope will be a positive outcome.

"THE GOVERNMENT IS COMMITTED TO UNLOCKING THE FULL POTENTIAL OF THE MUTUAL AND CO-OPERATIVE SECTOR TO SUPPORT INCLUSIVE GROWTH. IT WILL WORK WITH THE SECTOR TO ENSURE IT'S FULLY SUPPORTED TO GROW."

LABOUR PARLIAMENTARY SECRETARY AT HM TREASURY

Improving the service we give

Artificial Intelligence (AI) is here to stay, and some see it as a threat. However, we intend to take the opportunities it offers and use it to our advantage. It'll never replace our colleagues or the personal service we're so committed to giving. But we'll use the power of AI and other technology in a safe way to enhance the service we give, to improve customer experience, and to streamline applications for our intermediary clients.

We'll always be at the end of the phone, answering your emails and giving a personal service across our branch network. And we'll continue to invest in our online platforms so that members can manage their accounts in the way that suits them. We're pleased to see that the number of people registering for online services is increasing all the time.

A Great Place to Work

We're delighted to have been recognised as a Great Place to Work in the UK. The award is based on colleague feedback and an assessment of our workplace culture. The result is clear – we have a positive and supportive workplace environment.

We're also very proud that we made the list of Great Place to Work for Women, demonstrating that the Society is an inclusive and equitable place to work. As well as actively promoting career development and opportunities for everyone, we've introduced practical measures like enhanced maternity pay, and increasing awareness and support for employees affected by menopause. A series of menopause support groups has proved really helpful, providing safe places for women to come together and share their experiences, and their concerns.

Part of being a great place to work is ensuring that we treat our employees fairly, act ethically for our customers and care about the communities that we work in. We're dedicated to doing business for good and this is why we were the first UK regional building society to be B Corp certified.

'HELPING PEOPLE LIVE BETTER LIVES'. IT ISN'T JUST WHAT WE SAY – IT'S WHAT WE DO EVERY DAY.

Our colleagues

As always, our colleagues have surpassed our expectations. Thanks to their great work, our customers gave us an overall customer satisfaction rating of **4.94 out of 5***. Scores like this, and the awards we win are only possible because of the people who work for us.

Opening new branches, providing passbook accounts for people in our communities who need support, sharing our spaces with unbelievable charities like My Safe Home, who work tirelessly to help people with long-term disabilities buy their own homes – we can only do these things because of the dedication, hard work and kindness of our colleagues.

I want to thank each and every one of them.

And I can't let this opportunity pass without giving a special mention to Joanna Baldwin. As a Director of the Board, she was instrumental in establishing our Customer and Employee Experience Committee.

WE CAN ONLY DO THESE THINGS BECAUSE OF THE DEDICATION, HARD WORK AND KINDNESS OF OUR COLLEAGUES.

As Chair of that Committee, she continually demonstrated her passion for making sure that customers and employees had a voice in how the Society is run. This important role benefitted from her vast experience in customer engagement and digital strategy.

The Society is a better place for her contribution and we wish her the very best for the future.

Looking to the future

As we look forward to the year ahead, I'm extremely optimistic about what we can achieve. The year has been challenging, but we're ending it in a strong financial position and we continue to invest in the Society. There are exciting times ahead as we continue to work towards our strategy as well as progressing the Government's target to double the mutual sector.

And of course, our focus is always on the communities we work in, as we continue to support them and the people who live in them. ■

Peter Hubbard

Your CEO STATEMENT

Here to help people lead better lives

It's been an exciting year here at the Society. We've seen another year of growth, and continue to invest in your Society to support that aim. At £124 million, we lent more than we did last year.


TOTAL ASSETS
£625 MILLION


TOTAL MORTGAGE ASSETS
£517 MILLION



In the last two years, mortgage balances have grown by **19%** and savings balances by **22%**. And we've become **one of the fastest growing building societies in the UK**.

That's important because when we're growing we're able to invest – to offer more attractive products, open new branches, and launch new mortgage products. We can increase our membership and attract the best people to support you.

But we never forget where we've come from and who we serve. In a year when the building society movement celebrates its 250th year – and it all started here in the West Midlands – we're committed to mutual values, along with supporting our members and our community.

WHEN SO MUCH OF OUR BUSINESS IS BASED ON TRUST, ALL OF THIS MATTERS. THANK YOU FOR YOUR SUPPORT.

 Last year, **9 out of 10 members** said they'd recommend the Society to other people

 Our intermediary advocacy score was better than the market average

 We were named the **Best Small Lender** by the biggest mortgage club in the UK

 And we're a **Great Place to Work** and a registered member of the **B-Corp** community

Investing in a stronger future

We know there are market risks, particularly in the wider macro-economic environment, and last year was undoubtedly challenging. The early General Election and low consumer confidence affected every building society. This was compounded by rises in the cost of living, and conflict in a number of regions making the world appear a more dangerous place.

However, your Society is strong, stable and growing with a platform we can build on, even in uncertain times. This emphasis on growth will help us invest in our people, our branches and the technology we use. We'll also make sure that our growth is controlled and potential threats are mitigated.

The environment we operate in remains volatile and unpredictable, particularly with the events in the US. So we'll remain watchful and react as necessary to ensure the Society's long-term future.

Building on our success

As a leadership team we're committed to investing our profits into supporting members and improving the Society for current and future generations. Here are some of the ways we're doing that.

The mortgage intermediaries who support new and existing members with advice are key to our business. To make it easier for them to do business with us, we have a significant technology project underway. The Mortgage Origination (MO) initiative will help us use technology to identify and screen application documents. This will streamline the application process, making it faster, easier and more efficient.

This year, more people have stayed with us at the end of their mortgage product. It's important to us that we retain our loyal members, so we're always looking to see how we can add value. As part of the MO initiative, we'll be enhancing the way existing customers can switch products, borrow more and change their mortgage account.

And we're planning to launch some exciting new mortgage products. We're already well-known in the market for what we do but we want to go further, particularly helping people who find it difficult to access finance through mainstream providers.

DIFFICULT CIRCUMSTANCES SHOULDN'T PREVENT SOMEONE FROM OWNING THEIR OWN HOME. THIS IS WHAT BEING A MODERN BUILDING SOCIETY IS ALL ABOUT.

Owning our heartland for savers

Throughout the year, our branches have seen strong demand. They've supported local people, businesses and charities. This model – of helping people face to face – is a strong one. It's something we firmly believe in, and we'll make sure you receive excellent service every time you visit us.

Our branch opening times are the same as always, and we're committed to keeping passbooks. We have just opened our new branch in Bridgnorth and we're on the lookout for our next location. And if you're a branch customer who wants to open an online account, we can help you do that too.

Using our online portal, you can open new accounts and manage your savings online. We've made the things that you want to do – like paying into your Society account from your current account, and transferring your ISA to us – quicker and easier.

THIS YEAR OUR AVERAGE SAVINGS RATE WAS 3.86% COMPARED TO THE UK AVERAGE OF 3.16%. THIS EQUATES TO AN EXTRA £4M INTEREST PAID TO OUR SAVINGS MEMBERS.

The pounds you invest helps people buy their homes, and their mortgage payments mean that we offer competitive rates of interest. Compared to the UK average, our savings rates are providing our members with great returns.

We're making improvements to our branches and our online channels, making sure that products are available to you in the way you choose.

WE DON'T USE GIMMICKS, OR OFFER ENTICEMENTS OR BETTER DEALS FOR HIGHER BALANCES. WE'RE CLEAR, TRANSPARENT AND FAIR – AND WE INTEND TO STAY THAT WAY.

Staying true to our roots

Remembering where we've come from and supporting our community is as relevant to us now as it was when we were founded nearly 167 years ago.

In 2025, the Society began working with local businesses to develop a new initiative to help members of the community build their financial resilience and wellbeing with the expectation that the programme will begin in the coming year. In the prior year, the Society donated £30,000 to local charities and organisations as part of our Community Support Fund. These charities are nominated by our members and are chosen because they directly support the community and the wider society within the Black Country.

When a local Credit Union was unable to stay in business, many customers were left with no access to financial services. We put purpose into action and quickly developed and delivered an account specifically for them, lending our support via the Dudley branch.

We forge long-term relationships, working alongside community organisations to support their goals and objectives into the future. We're pleased to be able to offer competitive banking and savings options to businesses, charities and clubs across the region, particularly when many banks have withdrawn locally. These organisations are often lifelines to local people, offering jobs, friendship and support.

One of our most satisfying partnerships is with My Safe Home, a charity that changes the lives of people with long-term disabilities. It helps them buy their own home so they can be independent, yet remain close to their families for help and support.

WE'RE THE ONLY FINANCE PROVIDER IN THE WEST MIDLANDS WHO OFFERS THESE MORTGAGES AND IN THE LAST TWO YEARS HAVE LENT OVER £4.7M TO PEOPLE TO SUPPORT THIS NOBLE CAUSE.

And we continue to offer our branch space in Dudley to Life Centre Debt Advice. The charity, based in Stourbridge, offers professional debt advice to the local community. Part of our core social strategy is to serve those parts of the population that aren't supported by the wider lending market. By sharing our branches, we're helping these charities meet their clients in person, many of whom who can't travel far to get the help and advice they need.

IT WAS INCREDIBLE TO SEE THE SOCIETY WIN BUSINESS OF THE YEAR AT THE DUDLEY BOROUGH COMMUNITY AWARDS. THIS SHOWS JUST HOW MUCH IMPACT WE'RE MAKING IN OUR COMMUNITIES.

Supporting our members through our amazing people

Of course, there's always a balance to be struck between our savers and our borrowers, but the early election had a big impact on mortgage business this year. We've seen interest rate adjustments from the Bank of England and uncertainty in the market, along with the introduction of some strong planning policies.

Labour have also committed their support to the mutual sector – and building societies like us – setting an objective of doubling the size of our sector. It's a cause we strongly support and we're actively participating, working with the Building Societies Association to shape it.

OUR NET PROMOTER SCORE (NPS) IS 95.2* THIS MEANS THAT 95.2 MEMBERS OUT OF 100 WOULD ACTIVELY PROMOTE US TO OTHERS.

This year we increased our mortgage lending by nearly £14 million to more than £124 million. Our total mortgage assets now stand at just over £517 million, up by more than £40 million from last year.

And we're proud to say that we have a 4.94/5 overall satisfaction rating* from our savings and mortgage customers with 99.4% of members saying they're treated fairly and our products meet their needs.

While our overall level of arrears is very low compared to the market average, we stand with members who are finding it difficult to afford their mortgage payments. Our goal is to help them stay in their homes – we're a signatory of the Mortgage Charter arranged by HM Treasury and we have a trained team ready to help any member in difficulty.

To deliver for our members, we need the best people. This year, we've continued to retain and acquire the talent we need to support our ambitions.

For the first time, we've been recognised as a Great Place to Work in the UK. This is a leading award reserved for only the best workplaces. We were also announced as a Great Place to Work for Women and a Great Place to Work in Financial Services and Banking.

It's fantastic that we made the final list for the Best Building Society in the UK in the Smart Money People Awards. This is a significant accolade for everyone who supports our members.

*smart money people 'Customer insight report' – March 2025

We're dedicated to doing business for good

A B Corp certified company is one that meets high standards of social and environmental performance, including transparency, accountability and continuous improvement.

What does it mean for you?

We're the first UK regional building society to be B Corp certified. It's an achievement we're rightly proud of and it influences everything we do.



We're ethical – and we do the right thing for our customers. We listen and support. We'll continue to offer face-to-face services to meet all of our customers' needs.



We treat our employees fairly – and promote a positive workplace culture.



We care about our communities – helping people to prosper and supporting them through a wide range of outreach activities.



We care about the planet – and we're determined to reduce our environmental impact. We'll only source sustainably.



We want to improve. We re-certify for B Corp every three years because we want to keep getting better.

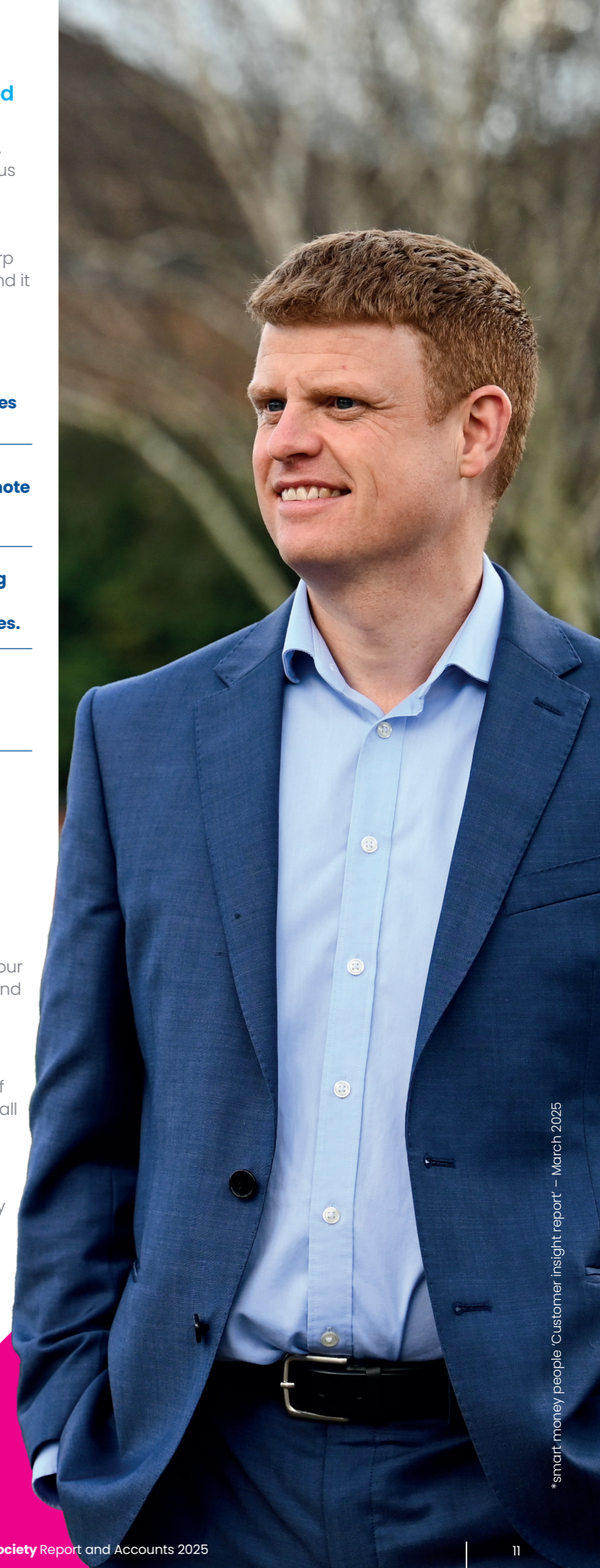
What's next for your Society?

In the last two years, we've strengthened the Society. And is continuing to grow in difficult and uncertain times, we've been able to continue working towards our strategy and to invest in the future, both for current and future members.

We remain committed to achieving long-term sustainable growth for the Society. Improving our products, services and technology brings a stream of benefits for our members, and delivers real value for all of us.

Ahead of the AGM, I'd like to thank you for your continued membership and support, and offer my thanks to every member of our team. They constantly strive to do the best they can for you. ■

James Paterson



*smart money people 'Customer insight report' – March 2025

Strategic Report

This report describes the Society's strategy, business objectives and principal activities. The report contains the Financial Review, which gives details of the Society's financial position and performance over the year and the Social Responsibility section which highlights how we act as a responsible business and our focus on having a positive impact on society.

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

Our Strategy



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

Business Objectives and Principal Activities

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

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

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

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

We grow value for our members by:

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

We deliver value to our members by:

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

Results for the year and Key Performance Indicators

The Board sets the strategy for the Society and uses a set of performance and control reports to oversee delivery, including use of Key Performance Indicators (KPIs). The KPIs in use throughout 2024/25, with previous

year comparatives, are presented in the table below with explanatory notes for each measure provided in the appendix.

	2025	2024	2023	2022	
Trading performance	Mortgage advances	£124.3m	£110.8m	£112.3m	£71.1m
	Total mortgage assets	£517.2m	£476.8m	£436.1m	£410.5m
	Total shares balances	£554.0m	£559.6m	£452.7m	£444.7m

	2025	2024	2023	2022	
Financial strength	Net interest margin	2.15%	2.13%	2.49%	2.08%
	Administrative expenses ratio ¹	2.01%	1.95%	1.83%	1.65%
	Underlying profit before tax ²	£1.42m	£2.44m	£2.70m	£2.92m
	Profit before tax	£1.04m	£1.78m	£2.70m	£2.92m
	Regulatory capital	£32.8m	£32.2m	£30.5m	£27.9m
	Liquid assets (% of SDL)	17.6%	25.7%	19.9%	22.1%
Arrears 3 months or greater (no.)	5	3	7	6	

	2025	2024	2023	2022	
Engagement measures	Customer Net Promoter Score	95.2	93.9	90.8	87.9
	Intermediary Net Promoter Score	40.3	15.7	6.7	-5.3
	Employee engagement	84%	80%	77%	79%

¹ Administrative expenses plus depreciation and amortisation as a percentage of mean total assets.

² Underlying profit before tax is calculated as Profit before tax as per the Income Statement excluding non-recurring administrative expenses as disclosed in Note 5 to the Accounts.

Financial Review

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

Overview of income statement

The Society has delivered an underlying profit before tax for the year of £1.42m. In addition to Profit before tax, the Board considers Underlying profit before tax a key performance indicator as it demonstrates the value generated to enable investment in technology and capability required to deliver the Society's growth strategy.

The wider economic environment continues to be challenging, with ongoing conflicts in Ukraine and the Middle East. Inflationary pressures have eased over the past year and this has allowed central banks, including the Bank of England to lower interest rates.

The Society continues to invest in capability in key areas including risk management, treasury and change. This is alongside ongoing improvements to the services offered to our members to support the long-term growth of the Society. In line with this, the associated investment this year was £0.37m, further to the £0.67m invested last year.

Underlying administrative expenses have seen an increase as a result in the investments in capability completed last year with the full impact of these are seen this year. Further detail is included in the Recurring and Non-recurring administrative expenses sections below.

Considering the volatility of the external environment, the performance of the mortgage portfolio has remained strong and this is reflected with provisions remaining stable in the year.

The underlying profit before tax was 42.0% lower than prior year. However, with near record mortgage growth and a strong margin position, net interest has increased by £0.98 million and this will continue to grow over the long term.

Strategic Report (continued)

There remains a continued focus to achieve the right balance in delivering value to our members through competitive savings and mortgage products, whilst we continue to invest in the Society and add capital reserves for future growth.

The reported profit before tax for the year is £1.04 million.

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

£000s	2025	2024
Net interest receivable	13,551	12,568
Other income and charges	214	470
Recurring administrative expenses	(11,729)	(10,305)
Recurring depreciation and amortisation	(542)	(522)
Impairment (charge) / credit	(78)	231
Underlying profit before taxation	1,417	2,442
Non-recurring administrative expenses	(373)	(667)
Profit before taxation per income statement	1,044	1,775

Net interest receivable

Net interest receivable increased by 7.8% year-on-year. This increase is due to near record mortgage lending and corresponding balances, alongside margin management of both mortgages and savings. This is covered in more detail in the balance sheet section below.

Our savings rates continue to be fair and competitive with the Society a higher average rate compared to the market average. This helps us to continue to deliver better value to our members and maintain a stable level of funding. As noted on page 12, easing of inflationary pressures has allowed the Bank of England to reduce interest rates, with three 25 bps reductions in the year from 5.25% at 31 March 2024 to the rate of 4.50% at 31 March 2025.

In line with the Bank of England rate reductions and movements in the forward looking swap rates, the Society has reflected these appropriately across the mortgage and savings products offered to our members.

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

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

At the end of the previous financial year, our net interest margin stood at 2.13%. The combination of the above factors has helped to increase the net interest margin and this closed the year at 2.15%.

Other income and charges

Other income and charges comprise fees and charges not accounted for within the Effective Interest Rate (EIR) methodology and bank charges. This heading also includes fair value gains on derivative financial instruments of £0.39 million (2023/24: fair value gains of £0.74 million).

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

Recurring Administrative Expenses

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

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

We have also continued to support and remunerate our colleagues appropriately considering rises in their living costs. Colleagues' pay increased by 4% during the year, with employees on the lowest levels of pay receiving a higher increase.

When taken together, the level of these costs are £1.42 million higher than last year, which is a 13.8% increase.

Recurring administrative expenses as a percentage of mean total assets are 1.95%, compared with 1.83% in the prior year.

Non recurring administrative expenses

To ensure that the Society delivers on the strategy, the Board approved a separate investment budget to fund the key strategic initiatives. The costs incurred have been identified as non-recurring and are considered separate from the underlying performance of the Society. Costs totalling £0.25 million were invested in the Mortgage Originations platform as work continued on the key enabler for the future growth of the Society with

a further £0.12 million being invested in the customer proposition in the form of a new branch and the online customer experience.

Impairment charges

The Society maintains an appropriate provisioning policy designed to make provisions for any estimated losses resulting from loans that are impaired on either a specific or collective basis. The overall provision requirement increased by £0.08 million in the year, with the breakdown in this movement shown below:

£000s	2025	2024
Collective impairment (credit)	(91)	(34)
Specific impairment charge / (credit)	169	(197)
Total impairment charge / (credit)	78	(231)

At 31 March 2025 the Society held provisions totalling £1.01 million (31 March 2024: £0.93 million), analysed as follows:

£000s	2025	2024
Collective provision	670	761
Specific provision	336	167
Total	1,006	928

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

The provision requirement includes an amount relating to a post model adjustment in the form of an overlay. There is an underlying decrease in the value of the provision requirement resulting from the application of updated assumptions, and after the inclusion of the overlay resulted in a small charge to the income statement.

Overview of statement of financial position

£000s	2025	2024
Liquid assets	103,711	154,125
Loans and advances to customers	517,157	476,805
Fixed and other assets	4,145	4,771
Total assets	625,013	635,701
Shares	553,980	559,639
Amounts owed to other customers	35,168	40,356
Other liabilities	2,597	3,218
Total liabilities	591,745	603,213
Reserves	33,268	32,488
Total liabilities and reserves	625,013	635,701

The provision requirement includes an amount relating to a post model adjustment in the form of an overlay. There is an underlying decrease in the value of the provision requirement resulting from the application of updated assumptions, and after the inclusion of the overlay resulted in a small charge to the income statement.

Arrears Management

The Society actively manages mortgage accounts in arrears, always considering individual customer circumstances. At 31 March 2025 the Society had no accounts on which payments were twelve months or more in arrears (2024: none). The total number of cases in arrears decreased from 51 accounts at 31 March 2024 to 47 accounts at 31 March 2025. Of these, only 5 accounts had arrears balances equivalent to more than three months in arrears (2024: 3). Specific provisions have been made where necessary in respect of all arrears cases.

At the end of the year the Society had two properties in possession (2024: none).

The after-tax profit of £0.78 million (2024: £1.32 million) represents 0.12% (2024: 0.22%) of mean total assets. At 31 March 2025 the Society's reserves amounted to £33.27 million (31 March 2024: £32.49 million) and are at a level considered by the Board to offer adequate support for the business.

Assets

Total assets decreased during the year by £10.69 million (2023/24: increase of £90.95 million) and at 31 March 2025 amounted to £625.01 million (31 March 2024: £635.70 million). The majority of the reduction in total assets is through liquid assets due to lower shares and deposit balances, with further detail included in the specific sections below.

Strategic Report (continued)

Liquid assets

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

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

£m	2025	2024
Bank of England (HQLA)	83	148
Other Bank deposits	2	6
Debt securities (HQLA)	19	-
Total Liquid Assets	104	154

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

Total liquidity represented 17.7% of shares and borrowings at the year-end (31 March 2024: 25.7%). The Society manages its liquidity to ensure there is sufficient to cover forecast outflows and inflows of cash. The level of liquidity held at year-end represents a higher level than internal requirements.

The key regulatory measure of liquidity is the Liquidity Coverage Ratio (LCR), which measures HQLA as a percentage of net cash outflows over a 30-day stress period. The LCR at 31 March 2025 was 162% (31 March 2024: 229%). This was significantly in excess of the minimum regulatory requirements.

Mortgages

The majority of the Society's mortgages are advanced for residential and but-to-let. Expertise has been developed in the Society to underwrite and service specialist types of lending and therefore provide underserved market segments with much-needed mortgage solutions. Mortgage advice is provided by mortgage intermediaries who are well-placed to source the most appropriate product for a borrower.

At £124.3 million, mortgage advances in the year were £13.5 million higher than the amount advanced last year of £110.8 million. Mortgage retentions performed strongly in the year and as a result mortgage balances increased by £40.4 million. Mortgage balances closed at £517.2 million net of impairment provisions and EIR, up 8.5% from £476.8 million as at 31 March 2024. The committed mortgage pipeline stands at £30.1 million at 31 March 2025, and whilst this is a decrease of £1.9 million compared to the £32.0 million at the prior year end, March 2025 saw an unprecedented number of completions ahead of the stamp duty deadline.

Shares and deposits

Member deposits continue to be the most important source of funding for the Society, with most of these shares and deposits serviced via our branch network. During the year, new products were introduced across the branch network, and saw significant levels of engagement and growth across each branch.

The Society compliments the branch network through the online platform to support new funding. This, however, remains a highly competitive channel and through the strong growth seen in our branches, we were able to make the decision to allow outflows online without putting at risk shares and deposit balances or interest margin.

This aligns to the strategy to primarily grow sustainable local branch deposits and will continue to be the focus as the Society opens new branches.

The impact of allowing online balances to decline resulted in a small decrease in shares and deposit balances by £5.6 million to £554.0 million (31 March 2024: £559.6 million).

Non-member Funding

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

To support funding diversification and to provide contingency facilities the Society also has access to shorter term (6-month) funding through the Bank of England's Indexed Long-Term Repo (ILTR) scheme and will continue to use this facility as and when required. At 31 March 2025, the Society had zero balances outstanding on this facility having repaid the £5.0 million held from the prior year end. At 31 March 2025, the Society holds £2.0 million of wholesale balances (31 March 2024: £2.0 million).

Capital

Capital consists of the Society's reserves plus collective provision balances, less intangible asset balances which are required by capital regulations to be deducted from capital. The minimum level of capital required to be held is set by the Prudential Regulation Authority (PRA) however, the Board has a risk appetite to hold capital in excess of this requirement to protect the Society and its members from the effect of shocks or stresses. After regulatory deductions, and including the 2025 profit, the Society's regulatory capital stood at £32.8 million at 31 March 2025 (31 March 2024: £32.2 million), £6.8 million above the minimum regulatory capital requirement (31 March 2024: £10.0 million).

At 31 March 2025 the Society's gross capital ratio was 5.65% of shares and borrowings (31 March 2024: 5.41%). The free capital ratio was 5.57% of shares and borrowings (31 March 2024: 5.36%).

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

Risk culture

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

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

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

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

Risk Management Objectives and Policies

The Society adopts a "Three Lines of Defence" model to separate risk management activities between those responsible for risks and controls, independent oversight support and challenge, and internal audit assurance. The Society also has an Enterprise Risk Management Framework (ERMF) that formally documents the Society's structure for managing risks and the Board Risk Appetite. This is the key tool used by the Society's Governance, Risk & Compliance (GRC) team in providing oversight to risk management as part of their role as the second line of defence.

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

The day-to-day operations of the Society expose it to a range of financial and non-financial risks, each of which is owned by a member of the Executive. The management of those risks aims to ensure that the outcome of any risk-taking activity is consistent with the Society's strategy, the Board risk appetite, is appropriate to the Society's business, is compliant with current

regulation and gives due regard to regulatory guidance. In this way, risk management also seeks to achieve an appropriate balance between risk and reward in order to optimise member returns and, where issues arise, to manage for the best outcome for the Society and its members.

Specifically, the Society's Assets and Liabilities Committee (ALCO) is charged with the responsibility for managing and controlling the balance sheet exposures and the use of financial instruments for risk management purposes.

Full details regarding the risks and the financial instruments used by the Society are given in Note 26 to the Accounts.

Stress testing

Stress testing is a risk management tool used by the Society to understand the impact of severe but plausible scenarios on its business performance. The Society uses a prescribed Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) to identify capital and liquidity risks with stress testing forming an intrinsic part of these processes. These tests are agreed by the Board ahead of the assessments being carried out. Other stress tests, including operational- and IT-based risk events, are also undertaken with the output from all processes used to inform Board risk appetite, policies, management actions and contingency plans.

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

Liquidity stress tests are performed on a regular basis with results reported to the ALCO. These stress tests help identify any potential shortfalls in the Society's levels of liquidity in a range of scenarios. The Society has a Board-agreed risk appetite for interest rate risk whereby hedging measures are required to be put in place so that the impact on earnings from a 2% shift in interest rates cannot exceed 3% of the Society's available capital and the outcome of stress tests is measured against this risk appetite.

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

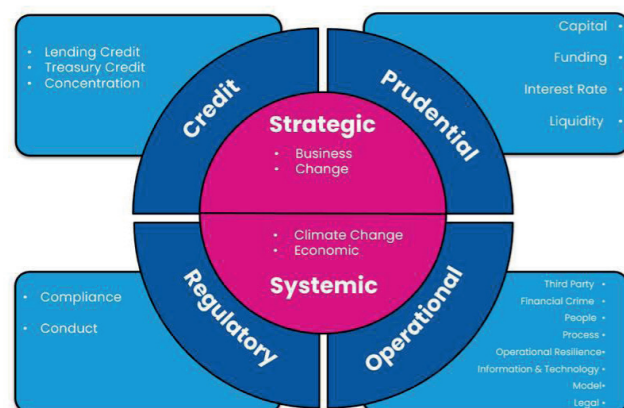
The Society maintains a high level of open and transparent communication with its regulatory supervisory team enabling advance notification of plans to be managed more effectively.

Strategic Report (continued)

Recovery Plan and Resolution Pack

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

The Resolution Pack contains prescribed information necessary for the Bank of England to establish an orderly resolution of the Society in the event that recovery is not possible. Both documents are updated at least annually.



Principal Risks and Sub Risks

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

Strategic: Business and Change

Systemic: Economic and Climate Change

Credit: Lending, Treasury and Concentration

Prudential Risk: Capital, Funding, Interest Rate and Liquidity

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

Regulatory: Compliance and Conduct

The Principal risks and their sub-risks are reviewed annually to ensure they continue to support the Society's strategy and long-term sustainability. This year an in-depth evaluation has been completed after identifying that there were several opportunities to strengthen them and improve the effectiveness of risk management in the Society. The risks to which the Society is exposed, how the Society approaches and mitigates those risks are set out in the table below.

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
Business	The risk that the sustainability of the society's business model is threatened by the external environment or its internal capabilities.	The Society monitors competition risk closely including the growth and prevailing rates in the market.	Business Risk is a significant focus for the Society. Full year profitability has been reduced this year, as capability investments came through ahead of growth. The increase in National Insurance will also add to cost pressures in 2025/26. Continued focus is required on managing costs and growing profits over the remaining years of the Corporate Plan as the investments pay off. Recognising this, the Directors consider that the level of risk has remained at medium.

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
Change	Change risk refers to the risk that an uncertain event or condition occurs and has a negative effect on the quality or delivery of a project's objectives	The Society has implemented a Change Framework and strengthened capacity and capability within the change team to deliver change and to enable appropriate governance and oversight of associated risks.	The Society continues to invest in key strategic and regulatory projects, including the Mortgage Origination Project, opening a new location in Bridgnorth, enhancing our financial forecasting system and implementing strengthened operational resilience in line with regulatory requirements. Recognising this, the Directors consider that the level of risk has remained at medium.
Economic	The risk that macroeconomic conditions and economic downturn adversely impact the Society.	The Society monitors geopolitical and economic conditions closely and takes action where appropriate to reduce its exposure.	The UK economy has remained weak throughout the year and geo-political tensions have remained high with the threat of tariffs and conflict in the Middle East and Ukraine. Recognising this, the Directors consider that the level of risk has remained at medium.
Climate Change	The risk that climate change adversely impacts the Society's credit position or its reputation as a responsible business. The regulatory expectations in relation to climate change continue to be developed by both the Bank of England and the regulators. At present the largest impact on the Society is from the proposed introduction of stricter Energy Performance Certificate requirements on Buy-to-let landlords.	The Society tracks a number of metrics in respect of climate risk with the main focus being at its Credit Risk Committee. The Society continues annual assessments of climate related risks, using external consultants to model the long-range impact to the Society of physical and transitional risks. A fuller report on Climate Risk is presented later in this Strategic Review.	The annual assessment confirms there is no material risk to the Society and the outputs were broadly similar to those reported in the previous year. Accordingly, the Directors consider that the level of risk has remained low.

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
Credit Risk – Lending	<p>Lending Credit risk refers to the potential that mortgage customers fail to meet their obligations as they fall due, and that this results in a loss for the Society.</p> <p>Mortgage credit risk is an inherent component of our lending activities. Adverse changes in the credit quality of the Society’s borrowers or the value of their houses, including through deterioration in UK economic conditions or adverse changes in UK or global systemic risks could reduce the recoverability of the Society’s mortgage assets.</p>	<p>Lending Credit risk is mitigated through the Society’s Underwriting Policy which reflects the Board’s approved low risk tolerance and which include clear guidelines in respect of acceptable Loan to Value (LTV), affordability, processes and exposure management.</p> <p>All lending decisions are fully underwritten on an individual basis.</p> <p>The Society utilises a statistical expected credit loss (ECL) model to assist in the measurement and management of credit risk. It measures both ECL and unexpected credit loss (UCL), based on stressed conditions, to ensure that lending remains within risk appetite.</p>	<p>Cost of living pressures have started to ease this year, as inflation has fallen, real incomes have risen and interest rates have started to reduce. However, the UK economy has remained weak and geo-political tensions have remained high with the emergence of tariffs and conflict in the Middle East and Ukraine.</p> <p>The market has seen an increase in mortgage arrears although the Society’s arrears position remains modest, reflecting the high credit quality of our assets, with minimal credit losses.</p> <p>The average portfolio LTV was unchanged at 56%, as set out in Note 26.8, which provides a significant mitigant against credit risk.</p> <p>Accordingly, the Directors consider that the level of risk has remained low.</p>
Credit Risk – Treasury	<p>Treasury Credit risk refers to the potential that our treasury counterparties fail to meet their obligations as they fall due, and that this results in a loss for the Society.</p> <p>Credit risk also arises from treasury activities due to liquid assets held and our interest rate hedging.</p>	<p>Treasury Credit risk is mitigated through the Society’s Treasury and Prudential Risk Management Policy which reflect the Board’s approved low risk tolerance and which include clear guidelines in respect of processes and exposure management.</p> <p>The Assets and Liabilities Committee (ALCO) is responsible for managing Treasury activity and recommends limits on Treasury counterparties, country exposures and types of financial instruments for approval by the Society Board within regulatory guidelines.</p>	<p>As set out in note 9 to the accounts, nearly all of our liquidity is held at the Bank of England, which is the highest credit quality. The Society continues to have low exposures to bank accounts and swap counterparties and this is managed closely.</p> <p>Accordingly, the Directors consider that the level of risk has remained low.</p>

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
Concentration risk	<p>Concentration risk refers to the potential that there could be a lack of diversification in respect of prudential matters. Credit concentration occurs where the Society has a particular exposure to an individual borrower or a geographical or market segment.</p>	<p>The Society maintains and monitors lending activity against a range of internal concentration limits.</p> <p>These internal limits remain within the respective regulatory expectations for a Limited Approach Building Society as set out in the building society sourcebook (Supervisory Statement SS20/15).</p>	<p>The Society’s lending is secured exclusively on UK residential and buy-to-let mortgages, which gives it an inherent concentration to this market. However, the Society’s lending book remains diversified across product, region and individual borrowers. There have been no specific concerns around our key product niches where credit risks remain low.</p> <p>Accordingly, the Directors consider that the level of risk has remained low.</p>
Capital risk	<p>Capital risk refers to the potential that the Society fails to maintain sufficient capital to absorb unexpected losses or losses that have not been provisioned for.</p>	<p>The Society undertakes an Internal Capital Adequacy Assessment Process (ICAAP) annually. The Society maintains a board limit that ensures it maintains sufficient capital to meet both minimum regulatory capital requirements and the capital necessary to withstand a selection of severe stresses. The stress test scenarios developed evaluate the impact of idiosyncratic, market wide and combined stresses on the Society’s capital resource. Scenario and stress testing is undertaken to assess the requirements over the Plan horizon. This is also complemented by Reverse Stress Testing to identify any circumstances that puts the Society into an unviable position from a capital perspective.</p>	<p>The Society has chosen to reduce surplus capital in order to invest in capability and to grow mortgage balances. Nonetheless, the Society maintains capital ratios in excess of regulatory and internal requirements. The ICAAP continues to demonstrate that the regulatory capital requirement under the Basel Standardised Approach is substantially higher than losses that could be incurred in an extreme scenario.</p> <p>Changes to regulatory capital rules, known as “Basel 3.1” and the “Small Domestic Deposit Taker (SDDT)” regime, are expected to apply from 2027. We expect the changes to result in a moderate fall in capital requirements.</p> <p>Accordingly, the Directors consider that the level of risk has remained low.</p>

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
Funding risk	Funding Risk refers to the potential that the Society is unable to fund its mortgage obligations, and the risks arising from the lack of diversification in funding. The Society relies on its access to a variety of sources of funding to finance new mortgage lending. If access to funding became restricted, either through market movements or regulatory or government action, this might result in the scaling back or cessation of new lending. The Society considers the funding concentrations as part of the ILAAP process and manages these risks within Board approved limits.	The Society's funding is predominantly from regional branches, which provides a stable base of funding. This is complemented by access to UK-wide online deposits, postal accounts, wholesale funding and the Bank of England which provides tactical and contingency funding. The Society undertakes an Internal Liquidity Adequacy Assessment Process (ILAAP) annually. This analyses the diversification of funding and associated risk. These risk are captured as part of the stress testing completed in the ILAAP document.	The Society has continued to implement a funding strategy based on stable branch-based savings, strengthened in the year by the opening of the first new customer accounts in Bridgnorth. This remains complemented by online, postal and Bank of England funding. Accordingly, the Directors consider that the level of risk has remained low.
Interest Rate risk	Interest Rate risk is the risk of exposures and / or loss the Society faces due to the value of, or income arising from, the Society's assets and liabilities varying as a result of changes in interest rates. Interest rate risk arises from imperfect matching of fixed rate mortgages and fixed rate savings and differences in the time taken for changes in interest rates to feed into changes in the product rates.	The Society has adopted the "Matched" approach to interest rate risk, as defined by the PRA, which hedges interest rate risk based on a detailed analysis of the net interest rate gap position. Interest rate swaps are used, where appropriate, to manage the risks outlined above. The Society also monitors prepayment levels on fixed rate mortgages and aims to set an Early Repayment Charge consistent with the interest rate risk exposure. The impact of the residual risk from a stress test of a 2% change in interest rates is reported monthly to ALCO against a limit set by the Board. The Board has also set minimum limits for the amount of administered rate deposits and mortgages so the Society retains sufficient flexibility on interest rate margins. Other interest rate exposures, including basis risk and prepayment risk are monitored closely and regularly reported to ALCO.	Interest rate swap rates have continued to be volatile in 2024/25. Whilst Bank Rate has reduced from 5.25% (on 31 March 2024) to 4.50% (on 31 March 2025), the cost of interest rate swaps has been volatile, reflecting uncertain views on the pace and timing of expected future falls in Bank Rate and wider market volatility. The Directors consider that the level of risk has remained medium.

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
Liquidity risk	Liquidity risk refers to the potential that the Society is unable to make available sufficient cash resources to meet its current or future financial obligations as they fall due or is only able to at a premium cost. The Society's liquidity policy is to maintain sufficient liquid resources to cover cash flow imbalances and fluctuations in funding in order to retain full public confidence in the solvency of the Society and to enable the Society to meet its financial obligations. This is achieved through maintaining an adequate level and quality of liquid assets, through wholesale funding and through management control of the growth of the business.	The Society, through its Finance and Treasury team (overseen by ALCO), seeks to mitigate this risk by maintaining sufficient liquid assets to meet its regulatory obligations and to meet liabilities as they arise (including any unexpected adverse cash flow). The Society monitors its overall liquidity with reference to regulatory limits and internal limits set by the Board through the Treasury and Prudential Risk Management Policy. Within the ILAAP document, a series of liquidity stress tests have been designed with the results reported to ALCO. The stress test scenarios developed evaluate the impact of idiosyncratic, market wide and combination stresses on the Society's liquid assets. Scenario and stress testing is undertaken to assess the requirements over different time horizons. This is also complemented by Reverse Stress Testing to identify any circumstances that puts the Society into an unviable position. The Society also maintains contingency funding actions which can provide additional liquidity if required. This includes collateral maintained at the Bank of England which can be used to draw down funding.	The Society has chosen to reduce surplus liquidity in order to manage margins carefully as the Bank of England has reduced Bank Rate. In addition, the Society has invested a small portion of liquidity in UK government Treasury bills; these are highly liquid and assist in the management of short term interest rates. Nonetheless, the Society maintains healthy levels of cash and liquidity above regulatory and internal requirements. Accordingly, the Directors consider that the level of risk has remained low.
Third Party	The risk that arises from the Society relying on third parties to perform services or activities that are expected of them on its behalf.	The Society has a detailed Outsourcing and Third Party Risk Management Policy in place. During the year we have strengthened our design, implementation and monitoring of the Policy and implemented the results of an internal audit review. All material third party arrangements are subject to annual reviews, with consideration given to the firms Operational Resilience arrangements, where appropriate.	There have been no material issues with third parties in the year and there are no material concerns about third parties' ability to continue to provide their services. The Directors consider that the level of risk has remained low.

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
Financial Crime Risk	<p>Financial crime risk arises where the Society is used to facilitate financial crime, i.e. laundering the proceeds of crime or the financing of terrorism.</p> <p>One of the Society's specialist areas of lending is to expats – i.e. British citizens who live overseas – who live in a wide range of countries, including countries assessed as High Risk by the global financial crime watchdog, the Financial Action Task Force.</p>	<p>We have developed specialist expertise and capability to manage financial crime risks, through Enhanced Due Diligence that complies with regulatory requirements and effectively manages the risk.</p> <p>We have also invested in additional systems and controls to mitigate the risks to the Society and our customers from APP and Account Takeover fraud.</p>	<p>Global conflict, particularly in the Middle East and Ukraine, has continued during the year, with an increased risk of financial crime.</p> <p>Fraud attempts, including Authorised Push Payment and Account Takeover, have also increased across the industry.</p> <p>Due to the effectiveness of the controls adopted, the Directors consider that the level of risk has remained medium.</p>
People Risk	<p>People risk is associated with human factors, such as errors, misconduct, inadequate skills or training.</p>	<p>The Society monitors a range of metrics around key people risk monthly and reports these to Executive Committee and Board to ensure appropriate action is taken where appropriate.</p>	<p>Due to investment last year in capability, recruitment was high with a number of new employees joining the business. This year recruitment levels have remained low throughout the year and attrition has been within appetite.</p> <p>The Directors consider that the level of risk has remained low.</p>
Operational risk: Process	<p>Operational risk is the risk of loss arising from inadequate or poorly defined processes, or non adherence by our people to defined processes.</p>	<p>Operational risk is managed by the departmental Managers of the Society – the 'Risk Owners' – who maintain Risk Workbooks that identify their key risks, associated controls and assess the residual level of risk. Risk metrics are measured monthly and reported to Executive Committee and Board. Colleagues are expected to identify and promptly report as risk events all process failures that result in a non-minor impact. The Risk team ensure that risk events are recorded, mitigated and process improvements implemented to reduce the likelihood or impact of further risk events occurring. The Society has also introduced a project to enhance its mortgage origination processes, including the introduction of a new system which will reduce the level of manual intervention required to manage applications.</p>	<p>Risk workbooks have identified a moderate increase in risk due to staff vacancies and staff turnover.</p> <p>Moderate and significant risk events that occurred in the year were identified promptly, with appropriate and effective mitigation and control improvements implemented once the root cases was understood.</p> <p>Accordingly, the Directors consider that the level of risk has remained low.</p>

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
Operational Resilience	<p>Operational Resilience refers to the inability of the Society to respond, recover and learn from operational disruptions</p>	<p>The Society has identified the Important Business Services, which if disrupted could cause intolerable harm to our customers, and has agreed a set of Impact Tolerances. It has undertaken a series of scenario tests to ensure that the Society can meet those tolerances in a stress and has taken action to improve resilience where identified.</p>	<p>Recent cyber attacks on retailers have illustrated the heightened external threats at present.</p> <p>Whilst the Society has experienced some system outages, it has remained within recovery tolerances at all time throughout the year.</p> <p>The Directors consider that the level of risk has remained low.</p>
Information & Technology Risk	<p>Information and Technology Risk is the risk of operational disruption arising from failures of technology systems, infrastructure or data management.</p> <p>The Society acknowledges the risk of a disruption caused by a successful cyber-attack on core IT systems, which may result in the loss or inappropriate use of data or sensitive information.</p> <p>The Society's core systems are dependent upon the continuing availability and resilience of third party managed services.</p>	<p>The Society works closely with systems suppliers and regular assurance activities are undertaken on third-party IT Governance and Controls to ensure compliance.</p> <p>The Society responds promptly to any incidents, working closely with suppliers and insurers to minimise disruption to customers and any loss for the Society.</p> <p>The Society continues to invest in technologies to ensure the confidentiality, availability and integrity of Society data.</p>	<p>Threat levels continue to be high due to the conflicts overseas and highly organised Cyber criminals, also know as "Threat Actors".</p> <p>The UK has seen an increase in the number of ransomware attacks, with the majority of attacks as a direct result of a successful "Phishing" attempt.</p> <p>"Phishing" attempts, if successful, allow the Threat Actors to gain access to IT systems and /or Data and are common across the industry.</p> <p>The Society continues to invest in tools and services to support a Cyber Strategy that aims to keep the Society and it's Member's data safe and secure, these tools include 24/7 monitoring, alerting, response and remediation covering of all its systems, training platforms that provide relevant Cyber related training</p> <p>The Society recognises that its Employees are key in the prevention of a Cyber attack, and as well as being regularly reminded of the need to be vigilant, they are regularly tested with simulated phishing attacks and scenario based outages and Cyber events to ensure that they respond accordingly.</p> <p>Accordingly, the Directors consider that the level of risk has remained at medium.</p>

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
Model	<p>Model Risk is the risk of an adverse business impact due to an error within or misuse of data.</p> <p>The complex nature of the Society's business requires the use of complex models to ensure that risks are measured accurately and business decisions are optimised. Material models include those used to calculate credit risk exposure, expected completion of the mortgage pipeline and to forecast future financial positions and performance.</p>	<p>The Society has established a Model Risk Framework that ensures the risks associated with models are effectively managed. This includes maintaining a Model Inventory, appropriate governance of assumptions and limitations and use of external validation where appropriate.</p> <p>The Society is working to implement the framework in a proportionate and effective manner that recognises the risks associated complex models.</p>	<p>Volatile economic conditions in recent years, particularly over the COVID pandemic and the "mini budget" have resulted in higher than usual challenges in validating models and fitting data to experience. Therefore, the Society has made increasing use of judgemental overlays to ensure that the results are reasonable.</p> <p>Recognising this, the Directors consider that the level of risk has remained medium.</p>
Legal	<p>The risk of a legal event which results in a liability or other loss; failure to protect assets (e.g. intellectual property); or a change in law.</p>	<p>The Society has an in-house legal resource which provides general counsel on corporate and commercial matters, and legal risk management. In addition, the Society obtains external specialist advice on matters that are material in terms of risk, complexity or strategic importance.</p>	<p>The Society has entered into a material IT contract to develop its mortgage originations capability. In the event that this results in a legal dispute there could be material, financial and commercial impacts on the Society.</p> <p>The Directors consider that the level of risk has increased to medium</p>

Sub Risk	Risk to the Society	Mitigation	Potential Impact of risk to the Society
Compliance and Regulatory risk	<p>This is the risk to the business, through financial loss or reputational damage that arises from a lack of compliance with relevant laws and regulations.</p> <p>Regulation from both the Financial Conduct Authority and the Bank of England's Prudential Regulation Authority have a critical impact on the Society's business. Failure to meet regulatory expectations could result in significant fines, restrictions on business and personal consequences for the Society's Senior Managers. Regulations are complex and subject to significant change.</p>	<p>The Society monitors such risks via Governance, Risk and Compliance and is reported to Executive Committee and Board Risk & Compliance Committee. Beneath these committees, the Society operates a Regulatory Review process, to ensure that management stays abreast of regulatory developments.</p>	<p>There continues to be significant regulatory focus on Consumer Duty, Operational Resilience and changes in capital requirements known as "Basel 3.1". These changes continue to require significant attention from the Society.</p> <p>The Society has elected to join the "Small Domestic Deposit Takers" (SDDT) regime and expects it to result in administrative savings.</p> <p>The Directors consider that the level of risk has remained low.</p>
Conduct risk	<p>This risk can arise when a firm's actions or behaviours result in inappropriate or poor outcomes for customers.</p> <p>The Society has a customer-focused culture that is in line with the principle of an organisation which is owned by its members.</p>	<p>Conduct Risk is assessed and monitored through the Society's Board Risk and Compliance Committee, including via its Product and Customer Committee which considers the Society's key customer interactions and metrics.</p> <p>The Society has a simple product range that aims to reduce potential exposure to conduct risk. All products are subject to periodic review under Consumer Duty rules.</p> <p>All staff who engage with customers receive appropriate training in accordance with the relevant Training and Competency Scheme to ensure customers are treated fairly.</p>	<p>The Society has worked on embedding the Consumer Duty Regulations within the business to raise standing across the industry.</p> <p>The Society continues to receive a low number of complaints and none that indicated any material conduct risk.</p> <p>As set out in the Strategic Report above, the Society's Net Promoter Score for mortgage intermediaries has significantly improved, demonstrating an improved customer experience for our new mortgage customers.</p> <p>Accordingly, the Directors consider that the level of risk has remained low.</p>

Financial risks from climate change

Climate related risks are classified as either physical risk relating to properties held as security for lending or transitional risk as the Society and its members transition to a low carbon economy.

These are summarised below: (physical manifestations of climate change such as increased flooding, extreme weather and rising sea levels) or transitional (risks that arise directly as a result of moving to a low-carbon economy)

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

The Society has adopted a strategic approach to each of those risks that is aligned to the four core elements as recommended by the Taskforce for Climate-related Financial Disclosure report, namely:

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

Each of the four core elements and the Society's approach to those elements are addressed as follows:

Governance

The CFO, in his role as being accountable for the Senior Management Function, is ultimately responsible for execution of the Society's approach to climate change risk. The CFO is supported in this task by the Board and Board Risk and Compliance Committee.

Under the Society's Enterprise Risk Management Framework (ERMF), Climate Change Risk has been identified as a universal risk and is supported through a Board approved Climate Change Risk Appetite Statement. Monitoring against this risk appetite statement, as well as universally across the wider risk appetite statements, is undertaken and reported through the Society's governance structure and up to Board Risk and Compliance Committee and Board, where appropriate.

Strategy

Given the evolution of developments in this area, the Board approved strategy retains climate as a one of the strategic pillars.

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

Risk Management

The Society maintains a specific climate change risk register that currently identifies a number of risks for both physical and transition climate change related risks. The register is maintained and monitored by the Credit Risk Committee against the Board approved Climate Change Risk Appetite Statement.

Within the climate change risk appetite, the Society identified a number of risk indicators aligned to each risk appetite statement.

Finance risks from climate change form a key part of the ICAAP review process, ensuring that the Society continues to hold adequate levels of capital within the pillar 2 regime.

To undertake this scenario analysis, the Society engages within an external firm, Landmark Valuation Services, to assess the level of risk that climate change currently presents to the Society whilst ensuring that the requirements specified by the PRA are met.

Landmark consider a wide range of both physical and transition risks aligned to the widely accepted Representative Concentration Pathways levels, to identify the value of a potential realised loss under each carbon emissions scenario. The scenario analysis is undertaken on an annual basis with the outcomes of the report being reported within the current governance framework.

The Society notes the release of the recent consultation paper from the regulator (CPI0/25 – Enhancing banks' and insurers' approaches to managing climate-related risks – Update to SS3/19) and we will continue to see evolution in this area, both for disclosure and quantification and management of this growing risk.

Metrics and Targets

The Society monitors and reports its gas emissions by means of the tonnes of carbon dioxide equivalent (tCO₂e) metric for scope 1, scope 2 and scope 3 emissions.

Scope 1 and scope 2 emissions incorporate those items that are directly attributable to operating the Society in the form of gas and electricity usage across the portfolio of properties operated by the Society. Scope 3 emissions relate to the indirect emissions for the Society, namely employee homeworking and commuting. Reporting of scope 3 emissions is voluntary but the Board considers this to be an important part of the impact of the operational business and will disclose accordingly.

Scope	2025	2024	2023
Scope 1	2.91	3.36	3.33
Scope 2	-	-	-
Scope 3	177.50	203.91	169.58
Total tonnes of CO₂e	180.41	207.27	172.91
Total tonnes of CO₂e per £m of Mortgage Assets	0.349	0.435	0.396
Change on previous period – tCO ₂ e	(26.86)	34.36	-
Change on previous period – %	(12.96)	19.88	-

Social Responsibility

Our Strategy, and particularly our Customer Value Proposition, brings social responsibility right into the heart of what we do. Our aim is to help people aspiring to a better life, for them, their family and their community. We want to support aspiration through education, savings, home ownership and job creation. We will use our specialist skills, financial knowledge and Black Country roots to help people achieve their ambitions.

We expect the Strategy to impact materially on our customers, our environment and our community. We will also be investing further in our people, who will be delivering the Strategy. It is our firm belief that an excellent customer experience can only follow on from an excellent employee experience.

The sections below set out the key activities in respect of customer, the environment, our community and colleagues over the year to 31 March 2025.

Our Customers

Our aim is to increase the level of insight we have into the needs of our members, and potential future members, so that we can deliver the products, services and overall experience that members deserve. Our definition of "customer" here is wider than the member base, including non-members who hold our product and key partners such as intermediaries. All of our customers deserve an excellent experience and we aim to deliver it to them.

We start from a strong base, we use independent provider Smart Money People to provide insight into our customer service. This provides us with key metrics including Net Promoter Score (NPS), which is an industry recognised measure of customer loyalty, Customer Service and Value for Money.

Our customer feedback scores for the last year saw improvements across the board, with our overall rating at 93.8. Our overall satisfaction rating in particular, 4.94 out of 5, showcases the high levels of customer service from colleagues across the Society. These overall feedback scores are also consistently measuring above the overall peer group average, demonstrating the strength of our customer service.

To help us get a better understanding of how we can meet our customers needs we have enlisted external support from CACI, a data consultancy, that has helped us shape our and develop our customer value proposition.



A key element to this is our branch network. We view our branches as spaces that are central to the communities they serve, where customers interact with us for a range of reasons, rather than them being just vehicles for us to sell and service our products. To ensure our teams continue to deliver an exceptional customer experience we implemented a Training and Competency Framework, which all team members follow and our assessed upon to ensure standards are maintained. We've also invested in training for our teams that helps them to understand how we can support our customers showing signs of vulnerability.

As we look to expand our branch network in our new location in Bridgnorth, we conducted extensive research to ensure the services we offer there, will meet the needs of our customers. We also used this research to help shape the services we offer in our existing branches, providing an on demand appointment service for our customers so they know they can always speak to one of our team face to face. As we grow our branch network we will continue to look at how we can evolve our services to meet the needs of our customers.

We also interact with customers in lots of other ways. Our telephone based teams work to the same Training and Competency framework as our branch staff and we also provided external training for our mortgage service team to help them better understand how to support our customers in financial difficulty and struggling to make their mortgage payments.

Our Community

Our aim is to play our part in the wider regeneration of the Black Country and to directly assist those in the community who may need us most. Our colleagues, particularly those in branches, regularly assist members with matters unrelated to our savings and mortgage products. We frequently help people with, for example, including benefits, paying their bills and accessing wider support services. We are delighted to assist in these ways and receive great feedback for doing so. It therefore makes sense for our Community Strategy to include the development of such services, and the provision of wide-ranging financial education that will help our region.

This year we stepped in to the breach to support members of the public left without a banking solution following the collapse of the Castle & Crystal Credit Union. We were quick to develop our Dudley Access Saver product, which enabled those who would otherwise have become unbanked to maintain an account with us and receive the face to face service they value. We've also worked closely with a number of our charity partners, including Life Centre Debt Advice, offering up one of our meeting rooms in our Dudley branch on a regular basis for them to meet users of their service who would not normally be able to travel to their Stourbridge offices. And we've further enhanced our relationship with Trading Standards and West Midlands Police by running Fraud and Scam Awareness sessions within our branches and also at Merry Hill Shopping Centre.

Our branch teams have the opportunity to support charities relevant to their local communities. This year our teams got involved in activities such as the Warm Coat Campaign with their efforts featuring on local radio and were also home to Santa's Grotto once again at an event attracting over 3000 people to Kingswinford. We've donated 18 hampers to Springs Church to provide an element of Christmas cheer to some of the most vulnerable families in our local area, and each branch hosted half term activities throughout the year including face painting and treasure hunts.

All our employees are encouraged to volunteer in the community with paid leave. Over the course of last year, we arranged volunteering opportunities for employees across a range of local charities and organisations. In total, our employees volunteered 215 hours, with activities ranging from supporting the local Black Country Food Bank to sort and process items, volunteering on the A&E department at Russells Hall Hospital, and painting rooms at the Haven Refuge in Wolverhampton.



Our People

As part of our commitment to building a thriving and future-ready organisation, we have developed a comprehensive People and Talent Strategy focused on fostering a high-performance culture and building the capability needed to deliver our strategic ambitions.

Central to this strategy is the identification of 13 critical skills required for the Society's growth, with a clear development roadmap in place to mature these capabilities across the strategic horizon. We have also strengthened our approach to succession planning through the introduction of a robust framework to support high-potential employees and have identified successors, enabling them to build the skills necessary to progress into broader roles across the Society.

To support this, we've introduced a consistent set of behaviours designed to empower employees to perform at their best, and to ensure we recognise and reward great performance.

This year, we are proud to have been accredited as a 'Great Place to Work', achieving a strong employee engagement score, with 84% of our employees voting us a great place to work, reflecting the positive impact of our people-focused initiatives.

For 2025/26, we have introduced a new performance related payment scheme for all employees across the Society with the purpose of rewarding colleagues for consistency demonstrating the behaviours expected in line with the Society's culture, and similarly in their performance. The payment of this scheme will be based on both the Society's overall performance through a balanced scorecard of profit, growth, customer advocacy, and employee engagement all with a risk underpin; and the colleagues individual performance throughout the year.



Our Climate

The Board is fully committed to operating the Society in a sustainable way that works in an environmentally friendly manner as climate change presents a risk to the Society and its members both in the immediate present and in the future.

The Society strongly believes in making a significant positive contribution towards reducing the potentially adverse impacts of climate change, with climate continuing to be one of the key strategic pillars. The Society does this by working with partners, stakeholders and colleagues to take positive action. During the year, the Society created an ESG Committee with the responsibility for ensuring that the Society delivers on commitments made.

The Society's climate pillar incorporates three strategic themes as follows:

- The Society will be part of a global movement of organisations using business as a force for good, actively addressing not only our carbon footprint, but all aspects of our environment, social and governance impact.
- We will support our customers and communities as they move towards a lower carbon impact.
- We became the first regional building society to achieve B-Corp status, leaving a legacy for future generations.

In delivering the climate pillar of the strategy, the Society will seek the following outcomes:

- Launch B-Corp to intermediaries, members and employees; and
- Create a clear plan for decarbonisation of the business, aligned to Net Zero.

Once fully embedded in the operational business and in the offering to our members, the ESG commitments will form a vital part of the Society's long term strategy as we seek to set ourselves apart to build a position of positive difference in sustainability and environmental impact.



Directors' Report for the year ended 31 March 2025

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

Information presented in other sections

Business objectives and activities	Strategic Report (page 12)
Business review and future developments	Strategic Report (page 12)
Principal Risks and Sub Risks	Strategic Report (page 12)
Disclosure requirements under CRD IV Country by Country reporting	Country by Country Disclosure (Page 109)

Directors

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

Peter Hubbard	Chair of the Board
James Paterson	Chief Executive Officer
Nicole Coll	Deputy Chair & Senior Independent Director
Michael Bhopal	Chief Financial Officer (appointed 1 February 2025)
Michael Hudson	Non- Executive Director
Tariq Khatri	Non- Executive Director

In addition, Joanna Baldwin served as a non-executive director until 9 December 2024, Kieron Blackburn as an executive director from 2 April to 31 August 2024 while employed as interim Finance Director, and Stephen Heeley held office during a period of gardening leave ending on 18 September 2024.

Michael Bhopal will stand for election for the first time at the annual general meeting. The remaining directors will all stand for re-election.

Engaging with our Stakeholders

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

Although the Society is not a company limited by shares, which means s.172 of the Companies Act 2006 does not apply, the Society amended its Rules in 2023 to include equivalent provisions.

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

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

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

Stakeholder Group	Why are they important?	How the Society engages with them
Savings and Borrowing Members	As a mutual organisation, our members are the owners of the Society. The Board recognises that in order to achieve long-term success, it is critical to understand and address the needs of our members, whilst ensuring delivery of the Strategy.	<p>The Society is committed to communicating with Members through quarterly newsletters, social media, and ad hoc email communications. In addition to this, we are committed to providing additional help and support wherever we can, in areas such as fraud awareness and energy efficiency.</p> <p>The Society also engages with its members by collecting feedback via an independent review platform, Smart Money People, who undertake consumer reviews on behalf of the Society. The Member Focus Forum regularly meets to discuss any solicited and unsolicited feedback received. All feedback is considered to further improve our member experience and customer service.</p> <p>Each year the Society sends details of the AGM to members who are eligible to vote. Members are encouraged to exercise their right to vote. Members are provided with forms which enable them to vote utilising a proxy if they are unable to attend the AGM. Members can also vote online.</p>
Employees	Our people are critical in the successful delivery of the Strategy to our members. By listening to and acting upon the views of our people, we will create a culture where the needs of our members are addressed through outstanding customer service, driven by our employees' experiences.	<p>Our Society is committed to engaging with employees through a variety of meaningful and consistent initiatives.</p> <p>We host quarterly "Keeping in Touch" sessions with the CEO, providing an open forum for updates and two-way dialogue. Regular monthly newsletters keep everyone informed, highlighting Society news alongside employee good news stories, including life events and both personal and professional achievements.</p> <p>Communication from the Board is shared through emails, videos, and webinars, ensuring transparency and connection at all levels. To support continuous learning, we've introduced a monthly "Curious Hour," where employees explore topics related to the Society's work.</p> <p>Additionally, our employee-led Culture Club plays a key role in enhancing the employee experience by identifying and promoting engagement initiatives. Complementing this, our ED&I group, "We Belong," focuses on driving forward a more inclusive culture through thoughtful initiatives and policy development.</p>

Directors' Report (continued)

Stakeholder Group	Why are they important?	How the Society engages with them
Third Parties	Our third parties that we work with are critical in helping us to operate the Society and deliver quality service to our members.	<p>Regular review meetings are held with the Society's third parties by key contacts in the Society, as well as routine updates by email, phone call or face to face meetings.</p> <p>For our lending partners, the key contacts are the Distribution team, who are responsible for ensuring that the sourcing systems are kept up to date with relevant underwriting criteria and product changes.</p> <p>Contact with third parties has increased over the year, as a result of the focus on operational resilience and the implementation of revised procurement and outsourcing policies.</p>
Community	As a Society with a mutual ethos at its core, we believe in supporting our local communities as a fundamental part of what we do.	<p>The Society has continued to play an active role in our community through the support we have offered to a number of local charities. Members of our team have volunteered at Brierley Hill Baby Bank, the Black Country Food Bank, CHADD and Russells Hall Hospital. We also created Christmas hampers for vulnerable families supported by Springs Church in Gornal, as well as donating goods for their Community Supermarket.</p> <p>This year we have made use of our Community Support Fund to create a market leading programme that takes a whole person approach to supporting members of our community. Helping them to improve not only their confidence and capability, but also their emotional and financial resilience. The programme will involve our staff, but we will also allow the Society to act as the facilitator for the whole community giving charities, businesses and interested parties that chance to get involved and contribute to improving the communities we live and work in. We'll be launching the first 12 week pilot of this programme in early July.</p>
Environment	It is our duty to fully understand and reduce the impact that the Society's operations may have on the environment thus ensuring our members can be served now and in the future.	<p>The Board is fully committed to operating the Society in a sustainable way that works in an environmentally friendly manner as climate change presents a risk to the Society and its members both in the immediate present and in the future.</p> <p>The Society strongly believes in making a significant positive contribution towards reducing the potentially adverse impacts of climate change, with climate continuing to be one of the key strategic pillars. The Society does this by working with partners, stakeholders and colleagues to take positive action.</p> <p>The Society has continued to drive the climate change agenda and continues to review the way the business operates to minimise its carbon footprint in the short term with the longer term target being the goal of achieving net zero.</p>

Stakeholder Group	Why are they important?	How the Society engages with them
Regulators	As a regulated Financial Services firm, the Society recognises the need to maintain an open and transparent relationship with the regulatory authorities, namely the FCA and PRA.	<p>Key regulatory matters are covered within the material provided to the Board on a monthly basis.</p> <p>The Society undertakes regular dialogue with the regulators ensuring that all principal risks and other matters are covered as part of these ongoing conversations.</p> <p>Regulatory "horizon scanning" is undertaken, whereby upcoming regulatory reporting changes are identified, assessed and addressed as part of the Society's monthly regulatory reporting framework.</p>

Other matters

Creditor Payment Policy

The Society's continuing policy concerning the payment of its trade creditors is to pay within the agreed terms of credit, once the supplier has discharged its contractual obligations. Trade creditor days at 31 March 2025 amounted to 26 days (2024: 15 days).

Donations

During the year, charitable donations totalling £860 (2024: £49,732) were made. There were no donations for political purposes.

Employees

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

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

Auditor

During 2019 the Society tendered for external audit services resulting in the appointment of PricewaterhouseCoopers LLP. The process was led by the Board Audit Committee who recommended the appointment to the Board. The Board is recommending that PricewaterhouseCoopers LLP are re-appointed as external auditors of the Society for the 2024/25 year-end. A resolution for their appointment will be proposed to the forthcoming AGM of the Society.

Going Concern

The Directors are required to consider whether the Society will continue as a going concern for a period of not less than twelve months from the date of signing the

accounts. In making the assessment, the Directors have reviewed the Society's corporate plan and considered risks that could impact on the Society's capital position, financial position and liquidity over that period. The Directors have also prepared forecasts to consider the effect on the Society's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions. A range of sensitivities have also been applied to these forecasts, including stress scenarios relating to macro-economic indicators. Having reviewed these forecasts alongside the Society's ICAAP and ILAAP documents the Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. Accordingly, the accounts continue to be prepared on a going concern basis.

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

Events since the year end

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

Pillar 3 disclosures

Under Basel II Pillar 3 the Society is required to publish additional disclosures regarding its capital position and exposures. The Society's Pillar 3 Disclosures are published on the Society's website: dudleybuildingsociety.co.uk

The financial statements on pages 65 to 107 were approved by the Board of Directors on 10 June 2025 and signed on its behalf by

James Paterson
Chief Executive Officer
10 June 2025

Corporate Governance Report

for the year ended 31 March 2025

Dear Member

I am pleased to present on behalf of your Board the Society's Corporate Governance Report, which explains how the Society's governance arrangements have operated during 2024/25. As Chair, I am committed to leading an effective board that serves your best interests and whose contribution has a positive impact on all our stakeholders. Good governance is central to this and the Society's long-term success. This report speaks to our commitment to uphold high standards of corporate governance.

Peter Hubbard Chair

Corporate Governance Code 2018 (the "Code")

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

- Provision 3 requires the Chair to discuss governance matters with major shareholders. As a mutual, all eligible members have one vote each, so this specific requirement does not apply to the Society.
- Provision 26 states that remuneration schemes should promote long-term 'shareholdings' by executive directors. This is designed for companies limited by shares and not for building societies. Even so, the Board's approach to remuneration is to ensure it promotes the Society's long-term success.
- Provision 39 states that pension contribution rates for executive directors should be aligned with the workforce. The Society's executive directors receive an employer contribution of 11%, which is higher than the maximum 8% an employee would receive if they joined the Society today. The Board is reviewing this position.

The Board is otherwise satisfied that the Society has complied with the Code during 2024/25.

Purpose, values and strategy

During 2024/25 the Board has continued to focus on the desire to be 'There to help people live better lives' and five strategic pillars - Confidence, Capability, Customer, Community & Climate. The ambitions are to grow mortgages and savings safely, add scale and resilience to the balance sheet; enhance our capability

through investment in culture, people, technology and risk management; develop specialist products and propositions that play to our strengths and provide good customer outcomes; and have a positive impact in our Black Country heartland and on society more generally.

Culture and conduct

Building a culture that enhances our employees' experience of the workplace through opportunities to develop personally and professionally has been a focus area for the Board. This reflects the Board's ambition to build capability and high performance and engender a sense of purpose and belonging. The Board is delighted therefore that the Society is recognised as a Great Place to Work, as well as being a Best Workplace for Women and in Financial Services & Insurance, and employees rate our culture and their experience so highly.

As a member-owned business, the Board believes there is a strong connection between high levels of employee engagement and our members' positive experiences. This helps ensure good customer outcomes, which is very important to us, and uphold our duty to consumers.

Approach to corporate governance

The Society's approach to corporate governance is centred around setting and achieving business objectives and long-term success in a manner that considers the wider social, regulatory and markets contexts. It also involves decision-making processes and controls to ensure effective risk management, accountability, and transparency so that all stakeholders' interests are considered.

Stakeholder engagement

The Board recognises and has a strong appreciation for its role within the community and as a mutual organisation. The Society engages with members via regular newsletters, social media activity and surveys in which members are encouraged to provide feedback. Alongside this, eligible members may attend, speak at and vote at our annual general meeting. More information on how the Society has engaged with its stakeholders (members, customers, employees and the wider community) is on page 32.

In practical terms, the Board requires authors of decision and noting papers to comment on stakeholder interests and the potential impacts on different cohorts. This enables the Board to act in the best interests of members and have regard to wider stakeholder needs in line with the Society's Rules, which were updated in 2023 to include a provision that is similar to s.172 of the Companies Act 2006.

The Board's role

The Board is the overall governing body which comprises persons elected by the Society's members to serve as directors. The Board is responsible for the Society's strategic direction as well as its business, affairs and conduct. This includes setting strategic goals, business objectives and risk appetite; allocating resources to meet those objectives; monitoring firm culture and performance; and making sure the Society acts responsibly and complies with all law and regulation.

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

Board calendar and forward agendas

The Board met 11 times during the year. In addition, the non-executive directors met regularly without the executive directors present, usually before each Board meeting. This helped the Chair to shape discussions and make formal meetings more productive and decision-making more effective.

A record of directors' attendance at Board and Board Committee meetings is on page 39.

In addition, the Board held a Strategy Day in January to consider progress against the strategic direction it set in 2023 and agree priorities for the next 12-18 months. The executive management team attended and participated in the discussions.

To promote effective use of the Board's time, the Society Secretary maintains an annual calendar of meetings and schedule of agenda items for the Board and its committees. The Board regularly discusses the strategic and market context, considers performance reports from the Chief Executive Officer and Chief Financial Officer, and receives reports from Board Committee Chairs. Examples of the Board's work are below.

Strategy

- Received updates in relation to progress toward the delivery of key strategic initiatives.
- Approved the Strategy & Corporate Plan 2025/26.

Appointments

- Appointed Michael Bhopal as an executive director, effective 1 February 2025.
- Re-appointed Tariq Khatri as a non-executive director, effective 14 December 2024.
- Appointed Christian Fleischmann to the office of Secretary, effective 31 May 2024.
- Approved a Board Composition Policy.

Capital, liquidity, risk and compliance

- Approved the Society's risk appetite statements and process for making changes to them.
- Received a report on risk culture and the Chief Risk Officer's strategy for developing risk management.
- Reviewed and approved the Internal Liquidity Adequacy Assessment Process and outcome.
- Approved the Internal Capital Adequacy Assessment Process and outcome, and evaluated the potential impact of regulatory changes to prudential rules.
- Approved the Society's first Operational Resilience Self-Assessment.
- Received its first annual Customer Outcomes Board Report since the introduction of the Consumer Duty and completed a review of closed book products.
- Approved an IT Delivery Plan in connection with a strategic change initiative.
- Approved a cyber security strategy.
- Received a report on the Society's whistleblowing arrangements.

Financial reporting and accounts

- Approved the 2023/24 annual report and accounts and related documents prior to publication.
- Approved the annual operating budget and periodic reforecasts.

Environmental, social and governance (ESG)

- Reviewed and approved changes to its terms of reference, schedule of reserved matters, and its committees' terms of reference.
- Oversaw a restructuring of executive management committee responsibilities, which included the launch of a dedicated ESG Committee, to ensure continued management focus on the Society's B Corp programme of work and more generally in this area.

Customer & Employee Experience

- Following Joanna Baldwin leaving the Board, the Board dissolved Customer & Employee Experience Committee in February 2025, transferred responsibility for customer outcomes oversight to Board Risk & Compliance Committee, assigned the role of Consumer Duty Champion to Michael Hudson, and agreed that it would reserve for itself the scrutiny of environmental and social matters going forward.

Corporate Governance Report (continued)

Board structure

The Board is a unitary board, meaning it comprises both executive and non-executive directors. The independent non-executive directors are responsible for using their knowledge, skills and experience to provide constructive challenge; and to support the executive management team. Having a clear majority of independent non-executive directors is in line with the PRA's expectations and goes beyond the Code which requires a simple majority.

Independent non-executive directors

Peter Hubbard (Chair)
Nicole Coll (Vice-chair & Senior Independent Director)
Tariq Khatri
Michael Hudson

Executive directors

James Paterson (Chief Executive Officer)
Michael Bhopal (Chief Financial Officer)

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

Board committees

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

Board Audit Committee

Members

Nicole Coll (Committee Chair)
Michael Hudson
Tariq Khatri

Principal function

Oversees the integrity of the Society's financial reports and effectiveness of its internal control framework (see also Board Audit Committee Report on page 48).

Board Risk & Compliance Committee

Members

Michael Hudson (Committee Chair)
Nicole Coll
Tariq Khatri

Principal function

Considers and recommends to the Board the Society's risk appetite, reviews capital and liquidity plans, and monitors risk, resilience, conduct and compliance arrangements (see also Board Risk & Compliance Committee Report on page 44).

Mortgage Origination Project Oversight Committee

Members

Nicole Coll (Committee Chair)
Michael Hudson

Principal function

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

Nominations Committee

Members

Peter Hubbard (Committee Chair)
Nicole Coll
Michael Hudson
Tariq Khatri
James Paterson

Principal function

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

Remuneration Committee

Members

Tariq Khatri (Committee Chair)
Peter Hubbard
Nicole Coll
Michael Hudson

Principal function

Keeps under review the Society's approach to remuneration to ensure pay is aligned with long-term strategy, performance and culture (see also Directors' Remuneration Report on page 50).

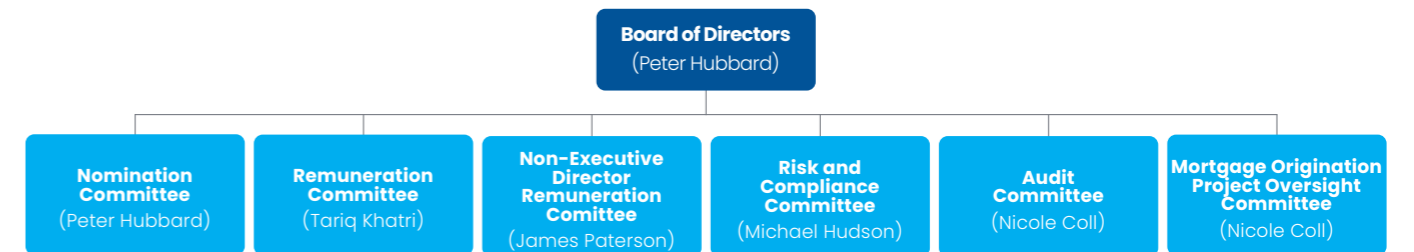
Record of meeting attendance

	Board	Board Audit Committee	Board Customer & Employee Experience Committee	Board Risk & Compliance Committee	Mortgage Origination Project Oversight Committee	Nominations Committee	Remuneration Committee
Peter Hubbard	11 of 11					5 of 5	4 of 4
Nicole Coll	10 of 11	5 of 5		6 of 6	9 of 9	5 of 5	4 of 4
Michael Hudson	10 of 11	4 of 5	3 of 4	6 of 6	9 of 9	5 of 5	3 of 4
Tariq Khatri	8 of 11	4 of 5	3 of 4	5 of 6		5 of 5	4 of 4
Joanna Baldwin	7 of 8		4 of 4	3 of 4		3 of 3	1 of 2
James Paterson	11 of 11					5 of 5	
Michael Bhopal	2 of 2						

Notes

- All directors receive meeting papers and may provide feedback as appropriate even if they are unable to attend meetings.
- Michael Bhopal was appointed as an executive director on 1 February 2025.
- Joanna Baldwin ceased to be a non-executive director on 9 December 2024.
- Directors may attend meetings of which they are not members, which is not shown above.

The Board's committees



The name in brackets is the Chair of each Committee as at 31 March 2025

Corporate Governance Report (continued)

Board composition

Nominations Committee leads the process for Board and Board Committee appointments and keeps under review the Society's leadership needs, both executive and non-executive. During the year it received reports in relation to talent identification and executive succession planning, and considered the Board's current and future needs. Specifically, it reviewed the Board's structure, size and composition – looking at directors' individual and collective knowledge, skills, experience, diversity, working styles and length of service – to ensure the Board's capability was aligned with the Society's activities and strategic ambitions, and form a view on its future needs.

Diversity

While all appointments are made on merit, diversity in all its forms is an important consideration when making board and executive appointments.

To reflect its commitment to improving gender diversity, the Board set a target of 30% females on the Board and Executive Committee. In addition, the Society became a signatory to the Women in Finance Charter as a step towards making improvements in this area. Against these targets, 17% of the Board and 29% of the Executive Committee was female as at 31 March 2025, and while this is less than the agreed targets, the Board is considering ways to improve the position.

Board changes

Nominations Committee led the search for a Chief Financial Officer and, following a robust selection process, recommended Michael Bhopal's appointment as an executive director to the Board, which the Board approved. Michael joined the Society with effect on 1 February 2025.

Joanna Baldwin stepped down as a non-executive director on 9 December 2024. Joanna was a committed and hard-working director and the Board is grateful for her contribution, particularly her focus on the Society's customer agenda. The Board has operated with a vacancy since then.

Nicole Coll has indicated that she will step down in January 2026, which will mark six years on the Board. Nominations Committee has considered the impact of Nicole leaving alongside the Board's wider needs given Nicole's roles as Vice-chair, Senior Independent Director and Chair of Board Audit Committee. This led to the Board appointing Michael Hudson as Vice-chair, effective on the conclusion of the 2025 annual general meeting; and choosing to prioritise the search for a Chair of Audit Committee, with a view to identifying a successor by the Autumn. To assist in the recruitment, Nominations Committee has engaged independent search firm Sayer Howarth, which has no connection to the Society or any of its directors.

Appointment, election and re-election

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

Non-executive directors are appointed for a three-year period initially and this may be extended.

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

Independence

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

Time commitment

Nomination Committee keeps under review each non-executive directors' time commitments and ability to contribute to the Board.

Each of the Society's non-executive directors is expected to chair a Board Committee and the expected time commitment reflects this.

The Chair assesses non-executive directors' ability to commit the required time as part of the annual performance review process.

Conflicts of interest

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

Service contracts and notice periods

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

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

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

Division of responsibilities

The offices of the Chair and Chief Executive are undertaken by different directors, in accordance with established best practice and the Code.

In broad terms, the Chair is responsible in a non-executive capacity for leading the Board whose collective role is to set the Society's strategic direction and monitor its performance, conduct, operations and culture. The Chair is responsible for the Board's overall effectiveness and this includes creating an environment that is conducive to openness and debate. The Chief Executive Officer is responsible for delivering the strategy, in line with objectives as set by the Board; leading the Executive Committee and executive management team; and managing the Society within agreed risk appetite and in line with law and regulation.

The Society has a Senior Independent Director (SID), whose principal role is to act as a sounding board for the Chair and as an intermediary for the other directors. The SID undertook a review of the Chair's contribution and performance prior to Nominations Committee recommending the Chair for re-election at the 2025 annual general meeting.

Information, time and resources

The Board keeps under review the information it receives to ensure it enables the directors to exercise effective oversight and make informed decisions. With the Society Secretary's support, the Board introduced new decision and noting paper templates and guidance for authors, to ensuring continuous improvement in this area.

The Board expects meeting papers to be available in good time ahead of meetings. Directors are encouraged to engage with authors and each other via a virtual board portal as a way of clarifying any points of interest or issue prior to meetings. This ensures meetings are productive as the Chair is able to ensure discussions are focused on the most important aspects of the matter to be considered in each case.

Board evaluation

The Board reviewed the recommendations made by Praesta Partners in 2023 and the actions it had taken to address them where appropriate and proportionate. This included reviewing the board committee structure and memberships, and introducing more detailed agenda schedules. In addition, the Society Secretary undertook an internal effectiveness review which included 121 interviews with each of the directors to obtain feedback on the Board's ways of working. This resulted in the introduction of informal meetings prior to formal board meetings and inviting the Distribution Director and Product Director to board meetings. The Board intends to arrange its next externally facilitated board evaluation in 2026.

Director individual performance and development

The Chair holds regular 121 meetings with individual directors and performance review meetings in line with the Society's performance management policy. The directors undertake regular mandatory eLearning and engage in role-specific continuous professional development. Alongside this the Board received knowledge updates on the UK political landscape, the PRA's approach to supervision, interest rate risk management in the banking book, the changes introduced by the 2024 Corporate Governance Code, and cyber security.

Corporate Governance Report (continued)

Independence of internal and external audit

The Board has delegated responsibility for the management and oversight of internal and external audit activities, and for ensuring the integrity of the Society's financial reports to Board Audit Committee (see page 48).

Financial reporting and accounts

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

The Directors' responsibilities in relation to preparation of the Annual Report & Accounts can be found on page 52, and the statement that the Society's accounts are prepared on a going concern basis can be found on page 32.

Principal risks and internal controls

The Board has delegated responsibility for the oversight of risk management to Board Risk & Compliance Committee. Further details on the principal risks to which the Society is or might be exposed is in the Strategic Report on page 12. Information on the Society's approach to risk management is set out on page 44. Information on Board Audit Committee's role in relation to the internal control framework is on page 48.

Remuneration policies and practices

The Board is committed to ensuring remuneration policies and practices support the Society's long-term success. More information on the directors' remuneration and the Remuneration Committee's work is in the Directors Remuneration Report on page 50.

Workforce policies and procedures

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



Board Risk & Compliance Committee Report

Committee Chair's Statement

The Board Risk & Compliance Committee has delegated responsibility from the Board to ensure that the members of the Society and their deposits are kept safe and secure. The Committee oversees the effective management of risk and ensures that the Society maintains adequate capital and liquidity.

I was appointed Chair in February 2024 and was approved as an SMF10 with effect from 16 May 2024. In September 2024, responsibility for Compliance was transferred from the Board Audit & Compliance Committee and the committee names were updated accordingly. As Chair of the Committee, I am pleased to present our annual report which sets out how we have ensured that your Society continues to be safe and secure well into the future.

Role and Responsibilities

The Committee assists the Board in discharging its responsibilities for the oversight of risk management, in particular lending credit risk, and regulatory compliance. This is achieved by overseeing and challenging the implementation, embedment and continual improvement of the Society's Enterprise Risk Management Framework.

The Committee receives a report from the Chief Risk Officer which details current and potential risk exposures, the effectiveness of the control environment, and identifies emerging risks through horizon scanning. The report is supported by management information detailing risk appetite positions against internal and external limits. The Committee is also responsible for recommending key regulatory documents to the Board for approval.

Membership comprises four Non-Executive Directors: Michael Hudson (Chair), Nicole Coll, Joanna Baldwin (until her resignation from the Board) and Tariq Khatri. The Board Chair, Executive Directors, Chief Risk Officer and Chief Customer Officer are standing attendees and there were other attendees by invitation. The Committee meets at least four times each year.

The Committee's main responsibilities are:

- to recommend Risk Appetite Statements to the Board;
- to provide oversight of the Society's risk profile and its operation within Board-approved risk appetite, overseeing management's strategies for responding to risks and considering risks escalated from Executive and Board Committees, escalating, where necessary, to the Board;
- to promote a culture that supports effective risk management, ensure the risk and compliance functions are independent and have adequate resources, access and authority, oversee the design and implementation of the risk control framework; and

- to oversee ongoing regulatory compliance, including monitoring and assurance plans and the ongoing delivery of good customer outcomes.

During 2024/25, the Committee met six times and discussed the following key areas:

- The ongoing Strategy for Governance, Risk and Compliance to enhance the Risk Management Framework and ensure it meets the requirements for a growing Society
- Enhancements to the process for risk limit changes
- Enhanced Risk Appetite Statements
- Continued capital and liquidity adequacy (ICAAP and ILAAP)
- Reviewed the processes for ensuring good conduct through the Senior Management & Certification Regime.
- Approving the designation, impact tolerances and scenario testing for Important Business Services designated for Operational Resilience purposes
- Approving policies for Credit Risk, Operational Resilience, Treasury and Financial Crime
- Receiving reports from the CRO at each meeting, including the results of the Risk and Compliance monitoring and oversight plan, as well as the annual MLRO Reports and report on the Independence & Resources of Risk and Compliance
- A 'Deep Dive' on Interest Rate Risk

Enterprise Risk Management Framework

The purpose of the Enterprise Risk Management Framework (the "framework") is to outline the Society's approach to risk management. Its overall aim is to ensure the Society has a robust but proportionate approach to risk management that aligns to its strategy.

The Society's Board has ultimate responsibility for setting appropriate risk appetite and understanding and controlling the nature and degree of risk that is being taken by the Society. As such, the approach to risk management is driven by the amount of risk the Board has determined it is willing to accept in order to achieve the Society's Strategy and Corporate Plan.

The framework is owned by the Board. The Board has delegated oversight of risk management to the Committee – this includes the review and challenge of the framework ahead of changes being recommended to the Board for approval.

The framework is reviewed at least annually to ensure it continues to support the Society's strategy and long-term sustainability. It may be necessary from time to time – outside of annual review requirements – to

amend the framework to reflect changes and / or developments in legislation, regulation and recognised industry best practice.

The objectives of the framework are to ensure:

- risk management is a core consideration when setting strategy, determining key objectives and initiatives, formulating the Corporate Plan and managing the Society's performance;
- the Society maintains and embeds a risk-aware culture, supporting an approach that is effective and aligned from both a 'top-down' and 'bottom-up' perspective – as well as an aligned 'middle' perspective – in which all employees understand their individual responsibilities;
- risks that crystallise as a result of business decisions and objectives are identified, assessed, managed, monitored and reported to ensure they are effectively mitigated and controlled;
- awareness and day-to-day consideration of an effective control environment exists throughout the Society, providing the necessary evidence, oversight and assurance across the Three Lines of Defence Model; and
- the Society continues to build and enhance sustainability, reputation and the protection of its customers (from unfair or unexpected outcomes).

Risk Appetite

The Board has identified six Principal Risks which are assessed into 21 individual Sub-Risks.

These are set out within the Strategic Report on page 12, which sets out the risk, how the risk is mitigated and the potential impact of the risk.

The Board has agreed a risk appetite statement against each Sub Risk. The statement details the type and amount of risk the Board is prepared to accept in order to deliver the Society's Strategy and Corporate Plan.

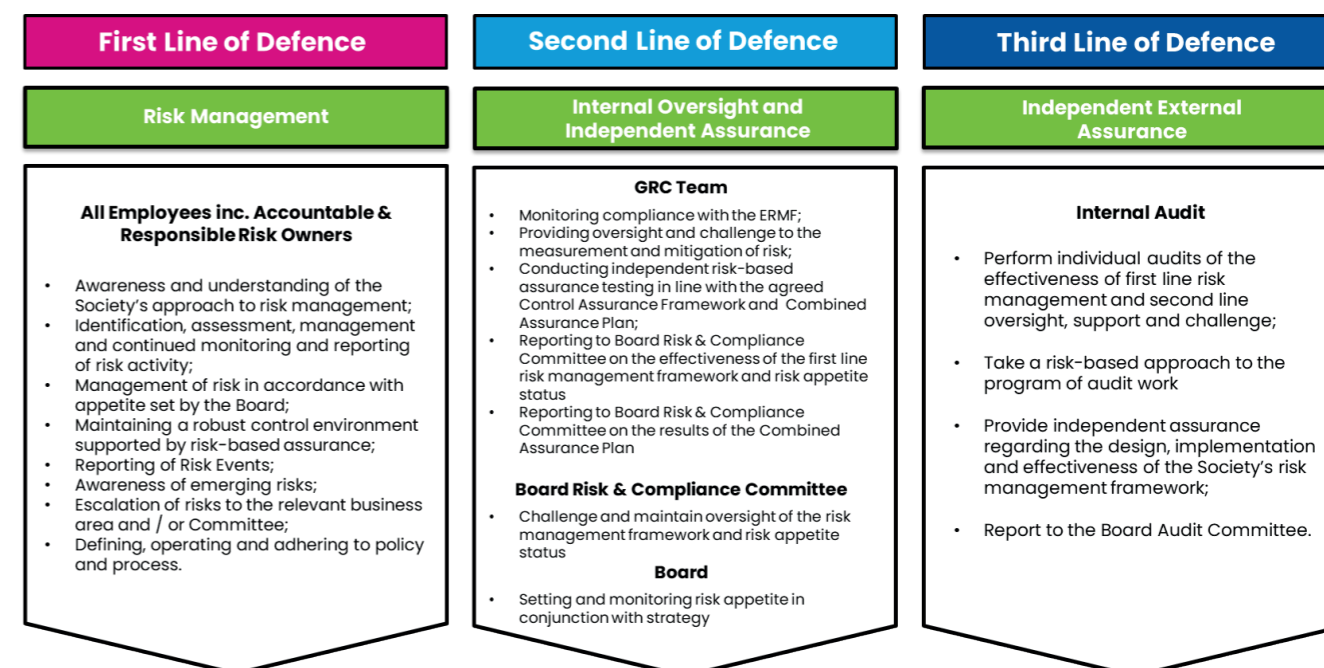
It is the responsibility of the Board to set and agree the Society's risk appetite, and for the Senior Management Team to manage business operations within the appetites set.

Risk Oversight and Escalation

In executing the Board's principal function to ensure the Society operates within its approved risk appetite, the Board delegates oversight of each of the key risks to the Board Risk and Compliance Committee. The CRO provides the Committee each time it meets with a report that shows how the current exposure against each Sub Risk compares to its approved Risk Appetite. The management of each key risk is allocated amongst the Society's executive committees. The executive committees escalate matters to the Committee as and when necessary.

Three Lines of Defence

The Society has adopted the Three Lines of Defence Model in accordance with SYSC 6.1 and 7.1, Principle 3 of the PRIN Rules and the Basel Framework for Internal Control Systems in Banking Organisations. Responsibilities of each line are detailed in the table below. During 2024/25, internal audit was managed on an outsourced basis by Deloitte LLP.



Board Risk & Compliance Committee Report

(continued)

Risk Governance

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

Committee	Chair	Relevant Risks
Executive Committee	James Paterson (Chief Executive)	Business Risk
Credit Risk Committee	Andrew Turvey (Chief Risk Officer)	Lending Credit Risk Concentration Risk Climate Change Risk (Financial)
Assets & Liabilities Committee	Michael Bhopal (Chief Financial Officer)	Capital Risk Funding Risk Interest Rate Risk Liquidity Risk Treasury Credit Risk Model Risk
Operational Risk Committee	Lorraine Breese-Price (Chief Transformation Officer)	Operational Resilience Risk Third Party Risk Process Risk People Risk Financial Crime Risk Information & Technology Risk Legal Risk Compliance Risk
Product & Customer Committee	Richard Balfour (Product & Service Director)	Conduct Risk
ESG Committee	Christian Fleischmann (Society Secretary & Head of Legal)	Climate Change Risk (Non-financial)
Change Committee	Rhian Stevens (Head of Change)	Change Risk

On behalf of the Board
Michael Hudson
 Chair of the Board Risk & Compliance Committee
 10 June 2025



Board Audit Committee Report

Committee Chair's Statement

I am pleased to present the Committee's annual report for 2024/25, which sets out the Committee's role and its activities during the year. This will be my final committee report before I leave the Board next year. May I take this opportunity to thank you, the Society's members, my fellow committee directors, and the management team for the support, trust and confidence shown in me during my time as a director of the Society. By carrying out the responsibilities that the Board has delegated to it, the Committee has worked with diligence and focus to ensure your Society continues to be successful well into the future, and to protect the interests of the Society's stakeholders.

Role and membership

The Committee comprises three independent non-executive directors, with the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, other members of executive and senior management, and the internal and external auditors attending meetings as appropriate. The Board is satisfied that the Committee has recent and relevant experience.

The Committee operates under a set of Board-approved terms of reference which are subject to annual review to ensure they are fit for purpose and in line with corporate governance standards. In July 2025, the Board transferred the Committee's regulatory compliance oversight responsibilities to Board Risk Committee, which it renamed 'Board Risk & Compliance Committee'. This decision followed Michael Hudson's appointment as Chair of Risk Committee and a realignment of risk categories and responsibilities under the Society's Enterprise Risk Management Framework

Key responsibilities

The Committee oversees the integrity of the Society's financial reports and the effectiveness of its internal control framework. This includes ensuring the Society's financial reporting process is robust, advising the Board on changes to accounting policies and significant management judgements and estimates; making sure whistleblowing, anti-bribery and anti-corruption arrangements are fit for purpose; managing relationships with the Society's internal and external auditors; and receiving reports from the auditors to inform the Committee's oversight of management.

Significant areas of judgement and estimates

When assessing the financial statements, the Committee considered areas that were subject to management judgement and estimate.

Impairment losses and provisions

The Committee reviewed the amount of provision for impairment losses held by the Society. During the year, the Committee oversaw a review of the assumptions and judgements used in the impairment calculation. The outcome of the review was to make changes to the methodology to reflect more closely the underlying risk in the Society's mortgage book and arrears experience, while ensuring continued alignment with FRS102.

The calculation of the impairment provision is assessed as the Probability of Default (PD) multiplied by the Loss Given Default (LGD). The methodology applied at the balance sheet date continues to apply this calculation.

Basis of Probability of Default – Specific

Incorporates those loans where the account is in arrears. The basis of this assessment is that the likelihood of financial loss has manifested itself in the form of an arrears balance.

For the purposes of the impairment provision methodology, historical loss data has been used to calculate the probability of default based on the number of months in arrears.

Basis of Probability of Default – Collective

Incorporates all of the loan accounts that are not categorised within the specific category.

The probability of default for those loans in the collective cohort has been applied in a manner that is consistent with the prior year.

Post Model Adjustment

The Committee reviewed the basis of the post model adjustment incorporated within the overall value of the impairment provision.

The Committee concluded that the amount of provision for impairment losses was appropriate. Further information on impairment losses is provided in Notes 1.13 and 1.4 to the Accounts.

Effective Interest Rate (EIR)

The Committee reviewed and approved the assumptions and methodology that underpins the model used to determine effective lives and EIR adjustments and concluded that the accounting treatment was appropriate.

Board Audit Committee Report (continued)

Going concern

The Committee reviewed and challenged management's assessment of going concern, by reference to the principal risks facing the Society and the results of stress and scenario tests. Based on its review, the Committee concluded that it was appropriate to adopt the going concern basis of accounting.

Fair, balanced and understandable

The Committee considered whether the Annual Report & Accounts, taken as whole, were fair, balanced and understandable. This was informed by a reviewed carried out by the Chief Risk Officer and the Committee's own scrutiny of the Society's financial and narrative disclosures to ensure they were clear, consistent and factually accurate. Following this review, the Committee reported to the Board that the Annual Report & Accounts were fair, balanced and understandable.

Effectiveness of internal controls

The Committee reviewed the Society's internal control framework, which was informed by reports from the Chief Risk Officer and the internal auditor, including the internal auditor's annual audit opinion. The Committee also considered the Society's whistleblowing and anti-bribery and corruption arrangements. Further information on the Society's risk management framework is set out on page 17.

Internal Audit

The Committee is responsible for monitoring and reviewing the independence and effectiveness of the Society's internal audit function and the adequacy of resources deployed to scrutinise the internal control environment. During the year, the Society outsourced the internal audit function to Deloitte LLP.

At the start of the year the Committee approved the Internal Audit Charter, Internal Audit Plan and associated budget. The Plan covered responsible lending credit risk management; IT access, cyber vigilance and cyber resilience; financial crime; capital management; product governance; hedging and interest rate risk management; outsourcing; and mortgage sales and project governance. The Committee also received from the Chief Risk Officer a Combined Assurance Plan, which enabled it to form a view on the full breadth of assurance activity carried out in the second and third lines of defence.

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

In May, the Committee received the internal auditor's annual audit opinion. This informed the Committee's view that the Society's controls had operated effectively and enabled it to advise the Board of its conclusion. In addition, the Committee determined that continuing to outsource the internal audit function remained appropriate because it provided the Society with access to specialist capability and resources. The Committee is satisfied that the Society's internal audit arrangements are effective.

External Audit

The Committee evaluates and approves the scope and content of the external audit, including the letter of engagement and audit fees. The Committee's role extends to monitoring the audit's effectiveness, resources, competency and independence, and is satisfied that these requirements have been met.

During the year the Committee discussed the timetable for reviewing the provision of external audit services, which ordinarily happens every three years. The next review is scheduled for mid-2025. In view of the Society's recent appointment of Michael Bhopal as Chief Financial Officer and the search for a Chair of Board Audit Committee to succeed me, the Committee has decided to defer its review until 2026. This will enable Michael to become established in his role and enable the Society's Board and the Committee to focus on ensuring a smooth transition when I leave in early 2026.

Nicole Coll

Chair of the Board Audit Committee
10 June 2025

Directors' Remuneration Report

Committee Chair's Statement

As Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year. The Society is committed to high standards of corporate governance, and its approach to remuneration is aligned with the principles set out in the UK Corporate Governance Code (the "Code"). In particular:

- The Society's approach to remuneration supports the Society's strategy and long-term sustainable success, by aligning Executive pay with purpose, values, and the delivery of strategic objectives. The introduction of a Society-wide performance-related bonus scheme for 2025/26 reflects this commitment.
- The Society has a formal and transparent process for setting remuneration, which the Remuneration Committee oversees. No individual is involved in deciding their own remuneration.
- The Remuneration Committee exercises independent judgement and discretion, considering both financial and non-financial performance and wider circumstances, to ensure fair and responsible outcomes.

This approach is commensurate with effective governance and risk management and ensures alignment with member and stakeholder expectations.

Remuneration Committee

Role and membership

The Committee comprises four independent non-executive directors, with the Chief Executive Officer and People Director attending meetings where appropriate. The Committee operates under a set of Board-approved terms of reference which are subject to annual review to ensure they are fit for purpose and in line with corporate governance standards and regulatory requirements.

Key responsibilities

The Committee is responsible for determining the policy for executive director remuneration, and setting the remuneration for the Chair, Chief Executive Officer and Chief Financial Officer. In addition, the Committee – acting via the Chief Executive Officer and Board Chair – considers and sets non-executive director fees.

As well as promoting the Society's long-term success and sustainability, the Remuneration Policy must also support recruitment, retention and motivation of employees with the skills and capabilities necessary to deliver the Society's strategic objectives. The Committee considers these factors alongside ensuring that remuneration is affordable and consistent with regulatory requirements and members' interests.

Remuneration for Executive Directors and Non-Executive Directors is reviewed annually. This process is informed by benchmarking data from comparable organisations, including building societies and relevant financial services firms. Where appropriate, the Committee may also engage independent external advisors to provide additional market insight and ensure an objective and robust review process.

Focus areas

During the year, the Committee recommended, and the Board approved, bringing other members of executive management within the Committee's remit during 2025/26. This was in parallel to recommending the introduction of a Society-wide variable pay scheme, which the Board approved in April 2025.

This is a material step forward in the Society's approach to remuneration, moving to having both fixed and variable pay, which supports the principle of shared success and reinforces a collective focus on achieving strategic and business outcomes. In designing the scheme, including the scorecard methodology that will inform its decision-making, the Committee sought to ensure it reflected the principles in Provision 40 of the Code – clarity, simplicity, risk, predictability, proportionality and alignment to culture.

To assist it, the Committee engaged Deloitte LLP as its remuneration consultant. Deloitte LLP also acted as the Society's outsourced internal auditor during the year but has no other connection with the Society or any of its individual directors.

Executive Directors

Executive Directors' remuneration is designed to reflect their individual roles, responsibilities, and contribution to the ongoing success of the Society. The Remuneration Committee is responsible for setting the overall package, which includes a base salary and a range of benefits, designed to reward performance while supporting the long-term interests of the Society and its members.

The total remuneration package is determined by the Remuneration Committee, with input from market benchmarking and independent advice where appropriate. The package is intended to be competitive but not excessive, ensuring the Society can attract and retain high-calibre leaders while maintaining a strong link between pay and performance. The Committee's review of individual performance included comparing executive director against the Board-approved Corporate Plan and individual objectives for 2024/25.

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

Both Executive Directors receive a range of benefits, including access to an electric car scheme, a healthcare cash plan, private medical insurance, and an employee discount portal. Also, they are enrolled in the Society's pension scheme, with an employer contribution of 11% of base salary. This is consistent with a legacy arrangement that applies to a proportion of the Society's longer serving employees, but is higher than the maximum 8% employer contribution an employee would receive if they joined the Society today. The Board is reviewing this position.

In common with all employees, Executive Directors will be eligible for a performance-related bonus in 2026 under the Society's new variable pay scheme, subject to Society and individual performance.

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

Basic salaries

All basic salaries are reviewed annually, taking into account individual performance, market competitiveness, and the overall performance of the Society. To support this process, the Society undertakes an external benchmarking exercise at least once every three years to ensure salary levels remain appropriate relative to peers and industry standards.

Historically, the Society's remuneration strategy has not included performance-related pay or incentive schemes. However, as part of the Society's continued focus on aligning reward with strategic outcomes, the new performance-related bonus represents a shift towards greater performance linkage while maintaining prudent risk management and member-focused decision-making. The Committee intends to consider the balance of fixed and variable pay as part of its thinking and as the variable pay scheme evolves.

Non-Executive Directors

Non-Executive Directors' fees are determined by reference to market data from comparable financial services organisations, ensuring that fees remain appropriate to attract and retain individuals with the skills and experience to support the board's effectiveness. Fee levels are reviewed periodically and are set by the Board in consultation with the Chief Executive Officer, within parameters agreed by the Remuneration Committee.

Non-Executive Director remuneration consists of a basic annual fee, with additional fees payable for those who chair a board committee in recognition of the additional responsibilities involved. Non-Executive Directors are not eligible to participate in any performance-related pay or bonus schemes, and do not receive pension contributions or other benefits. All Non-Executive Directors have contracts for services, outlining their duties and terms of appointment.

During the year, the Board decided to establish a committee to be known as the Non-Executive Director Remuneration Committee – comprising the Chief Executive Officer, Board Chair and Chief Financial Officer – which will be responsible for non-executive director fees and related matters in future years.

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

Tariq Khatri

Chair of the Remuneration Committee
10 June 2025

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

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

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

Under the law, directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the society for that period. In preparing the accounts, the directors are required to:

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

The directors are responsible for safeguarding the assets of the society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the society's transactions and disclose with reasonable accuracy at any time the financial position of the society and enable them to ensure that the accounts comply with the Building Societies Act 1986.

The directors are responsible for the maintenance and integrity of the society's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Directors' confirmations

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

- so far as the director is aware, there is no relevant audit information of which the society's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the society's auditors are aware of that information.

Peter Hubbard

Chair
10 June 2025

Independent auditors' report to the members of Dudley Building Society

Report on the audit of the annual accounts

Opinion

In our opinion:

- *Dudley Building Society's* annual accounts (the "annual accounts") give a true and fair view of the state of the Society's affairs as at 31st March 2025 and of the Society's income and expenditure and cash flows for the year then ended;
- the annual accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law) and
- the annual accounts have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the annual accounts, included within the *Annual Report and Accounts* (the "Annual Report"), which comprise: the Statement of Financial Position as at 31st March 2025; the Income Statement, and Statement of Comprehensive Income and the Statement of Change in Members' Interest, and the Cash Flow Statement for the year then ended; and the notes to the annual accounts, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Our audit approach

Overview

Materiality	<ul style="list-style-type: none">• £325k (2024-: £357k)• <i>Based on approximately 1% of Society's Net Assets</i>
Scoping	<ul style="list-style-type: none">• The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment of the operations of the Society.• Audit procedures were performed over all material account balances and financial information of the Society.
Key audit matters	<ul style="list-style-type: none">• Impairment of loans and advances to customers.

The scope of our audit

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

all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Capability of the audit in detecting irregularities, including fraud

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

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

Audit procedures performed included:

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

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

Key audit matters

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

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of loans and advances to customers</p> <p>Refer to note 1 for accounting policies, accounting judgements and estimation uncertainties and to note 14 and note 26 for detailed disclosures around impairment provision and credit risk.</p> <p>An impairment provision of £1,006k (2024: £928k) is recognised by the Society against loans and advances to customers. The loans and advances represent mortgages secured against residential property or land.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • We understood, evaluated and challenged the appropriateness of management's impairment methodology, including key assumptions used to determine Probability of Default and Loss Given Default for both specific and collective provision. • We used risk modelling specialists to critically assess the reasonableness of the probability of

Key audit matter	How our audit addressed the key audit matter
<p>The impairment provision represents management's best estimate of the incurred loss within the portfolio at the balance sheet date, calculated in accordance with IAS 39.</p> <p>Management uses an impairment model to calculate the specific and collective provision on an account level basis. The provision consists of a specific provision of £336k (2024: £167k) and a collective provision of £670k (2024: £761k).</p> <p>The estimation of impairment remains inherently judgemental, particularly in determining the Probability of Default and Loss Given Default.</p>	<p>defaults assumption used to determine the collective provision.</p> <ul style="list-style-type: none"> • Where appropriate we have assessed the impact of utilising alternative assumptions to determine the reasonableness of the assumptions used. • We independently recalculated the provision to validate the accuracy of the calculations. • We have evaluated the adequacy of the disclosure of estimation uncertainty relating to impairment of loans and advances to customers.

How we tailored the audit scope

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

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

We did not require involvement of any component auditors.

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

The impact of climate risk on our audit

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

In addition to enquiries with management, we also:

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

Our procedures did not identify any material impact in the context of our audit of the accounts as a whole, or our key audit matters for the year ended 31st March 2025.

Materiality

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

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

Overall materiality	£ 325k (2024: £357k).
How we determined it	1% of Net Assets.
Rationale for benchmark applied	The Society's principal activity is the provision of long-term residential mortgages to borrowers, financed by personal savings from members. The strategy is not one purely of profit maximisation but to provide a secure place for customer investments in a mutual environment. Therefore, we base our materiality calculation on net assets, as an appropriate benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £244k (2024: £267k).

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

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £16k (2024: £17k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

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

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

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the annual accounts and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the annual accounts does

not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

Annual Business Statement and Directors' Report

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

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the Directors' Report for the year ended 31st March 2025 is consistent with the accounting records and the annual accounts; and
- the information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

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

Responsibilities for the annual accounts and the audit

Responsibilities of the directors for the annual accounts

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

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

Auditors' responsibilities for the audit of the annual accounts

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

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

Other required reporting

Building Societies Act 1986 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Board Audit Committee, we were appointed by the members of the Society on 19th September 2019 to audit the annual accounts for the year ended 31st March 2020 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31st March 2020 to 31st March 2025.

Nikhil Dhiri (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
10th June 2025





Income Statement

FOR THE YEAR ENDED 31 MARCH 2025

	Note	2025 £000s	2024 £000s
Interest receivable and similar income	2	36,148	33,604
Interest payable and similar charges	3	(22,597)	(21,036)
Net interest receivable		13,551	12,568
Fees and commissions receivable		34	37
Fees and commissions payable		(229)	(324)
Other operating income		17	9
Total operating income		13,373	12,290
Fair value gains on financial instruments	4	393	748
Total income		13,767	13,038
Administrative expenses	5	(12,102)	(10,972)
Depreciation and amortisation	16, 17	(542)	(522)
Operating profit before impairment (losses) / gains		1,122	1,544
Impairment (losses) / gains on loans and advances	14	(78)	231
Profit before tax		1,044	1,775
Tax expense	8	(264)	(454)
Profit for the financial year	25	780	1,321

The notes on pages 65 to 107 form part of these accounts. The above results are all derived from continuing operations.

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 MARCH 2025

	2025 £000s	2024 £000s
Profit for the Financial Year	780	1,321
Other comprehensive income for the financial year net of tax	-	-
Total comprehensive income for the financial year	780	1,321

Statement of Change in Members' Interests

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

	£000s	£000s
2024		
Balance as at 1 April 2023	31,167	31,167
Profit for the year	1,321	1,321
Total Comprehensive Income for the year	1,321	1,321
Balance as at 31 March 2024	32,488	32,488

The notes on pages 65 to 107 form part of these accounts. The above results are all derived from continuing operations.

Statement of Financial Position

AS AT 31 MARCH 2025

	Note	2025 £000s	2024 £000s
Assets			
Liquid Assets			
Cash in hand and balances with the Bank of England	9	82,632	148,094
Loans and advances to credit institutions	10	2,028	6,031
Debt securities	11	19,051	-
		103,711	154,125
Derivative financial instruments	12	996	1,846
Loans and advances to customers			
Loans fully secured on residential property	13	516,903	476,546
Other loans - loans fully secured on land	13	254	259
		517,157	476,805
Other debtors	15	1,339	1,072
Tangible fixed assets	16	664	791
Intangible fixed assets	17	1,146	1,062
Total Assets		625,013	635,701
Liabilities			
Shares	19	553,980	559,639
Amounts owed to other customers	20	35,168	40,356
		589,148	599,995
Derivative financial instruments	12	723	990
Other liabilities	21	808	699
Deferred tax liability	18	340	321
Accruals and deferred income	22	726	1,208
Reserves			
General Reserves	25	33,268	32,488
Total Liabilities and Equity		625,013	635,701

The notes on pages 65 to 107 form part of these accounts.

These accounts were approved by the Board of Directors on 10 June 2025 and were signed on its behalf by:

Peter Hubbard
Chair

James Paterson
Chief Executive Officer

Michael Bhopal
Chief Financial Officer

Cash Flow Statement

FOR THE YEAR ENDED 31 MARCH 2025

	2025 £000s	2024 £000s
Cash flows from operating activities		
Profit before tax	1,044	1,775
Depreciation and amortisation	542	522
Impairment of intangible fixed assets	-	69
Impairment losses / (gains) on loans and advances to customers	78	(231)
Cash interest movement on debt securities	(349)	-
Changes to the fair value adjustment of hedged risk	(809)	(2,679)
	506	(544)
Changes in operating assets and liabilities		
Movement in derivative financial instruments	583	2,132
Decrease in loans and advances to credit institutions	-	10
(Decrease) in amounts owed to credit institutions	(1,011)	(1,286)
(Decrease) / Increase in accruals and deferred income	(482)	424
Increase in Other assets	(267)	(91)
Purchase of debt securities	(35,819)	-
Maturity of debt securities	16,768	-
Cash interest movement on debt securities	349	-
Increase in Other liabilities and provision for liabilities	213	42
Net increase in loans and advances to customers	(39,596)	(37,768)
Net (decrease) / increase in shares	(5,684)	106,954
Net decrease in amounts owed to other customers	(4,177)	(16,850)
Tax paid	(349)	(567)
Net cash (outflow) / inflow from operating activities	(68,966)	52,456
Cash flows from investing activities		
Purchase of tangible and intangible fixed assets	(499)	(185)
Net cash outflow from investing activities	(499)	(185)
Net (Decrease) / Increase in cash	(69,465)	52,271
Cash and cash equivalents at start of year	153,865	101,594
Cash and cash equivalents at end of year	84,400	153,865
Cash and cash equivalents comprises:		
Cash in hand and balances with the Bank of England	9	82,632
Loans and advances to credit institutions repayable on demand	10	1,768
	84,400	153,865

The notes on pages 65 to 107 form part of these accounts.

Notes to the Accounts

1. Accounting Policies

1.1 BASIS OF PREPARATION

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

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

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

Going concern

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

1.2 MEASUREMENT CONVENTION

The annual accounts are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and available-for-sale debt securities.

1.3 INTEREST

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

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

Interest income and expense presented in the Income Statement include:

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

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

1.4 FEES AND COMMISSION

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

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

Notes to the Accounts (continued)

1.5 EXPENSES

Operating Leases

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

Administrative Expenses

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

1.6 TAXATION

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the annual accounts. The following timing difference is not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference.

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

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

1.7 FINANCIAL INSTRUMENTS

Recognition

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

Classification

Financial Assets

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

- **Loans and Receivables**

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

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

- **Available-for-Sale**

Available-for-sale investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. All available-for-sale investments are measured at fair value after initial recognition. Subsequent changes in fair value, other than impairment losses, are recognised in the Statement of Comprehensive Income (SOCi) until sale or maturity of the assets, following which the cumulative gains or losses are removed from the SOCi and recycled to the Income Statement.

- **Held-to-Maturity**

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

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

Notes to the Accounts (continued)

- **At Fair Value through Profit and Loss**

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

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

Fair Value Hedges

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

Financial Liabilities

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

Measurement:

Amortised Cost Measurement

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

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

Fair Value Measurement

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

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

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

De-recognition of financial instruments

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Society neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of: (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the Income Statement. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Society is recognised as a separate asset or liability.

Impairment of financial assets not measured at fair value

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

Notes to the Accounts (continued)

includes:

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

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

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

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

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

The Society has a closed portfolio of equity release mortgage loans, representing 0.5% of total loans and advances to customers (2024: 0.6%). A particular clause of the mortgage contract meets the definition of an insurance contract, which is accounted for under FRS103: where a borrower dies or goes into long term care and a redemption receipt is less than the contractual sum owed the Society does not have any further ability to recover amounts from the borrower or the estate.

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

Measurement and recognition of the income earned on the mortgage contract has been undertaken in line with the Society's other mortgage contracts; the income earned has been included in the Income Statement within the 'Interest receivable and similar income' category. Within the Statement of financial position (page 63), the mortgage asset along with any impairment, if there were any, is disclosed in line with IAS 39. The insurance risk liability associated with the no-negative equity guarantee is calculated by estimating potential shortfalls arising at redemption, discounted at the effective interest rate, and is represented by the impairment provision.

The assessment incorporates assumptions relating to future house price values at the time of account redemption. Its assessment is also based on expected future outcomes relating to the date on which an account redeems which, given the nature of the product is expected to be on death of the borrower, but can be affected by health issues that would see borrowers move into care. It can also be affected by non-health related voluntary pre-payment.

Notes to the Accounts (continued)

Forbearance

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

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

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

At the appropriate time the forbearance option that has been implemented is cancelled, with the exception of capitalisation of arrears, and the customer's normal contractual payment is restored.

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

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

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

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

1.8 CASH AND CASH EQUIVALENTS

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

1.9 TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost / deemed cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets; for example, land is treated separately from buildings.

The Society assesses at each reporting date whether tangible fixed assets are impaired.

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

- Freehold premises – 50 years
- Short Leasehold property – the term of the lease
- Equipment, fixtures, fittings and motor vehicles – 3-7 years

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

Notes to the Accounts (continued)

1.10 INTANGIBLE FIXED ASSETS

Computer Software

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

Amortisation

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

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

1.11 IMPAIRMENT EXCLUDING FINANCIAL ASSETS AND DEFERRED TAX ASSETS

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

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

1.12 EMPLOYEE BENEFITS

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

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

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

1.13 ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTIES

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

Notes to the Accounts (continued)

The key judgements and estimates are set out below:

Impairment Provisions (£1,006,000, 2024: £928,000)

The Society reviews the mortgage portfolio on a monthly basis to assess for impairment. A degree of judgement is required when undertaking this evaluation. Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and expected cash flows. Estimates are applied in respect of house prices and the length of time expected to complete the sale of properties in possession. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly and compared with actual experience.

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

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

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

The Society's mortgage portfolio continues to perform very well with the number of accounts being more than 3 months in arrears at 31 March 2025 being 5 accounts (2024: 3) and the number of properties in possession is two (2024: Nil). As a result, the Board acknowledges that the derivation of an impairment provision based solely on the historic payment experience may materially understate the value of the provision and expose the Society to the risk of significant financial loss and as a result further elements need to be incorporated into the basis of the calculation.

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

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

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

For the purposes of the impairment methodology, this will be represented by a post model adjustment in the form of an overlay applied to those loans where the loan to value exceeds a minimum threshold. The value of the overlay increases in line with pre-defined bandings as the loan to value increases. The value of the overlay assigned to each borrower that meets the criteria depends on the loan to value ratio at the balance sheet date and the banding to which that loan falls within.

As noted above, house prices have remained stable throughout the year and the Directors expect this to remain the situation in the near term. Accordingly a sensitivity analysis has been undertaken on the impact on the value of the impairment provision for movements in the probability of default as changes to this value result from past events.

For those accounts within the specific cohort the probability of default for those loans that are more than 3 month in arrears is increased to 100%. The increase in the provision requirement under these circumstances is £47,000.

For those accounts within the collective cohort, the probability of default is subject to an increase in the of 0.5%. This would result in an increased provision requirement of £167,000. Similarly, a decrease of 0.5% on the probability of default within the collective cohort would result in a reduction in the provision requirement of a similar amount.



2. Interest Receivable and Similar Income

	2025	2024
	£000s	£000s
On loans fully secured on residential property	29,041	24,500
On other loans	24	24
On other liquid assets	5,771	6,553
Net interest income on derivatives	1,312	2,527
	36,148	33,604

Interest on loans fully secured on residential property includes interest accrued on impaired and past due residential mortgage assets of £114,000 (2024: £117,000).

3. Interest Payable and Similar Charges

	2025	2024
	£000s	£000s
On shares held by individuals	22,286	18,903
On deposits and other borrowings	212	2,154
Net interest charge / (income) on derivatives	99	(21)
	22,597	21,036

4. Fair Value Gains on Financial Instruments

	2025	2024
	£000s	£000s
Loss on derivatives in designated fair value hedge relationships	(544)	(2,152)
Adjustments to hedged items in fair value hedge accounting relationships	789	2,445
Gain on derivatives not in designated fair value hedge relationships	148	455
	393	748

The net gain from derivative financial instruments of £393,000 (2024: £748,000) represents the net fair value movement on derivative instruments that are matching risk exposure on an economic basis and the fair value movement of the derivative instruments that are transacted to mitigate interest rate risk on mortgage loan commitments. Some fair value volatility arises on the those instruments that are subject to matching risk due to accounting ineffectiveness on designated hedges, or because hedge accounting is not achievable on certain items.

5. Administrative Expenses

	2025			2024		
	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Wages and salaries	6,173	-	6,173	4,967	-	4,967
Social security costs	654	-	654	491	-	491
Contribution to defined contribution plans	438	-	438	360	-	360
	7,265	-	7,265	5,818	-	5,818
Other administrative expenses	4,464	373	4,837	4,487	667	5,154
	11,729	373	12,102	10,305	667	10,972

	2025			2024		
	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Other administrative expenses include:						
Operating lease costs:						
Land and buildings	195	-	195	178	-	178
	195	-	195	178	-	178

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

	2025			2024		
	Recurring	Non-Recurring	Total	Recurring	Non-Recurring	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Audit of these annual accounts	217	-	217	216	-	216
Amounts receivable by the Society's auditor and its associates in respect of:						
Audit-related assurance services	-	-	-	-	-	-
	217	-	217	216	-	216

The non-recurring administrative expenses of £373,000 (2024: £667,000) comprises the investment in the Mortgage Originations platform and the customer proposition in the form of the new branch and the customer online experience.

6. Employees

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

	2025	2024
Full Time		
Principal Office & administration centre	83	70
Branch Offices	16	12
	99	82
Part Time		
Principal Office & administration centre	24	22
Branch Offices	14	18
	38	40
Total full time and part time	137	122

7. Remuneration of and Transactions with Directors

	2025 £000s	2024 £000s
(a) Remuneration of Directors		
Directors' emoluments		
Services as Directors (Non-Executive Directors)	198	181
Services in connection with Management (Executive Directors)	555	498
	753	679
Details of individual Directors' emoluments are as follows:-	2025	2024
Non-Executive	£000s	£000s
Nicole Coll	42	40
Peter Hubbard	54	52
Michael Hudson (Appointed: 1 January 2024)	36	9
Tariq Khatri	36	34
Joanna Baldwin (Resigned: 9 December 2024)	30	40
Zamir Chaudhry (Resigned: 31 May 2023)	-	6
Total	198	181

Non-Executive Directors receive only fees for their services.

7. Remuneration of and Transactions with Directors (continued)

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

	Salary £000s	Benefits £000s	Pension Contributions £000s	Total £000s
2024				
Executive				
James Paterson	267	1	29	297
Stephen Heeley	180	1	20	201
Total Executive 2024	447	2	49	498

b) Directors' loans and transactions

At 31 March 2025, there were no outstanding mortgage loans (2024: nil) granted in the ordinary course of business to Directors or connected persons amounting to £nil (2024: £nil).

A register is maintained at the Head Office of the Society, under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and their connected persons. A statement of the appropriate details contained in the Register, for the financial year ended 31 March 2025 will be available for inspection upon request for a period of 15 days up to and including the Annual General Meeting.

8. Tax Expense

	2025 £000s	2024 £000s
The taxation charge for the year comprises:-		
Current tax at 25% (2024: 25%)	245	518
Deferred Taxation charge / (credit) (See note 18)	19	(64)
Total Tax	264	454

Reconciliation of Total Tax charge

	2025 £000s	2024 £000s
Profit on ordinary activities before tax	1,044	1,775
Profit on ordinary activities before tax multiplied by the standard rate of Corporation Tax in the UK of 25% (2024: 25%)	261	444
Fixed asset differences	5	7
Expenses not deductible for tax purposes	2	1
Impact of change in tax rate	-	-
Other short term timing differences	(4)	2
Tax Charge	264	454

Current tax has been provided at the rate of 25% (2024: 25%). Deferred tax balances at 31 March 2025 have been calculated at a rate of 25% (2024: 25%).

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

	2025 £000s	2024 £000s
Cash in hand	511	640
Bank of England Reserve Account	82,121	147,454
Balance included in cash flow statement	82,632	148,094

10. Loans and Advances to Credit Institutions

	2025 £000s	2024 £000s
Repayable on demand - included within liquid assets	1,768	5,771
In not more than three months	260	260
Total loans and advances to credit institutions	2,028	6,031

At 31 March 2025 £260,000 (2024: £260,000) of cash has been pledged by the Society against derivative contracts.

11. Debt Securities

	2025 £000s	2024 £000s
Treasury Bills	19,051	-

The Directors consider the securities held as liquid assets are held with the intention of use on a continuing basis in the Society's activities and are therefore classified as 'liquid assets' in the Statement of Financial Position.

During the year, the Society transacted a number of debt securities in the form of Treasury Bills solely for the purposes of interest rate risk management arising from the net fixed rate liabilities in the savings book with the interest received being derived from the resulting economic hedge. The Society did not undertake any debt security transactions during the prior year.

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

	2025 £000s	2024 £000s
At the beginning of the year	-	-
Additions	35,819	-
Disposals and maturities	(16,768)	-
At the end of the year	19,051	-

12. Derivative Financial Instruments

	Contractual / Notional Amount	Assets Fair Values	Liabilities Fair Values
	£000s	£000s	£000s
2025			
Derivatives designated as fair value hedges:			
Interest rate swaps	218,700	986	(695)
Derivatives not designated as fair value hedges:			
Interest rate swaps	15,500	10	(28)
Total recognised derivative assets / (liabilities)	234,200	996	(723)
	Contractual / Notional Amount	Assets Fair Values	Liabilities Fair Values
	£000s	£000s	£000s
2024			
Derivatives designated as fair value hedges:			
Interest rate swaps	157,900	1,826	(990)
Derivatives not designated as fair value hedges:			
Interest rate swaps	8,000	20	-
Total recognised derivative assets / (liabilities)	165,900	1,846	(990)

At 31 March 2025 £260,000 of collateral was pledged against the Society's derivative contracts (2024: £270,000) where the fair value of those derivative contracts was not in the favour of the Society. The Society received £539,000 of pledged collateral for those derivative contracts (2024: £1,550,000) where the fair value of those contracts were in the favour of the Society – see note 20. The Society provided no collateral to any other parties during the year, other than the Bank Of England – see notes 11 and 13 (2024: £Nil).

13. Loans and Advances to Customers

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

	2025	2024
	£000s	£000s
Loans fully secured on residential property	517,497	477,896
Provision for impairment losses (see Note 14)	(1,006)	(928)
Fair value adjustment for hedged risk	412	(422)
	516,903	476,546
Loans fully secured on land	254	259
	517,157	476,805
	2025	2024
	£000s	£000s
On call and at short notice	-	-
In not more than three months	5,969	4,538
In more than three months but not more than one year	9,608	10,582
In more than one year but not more than five years	75,286	68,974
In more than five years	426,328	393,468
	517,191	477,562
Less allowance for impairment (see Note 14)	(1,006)	(928)
Unamortised Effective Interest rate balances	972	171
	517,157	476,805

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

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

During the prior year, the Society held £40,000,000 under the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME scheme). The Society made full repayment of the total amount drawn under the scheme prior to the comparative balance sheet date. As a participant to the Bank of England's funding schemes, £58,468,000 of mortgage assets were pledged to the Bank of England as collateral (2024: £92,063,000).

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

	Loans fully secured on residential property £000s	Other loans fully secured on land £000s	Total £000s
Specific provision			
At 1 April 2024	167	-	167
Amounts written off	-	-	-
Charge for the year	169	-	169
At 31 March 2025	336	-	336
Collective provision			
At 1 April 2024	760	1	761
Credit for the year	(90)	(1)	(91)
At 31 March 2025	670	-	670
Specific provision			
At 1 April 2023	364	-	364
Amounts written off	-	-	-
Credit for the year	(197)	-	(197)
At 31 March 2024	167	-	167
Collective provision			
At 1 April 2023	793	2	795
Credit for the year	(33)	(1)	(34)
At 31 March 2024	760	1	761
Charge to the Income Statement in 2024 / 25			78
Credit to the Income Statement in 2023 / 24			(231)

In determining the level of the impairment provision of £1,006,000 (2024: £928,000), the Society considers the level of the probability of default, the movement in house prices (measured by a house price index), the value of the asset taken as security against the loan and the value of the forced sale discount. Of these factors, the Board consider that movement in the probability of default presents the greatest risk of financial loss to the Society. Refer to note 1.13 for the sensitivities relating to these. The basis of the impairment provision at the balance sheet date incorporates an additional risk factor that was present at the balance sheet date but was not present at the prior year balance sheet date. The value assigned to that risk factor is £133,000 and forms part of the full year charge to the income statement. The table below identifies the value of the impairment provision attributable to each risk factor:

2025	Underlying requirement £000s	Post model adjustment £000s	Total £000s
Specific	336	-	336
Collective	537	133	670
	873	133	1,006

2024	Underlying requirement £000s	Post model adjustment £000s	Total £000s
Specific	167	-	167
Collective	761	-	761
	928	-	928

15. Other Debtors

	2025 £000s	2024 £000s
Prepayments and Accrued Income		
Due within 1 year	1,219	1,041
Due in more than 1 year	120	31
	1,339	1,072

16. Tangible Fixed Assets

	Leasehold Land and Buildings £000s	Equipment, Fixtures, Fittings and Vehicles £000s	Computer Equipment £000s	Total £000s
Cost or valuation				
At 1 April 2024	1,430	231	760	2,421
Additions	-	28	14	42
At 31 March 2025	1,430	259	774	2,463
Accumulated Depreciation				
At 1 April 2024	934	138	558	1,630
Charge for the year	76	16	77	169
At 31 March 2025	1,010	154	635	1,799
Net Book Value				
At 31 March 2025	420	105	139	664
At 31 March 2024	496	93	202	791

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

17. Intangible Fixed Assets

	2025 £000s	2024 £000s
Cost or valuation		
At 1 April	5,132	5,162
Additions	457	39
Impairment	-	(69)
At 31 March	5,589	5,132
Accumulated Amortisation		
At 1 April	4,070	3,703
Charge for the year	373	367
At 31 March	4,443	4,070
Net Book Value		
At the start of the year	1,062	1,459
At the end of the year	1,146	1,062

Intangible assets at 31 March 2025 comprise of the cost of investment in the development of Computer Software and in the new online e-savings portal. As at 31 March 2025 £452,000 (2024: £nil) of assets are in the course of construction. Amortisation is charged against these assets when they become ready for use by the business over an estimated useful life of either seven years or the remaining contractual term for these costs capitalised as part of the upgrade to the Unisys system.

18. Deferred Tax Liability

	2025 £000s	2024 £000s
Deferred taxation at 25% (2024: 25%) in respect of timing differences	340	321
Comprising:		
Accelerated capital allowances	352	339
Other timing differences	(12)	(18)
At 31 March – Deferred tax liability	340	321

	2025 £000s	2024 £000s
The movement on the deferred tax liability during the year was as follows:		
At the beginning of the year as previously reported – liability	321	385
Deferred taxation charge / (credit) to the income statement (see note 8)	19	(64)
At the end of the year	340	321

19. Shares

	2025 £000s	2024 £000s
Held by individuals	553,973	559,657
Fair value adjustment for hedged risk	7	(18)
	553,980	559,639
Shares are repayable with remaining maturities from the reporting date as follows:		
Accrued interest	5,572	5,344
On demand	259,105	221,639
In not more than three months	131,881	173,555
In more than three months but not more than one year	90,863	108,465
In more than one year but not more than five years	64,770	48,678
In more than five years	1,789	1,958
	553,980	559,639

20. Amounts owed to other customers

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

	2025 £000s	2024 £000s
Amounts owed to Bank of England	-	5,000
Amounts owed to credit institutions	539	1,550
Amounts owed to other customers	34,629	33,806
	35,168	40,356
Accrued interest	54	86
Repayable on demand	6,247	5,424
In not more than three months	12,985	15,291
In more than three months but not more than one year	10,721	13,602
In more than one year	5,161	5,953
	35,168	40,356

At 31 March 2025 £539,000 collateral was received against the Society's derivative contracts (2024: £1,550,000) where the fair value of those derivative contracts was in the favour of the Society.

21. Other Liabilities

	2025 £000s	2024 £000s
Falling due within one year:-		
Corporation tax	147	251
Social security costs	172	183
Other creditors	489	265
	808	699

22. Accruals and Deferred Income

	2025 £000s	2024 £000s
Accruals falling due in less than 1 year	726	1,208

23. Provision for Liabilities

Financial Services Compensation Scheme (FSCS) Levy

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

24. Employee Benefits

Retirement Benefits

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

Contributions payable by the Society (including death in service premium) and the charge for the year was £458,000 (2024: £375,000). There were outstanding contributions of £50,000 (2024: £49,000) at the end of the year.

25. Reserves

	2025 £000s	2024 £000s
At the beginning of the year	32,488	31,167
Profit for the financial year	779	1,321
Other Comprehensive Income	1	-
At the end of the year	33,268	32,488
General Reserves	33,268	32,488
	33,268	32,488

26. Financial Instruments

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

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

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

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

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

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

The fair value of derivative financial instruments held at 31 March 2025 is shown in Note 12 - Derivative Financial Instruments on page 80.

26. Financial Instruments (continued)

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

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

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

Categories of financial assets and liabilities

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. Note 1.7 'Financial instruments' describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following tables analyse the Society's assets and liabilities by financial classification:

26.1 Financial Instruments

Carrying values by category

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

26.1 Financial Instruments (continued)

Carrying values by category

31 March 2024	Held at amortised cost		Held at fair value				Total
	Loans and receivables	Other Financial assets and liabilities at amortised cost	Available-for-sale	Derivatives designated as fair value hedges	Unmatched derivatives	Non-financial assets and liabilities	
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Assets							
Cash in hand and balances with the Bank of England	148,094	-	-	-	-	-	148,094
Loans and advances to credit institutions	6,031	-	-	-	-	-	6,031
Debt securities	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	1,846	-	-	1,846
Loans and advances to customers	476,805	-	-	-	-	-	476,805
Other assets	-	-	-	-	-	2,925	2,925
Total Assets	630,930	-	-	1,846	-	2,925	635,701
Liabilities							
Shares	-	559,639	-	-	-	-	559,639
Amounts owed to other customers	-	40,356	-	-	-	-	40,356
Derivative financial instruments	-	-	-	990	-	-	990
Other liabilities	-	-	-	-	-	2,228	2,228
Total Liabilities	-	599,995	-	990	-	2,228	603,213

26.2 Financial Instruments

Valuation of financial instruments carried at fair value

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

Valuation techniques

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

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

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

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

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

	Level 1 £000s	Level 2 £000s	Level 3 £000s	Total £000s
31 March 2025				
Financial assets				
Fair value through profit and loss				
Interest Rate Swaps	-	996	-	996
	-	996	-	996
Financial liabilities				
Fair value through profit and loss				
Interest Rate Swaps	-	723	-	723
	-	723	-	723
31 March 2024				
Financial assets				
Fair value through profit and loss				
Interest Rate Swaps	-	1,846	-	1,846
	-	1,846	-	1,846
Financial liabilities				
Fair value through profit and loss				
Interest Rate Swaps	-	990	-	990
	-	990	-	990

Financial assets pledged as collateral

At 31 March 2025, £58,468,000 of mortgage assets held by the Society (31 March 2024 £92,063,000 of mortgage assets) were pledged to the Bank of England as collateral under the Index Long Term Repo (ILTR) scheme.

26.3 Financial Instruments

Credit Risk

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

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

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

	2025 £000s	2024 £000s
Cash in hand and balances with the Bank of England	82,632	148,094
Loans and advances to credit institutions	2,028	6,031
Derivative financial instruments	996	1,846
Debt securities	19,051	-
Loans and advances to customers	517,157	476,805
Total statement of financial position exposure	621,864	632,776
Off balance sheet exposure – mortgage commitments	30,136	31,965
	652,000	664,741

26.4 Financial Instruments

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

Industry Sector	2025	2025	2024	2024
	£000s	%	£000s	%
Banks	2,028	2.0	6,031	3.9
Central Banks	82,121	79.5	147,454	96.1
Central Government	19,051	18.5	-	-
Total	103,200	100.0	153,485	100.0

Geographic Region - Treasury Assets	2025	AA	A+	A	Other	2024
	£000s	%	%	%	%	£000s
United Kingdom	103,200	98.0	2.1	0.2	(0.3)	153,485

Geographic Region - Derivatives	2025	AA	A+	A	Other	2024
	£000s	%	%	%	%	£000s
United Kingdom	234,200	87.3	12.7	-	-	165,900

At 31 March 2025 none of the Society's treasury portfolio exposures were either past due or impaired (2024: Nil). There are no assets that would otherwise be past due or impaired whose terms have been renegotiated.

26.5 Financial Instruments

Loans and Advances to Customers

Mortgages Geographic Region	2025	2024
	%	%
East Anglia	10	10
East Midlands	5	5
Greater London	20	19
Northern	2	2
North West	10	9
Outer South East	22	23
South West	12	11
Wales	3	3
West Midlands	10	12
Yorkshire and Humberside	6	6
	100	100

26.6 Financial Instruments

Credit quality analysis of loans and advances to customers

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

	2025		2024	
	Loans fully secured on residential property	Loans fully secured on land - Other	Loans fully secured on residential property	Loans fully secured on land - Other
	£000s	£000s	£000s	£000s
Neither past due nor impaired	509,163	254	470,429	259
Past due but not impaired				
< 3 months	4,223	-	4,600	-
> 3 months but < 6 months	114	-	409	-
> 6 months but < 12 months	-	-	-	-
> 12 months	-	-	-	-
Specifically impaired				
Not past due	-	-	-	-
< 3 months	2,596	-	2,258	-
> 3 months but < 6 months	713	-	200	-
> 6 months but < 12 months	420	-	-	-
> 12 months	-	-	-	-
Possession	268	-	-	-
Total	517,497	254	477,896	259
Allowance for impairment				
Specific	336	-	167	-
Collective	670	-	760	1
Total allowance for impairment	1,006	-	927	1

26.7 Financial Instruments

Fair value of collateral held

The Society holds collateral against each loan and advance in the form of property. The use of such collateral is in line with terms that are usual and customary to standard lending activities. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in the Halifax House Price Index.

	2025		2024	
	Collateral value held against Loans fully secured on residential property £000s	Collateral value held against Loans fully secured on land £000s	Collateral value held against Loans fully secured on residential property £000s	Collateral value held against Loans fully secured on land £000s
Neither past due nor impaired	1,197,081	474	1,147,334	460
Past due but not impaired				
< 3 months	10,958	-	11,220	-
> 3 months but < 6 months	338	-	1,370	-
> 6 months but < 12 months	-	-	-	-
> 12 months	-	-	-	-
Specifically impaired				
Not past due	-	-	-	-
< 3 months	3,449	-	3,349	-
> 3 months but < 6 months	877	-	260	-
> 6 months but < 12 months	516	-	-	-
> 12 months	-	-	-	-
Possession	275	-	-	-
Total collateral value	1,213,494	474	1,163,533	460

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

	2025 £000s	2024 £000s
Property	275	-

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

26.8 Financial Instruments

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

	2025 %	2024 %
LTV ratio		
0-50%	38.79	39.74
51-75%	38.44	36.86
76-90%	22.18	18.61
91-100%	0.56	4.79
>100%	0.03	0.00
Weighted Average LTV	56.15	56.09

26.9 Financial Instruments

Forbearance

An explanation of what forbearance is, and the Society's forbearance strategies is provided in Note 1.7.

The table below analyses the number of residential mortgage borrowers with renegotiated terms at the year-end date:

Type of forbearance	2025	2025	2024	2024
	Number	£000s	Number	£000s
Reduced Monthly Payment	1	1	3	234
	1	1	3	234

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

At 31 March 2025 the Society had 18 mortgages (31 March 2024: 15) with balances of £2,721,000 (31 March 2024: £1,408,000) in respect of deceased borrowers of which 3 (31 March 2024: 4) with balances of £905,000 (31 March 2024: £408,000) had been outstanding for more than 18 months since the date of the borrower's death.

26.10 Financial Instruments

Liquidity risk

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

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

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

The Society's liquid assets comprise of high quality liquid assets. The High-Quality Liquid Assets consist of balances in the Society's Bank of England reserve account and UK Government Treasury Bills. At 31 March 2025 liquid assets as a percentage of shares, deposits and loans was 17.6% compared to 25.7% at 31 March 2024.

Maturity analysis for financial assets and financial liabilities

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

26.10 Financial Instruments (continued)

31 March 2025

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

26.10 Financial Instruments (continued)

31 March 2024

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	No specific maturity	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Assets							
Cash in hand and balances with Bank of England	147,454	-	-	-	-	640	148,094
Loans and advances to credit institutions	5,771	260	-	-	-	-	6,031
Debt securities	-	-	-	-	-	-	-
Derivative financial instruments	-	13	249	1,584	-	-	1,846
Loans and advances to customers	-	4,538	10,582	68,974	393,468	(757)	476,805
Tangible Assets	-	-	-	-	-	791	791
Intangible Assets	-	-	-	-	-	1,062	1,062
Other Assets	-	-	-	-	-	1,072	1,072
Total Assets	153,225	4,811	10,831	70,558	393,468	2,808	635,701
Liabilities							
Shares	221,639	173,555	108,465	48,678	1,958	5,344	559,639
Amounts owed to other customers	5,424	15,291	13,602	5,953	-	86	40,356
Derivative financial instruments	-	7	26	957	-	-	990
Other Liabilities	-	-	-	-	-	2,228	2,228
Reserves	-	-	-	-	-	32,488	32,488
Total Liabilities	227,063	188,853	122,093	55,588	1,958	40,146	635,701
Net Liquidity Gap	(73,838)	(184,042)	(111,262)	14,970	391,510	(37,338)	-

26.11 Financial Instruments

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

31 March 2025

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

31 March 2024

	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	No specific maturity	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Liabilities							
Shares	227,215	187,147	120,818	56,037	2,040	-	593,257
Amounts owed to other customers	1,139	4,634	8,882	2,224	-	-	16,879
Derivative financial instruments	-	7	26	957	-	-	990
Other liabilities	-	-	-	-	-	3,760	3,760
Total Liabilities	228,354	191,788	129,726	59,218	2,040	3,760	614,886

26.12 Financial Instruments

Market risk

'Market Risk' is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk. As the Society is not exposed to foreign currencies the main market risk faced by the Society is interest rate risk. The Society's products are all based on market interest rates so are not exposed to other pricing risks.

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

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

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200-basis point (bp) parallel fall or rise in interest rates.

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

26.12 Financial Instruments (continued)

31 March 2025

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

26.12 Financial Instruments (continued)

31 March 2024

	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	No specific maturity and loss provision	Total
	£000s	£000s	£000s	£000s	£000s
Financial Assets					
Liquid Assets	152,580	-	-	1,545	154,125
Loans and advances to customers	243,980	48,106	185,476	(757)	476,805
Derivative financial instruments	13	249	1,584	-	1,846
Other Assets	-	-	-	2,925	2,925
Total Financial Assets	396,573	48,355	187,060	3,713	635,701
Financial Liabilities					
Shares and amounts owed to customers	441,837	99,388	53,341	5,429	599,995
Derivative financial instruments	7	26	957	-	990
Other liabilities	-	-	-	2,228	2,228
Reserves	-	-	-	32,488	32,488
Total Financial Liabilities	441,844	99,414	54,298	40,145	635,701
Impact of Derivative Financial Instruments	134,050	(10,550)	(123,500)	-	-
Interest rate sensitivity gap					
Sensitivity to Profit and Reserves	88,779	(61,609)	9,262	(36,432)	-
Parallel shift of +2%	(207)	764	(640)	-	(83)

27. Operating Leases

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

	2025 £000s	2024 £000s
Up to five years	182	177
Over five years	7	-

28. Related Parties

	No of key management personnel and their close family members	Amounts in respect of key management personnel and their close family members £000s	No of key management personnel and their close family members	Amounts in respect of key management personnel and their close family members £000s
Mortgage Loans				
At 1 April 2024	-	-	At 1 April 2023	2
Net Movements in the year	-	-	Net Movements in the year	(2)
At 31 March 2025	-	-	At 31 March 2024	-
Deposit accounts and investments				
At 1 April 2024	7	22	At 1 April 2023	8
Net Movements in the year	(1)	8	Net Movements in the year	(1)
At 31 March 2025	6	30	At 31 March 2024	7

At 31 March 2025, there were no (2024: two) outstanding mortgage loans granted in the ordinary course of business to Directors or connected persons amounting to £nil (2024: £nil).

All Directors are required to maintain a savings balance of at least £1,000 each in the Society. At 31 March 2025 the aggregate balances held by Non-Executive and Executive Directors in Dudley Building Society savings accounts was £30,232 (2024: £21,522).

Key management personnel and their close family members paid interest totalling £nil (2024: £nil), received interest totalling £1,081 (2024: £1,388), and paid no fees and commissions during the year.

29. Capital

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

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

	Note	2025 £000s	2024 £000s
Common Equity Tier 1			
General reserve	25	33,268	32,488
Prudent valuation adjustment	-	(21)	(3)
Intangible assets	17	(1,146)	(1,062)
Total common equity tier 1 capital		32,101	31,423
Tier 2 Capital			
Collective provision	14	670	761
Total tier 2 capital		670	761
Total regulatory capital		32,771	32,184

30. Post Balance Sheet Events

The Directors do not consider that there have been any events since the year-end that have a material effect on the financial position of the Society as at 31 March 2025.



Country by Country Disclosures

FOR THE YEAR ENDED 31 MARCH 2025

Basis of preparation

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

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

Name, nature of activities and geographical location:

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

Average number of employees:

As disclosed in note 6 to the accounts.

Annual turnover:

Equivalent to total income and, along with profit before tax, is as disclosed in the Income Statement on page 61.

Corporation tax paid:

As disclosed in the Cash Flow Statement on page 64.

Public subsidies:

There were no public subsidies received in the year.

Independent auditors' report to the directors of Dudley Building Society

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

Opinion

In our opinion, Dudley Building Society's country-by-country information for the year ended 31st March 2025 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31st March 2025 in the Country-by-Country Report.

Basis for opinion

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

Independence

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

Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to country-by-country information on page 109 of the Annual Report & Accounts which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

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

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

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

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

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

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

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

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

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation on Page 109, and for determining that the basis of preparation is acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

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

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

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

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

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

Discussions with management and those charged with governance including consideration of known or suspected non-compliance with laws and regulations and fraud; Reading key correspondence with the Financial Conduct Authority and the Prudential Regulatory Authority; and Review of internal audit reports in so far as they related to the annual report.

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

- Reviewing relevant meeting minutes including those of the Audit and Compliance committee;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Challenging assumptions and judgements made by management in their significant accounting estimates (see key audit matters below); and
- Identifying and testing journal entries meeting certain risk-based criteria, including unusual or unexpected account combinations.

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

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

Use of this report

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

The engagement partner responsible for this audit is Nikhil Dhiri

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
10th June 2025

Annual Business Statement

FOR THE YEAR ENDED 31 MARCH 2025

1. Statutory Percentages

	2025	2024	Statutory limit
	%	%	%
Lending limit	0.25	0.28	25.00
Funding limit	5.97	6.73	50.00

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

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

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

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

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

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

Annual Business Statement (continued)

FOR THE YEAR ENDED 31 MARCH 2025

2. Other Percentages

	2025	2024
	%	%
As a percentage of shares and borrowings		
Gross capital	5.65	5.41
Free capital	5.57	5.36
Liquid assets	17.60	25.69
As a percentage of mean total assets		
Profit after tax	0.12	0.22
Administrative expenses	2.01	1.95

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

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

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

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

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

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

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

Annual Business Statement (continued)

FOR THE YEAR ENDED 31 MARCH 2025

3. Information Relating to the Directors at 31 March 2025

Name	Date of Birth	Date of Appointment	Occupation	Other Directorships
Peter Hubbard	05/11/1955	16/01/2020	Non-Executive Director	Edgepool Limited Exeter Cash Plan Holdings Limited The Exeter Cash Plan
Nicole Coll	25/01/1976	16/01/2020	Non-Executive Director	Atrium Underwriting Group Limited Atrium Underwriters Limited Alopuc Limited CAF Financial Solutions Limited DF Capital Bank Limited Distribution Finance Capital Holdings Plc Alpha Group International Plc Societe Generale International Limited PPL Technologies Group Limited The Ena Makin Educational Trust The Granville School
Tariq Khatri	18/06/1968	13/12/2018	Management Consultant	
Michael Hudson	27/06/1965	01/01/2024	Non-Executive Director	Cambridge & Counties Bank Limited
James Paterson	28/05/1984	01/05/2022	Chief Executive Officer	
Michael Bhopal	12/07/1983	01/02/2025	Chief Financial Officer	

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

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

Annual Business Statement (continued)

FOR THE YEAR ENDED 31 MARCH 2025

4. Information Relating to the Other Officers at 31 March 2025

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

Appendix to the Annual Report (Unaudited)

Performance highlights

Net interest margin ratio

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

	2025 £000s	2024 £000s
Interest receivable and similar income	36,148	33,460
Interest payable and similar charges	(22,597)	(20,892)
Net interest receivable	13,551	12,568
Opening total assets	635,701	544,749
Closing total assets	625,013	635,701
Mean total assets	630,357	590,225
Net interest margin	2.15%	2.13%

Administrative expenses ratio

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

	2025 £000s	2024 £000s
Administrative expenses	12,102	10,972
Depreciation and amortisation	542	522
Recurring administrative expenses	12,644	11,494
Opening total assets	635,701	544,749
Closing total assets	625,013	635,701
Mean total assets	630,357	590,225
Administrative expenses ratio	2.01%	1.95%

Gross capital

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

	2025 £000s	2024 £000s
General reserve	33,268	32,488
Available-for-sale reserve	-	-
Gross capital	33,268	32,488
Shares	553,980	559,639
Amounts owed to other customers	35,168	40,356
Total shares and deposits	589,148	599,995
Gross capital ratio	5.65%	5.41%

Liquid assets (% of SDL)

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

	2025 £000s	2024 £000s
Cash in hand and balances with the Bank of England	82,632	148,094
Loans and advances to credit institutions	2,028	6,031
Debt securities	19,051	-
Liquid assets	103,711	154,125
Shares	553,980	559,639
Amounts owed to other customers	35,168	40,356
Total shares and deposits	589,148	599,995
Liquid assets ratio	17.60%	25.69%

Mean total assets

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

	2025 £000s	2024 £000s
Opening total assets	635,701	544,749
Closing total assets	625,013	635,701
Mean total assets	630,357	590,225

Customer feedback

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

Get in touch

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Opening hours*

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

Wednesday: 9.30am - 5.00pm

Saturday: 9.00am - 12.00pm

Sunday: Closed

Stay in touch

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

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

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

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



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

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