

PENRITH BUILDING SOCIETY

Annual Report and Accounts

31 December 2025

Head Office and Branch

7 King Street, Penrith, Cumbria, CA11 7AR

Tel: (01768 863675) | Email: enquiries@penrithbs.co.uk

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**CHIEF EXECUTIVE'S BUSINESS REVIEW
FOR THE YEAR ENDED 31 DECEMBER 2025**

2025 was a record year for Penrith Building Society ('the Society'), with our highest ever level of mortgage lending helping more members achieve their goal of home ownership.

This achievement took place against the backdrop of a volatile global political environment; a subdued UK economy; and a highly competitive mortgage and savings market. It is thanks to the efforts of all the colleagues at the Society that we were able to navigate the political, economic and market challenges and deliver such a strong year of mortgage and savings balance growth.

One of the drivers of our growth in 2025 was a new partnership with a specialist mortgage business called Generation Home, who have developed a market leading range of offerings for first time buyers who need the support of family and friends to provide the deposit for their home or help with ongoing monthly payments, or both. These solutions are a great response to the affordability challenges many potential homebuyers face and bringing small groups of people together to help someone buy their first home is extremely well aligned to the ethos of a building society. We look forward to this partnership continuing in 2026.

Despite the subdued level of economic growth and the rising level of unemployment, the UK housing market remained extremely resilient, with activity increasing over the previous year and levels of arrears remaining extremely low. This was helped by the reductions in the Bank of England Base Rate, which resulted in mortgage rates across the market falling, which, in turn, helped improve the affordability of mortgage payments.

We expect interest rates to continue to fall in 2026 as we move closer to the target level of 2% inflation, and we are very mindful that changes that benefit borrowers will inevitably mean changes that disadvantage savers.

We benchmark the rates on our savings products to the wider market and where data is readily available, such as for access savings accounts, members can be assured that our rates are comfortably above the average rates paid in the UK savings market and we expect this to continue to be the case in 2026.

I am pleased that our Feefo customer rating stands at an excellent 4.8 out of 5 and we will work hard to maintain and improve our service to members and brokers over the coming 12 months.

It was great to see more than 400 responses to the member survey we undertook in September. Thank you to all those who took the time to share their views, it is a great way of helping us understand what is important to members and what we should be focusing our efforts on.

A key message for us was to keep doing what members already value – which is providing our personal service and to keep our branch open and our opening hours unchanged. We understand the value our members place on being able to access face to face services and to speak to a supportive and knowledgeable person on the telephone and we are pleased to commit to maintaining our branch services as well as our telephony support. We have increased the size of the customer service team over the last 12 months to ensure we can continue to deliver the personal service we know you value.

Another key message we received from the member survey was the importance of improving our digital services. Our current digital offering has become increasingly popular over the last 12 months, but we know it does not deliver the experience or have capabilities that the high street banks are able to offer.

As I highlighted in last year's Annual Report, we have embarked on a three year programme to replace our core banking platform (the technology system we use to operate and manage our Society) and an important part of this development is the introduction of new and improved digital capabilities, which will significantly improve the member experience of managing savings and mortgage accounts online.

The programme to replace our core banking platform is the biggest project the Society has undertaken in our history. It represents a very significant investment over the three-year period 2025-27 and as a result of this investment we will see material costs in each of these years.

These costs are likely to lead to the Society recording a loss in 2026 and 2027, as we have done in 2025, although we expect to be able to trade profitably at an underlying level (i.e. after excluding these non-recurring costs) and return to full profitability in 2028.

We consider this to be a 'once in a generation' level of investment for the Society and it is thanks to the capital reserves we have built up over many years that we can make this investment and ensure we emerge at the end of the programme as a modern, robust and resilient Society.

Further detail on our financial performance is set out on the following pages.

I would like to thank everyone at the Society for their hard work and ongoing commitment to serving our members and I would like to thank all our members for their continued support of the Society.



Zack Hocking (Chief Executive)

26 February 2026

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2025

The Directors have pleasure in presenting their Annual Report, together with the Group and Society Accounts (the Annual Accounts) and Annual Business Statement, for the year ended 31 December 2025.

Penrith Building Society and its 100% owned subsidiary, Cumbria Mortgage Centre Limited report consolidated Group results. The principal activity of the subsidiary is detailed in Note 17 on page 31 of the Annual Report and Accounts. As the activity of the subsidiary is aligned with that of the Society, references and results reported throughout the Annual Report and Accounts include the consolidated performance and position of the subsidiary, unless specifically noted otherwise.

Strategic Business Review 2025

We consider our reason for being as part of our strategy discussions each year and define our purpose and vision as follows:

Our purpose - is to enable the home ownership aspirations and savings goals of our members.

Our vision - is to be a thriving, modern and sustainable Society. We want to be a great place for all of us to work, grow and develop; and we want to make an increasing contribution to the communities we operate in.

Our principal business objectives are the provision of mortgage finance for residential property, savings products for private individuals and local businesses and related services.

Our primary business objectives:

- To maintain robust operational systems and processes and ensure risks are managed within risk appetite.
- To achieve the Board agreed commercial and financial targets.
- To ensure we deliver year on year improvement in our service experience to members and brokers.
- To ensure the Society is a great place for colleagues to work, grow and develop.
- To maximise the positive contribution we make to our local community and minimise our impact on the environment.

We refreshed our internal values during the year to align with our purpose and vision, to help shape our culture and to provide a common language and understanding of how we want to work.

As guided in last year's Annual Report, we recorded a net loss in 2025 following a year of transformation and growth marked by continued investment in both our people and technology to support our sustainability. Although we are reporting a loss, we increased our net interest income year on year, despite sustained pressure on net interest margin as interest rates declined. This performance was supported by higher mortgage lending volumes, driven in part by our partnership with Generation Home.

We grew both sides of the balance sheet, driven by an expansion of products offered through our online savings channel. This growth was supported by a shift in member preferences towards longer term fixed-rate deposits.

Looking ahead, we have laid the foundations for our remaining transformation journey, which is expected to conclude in 2027. Throughout this period, we aim to deliver operating profits excluding costs associated with strategic change. Transformation related costs have been separately highlighted to demonstrate their impact on our financial performance in the current year.



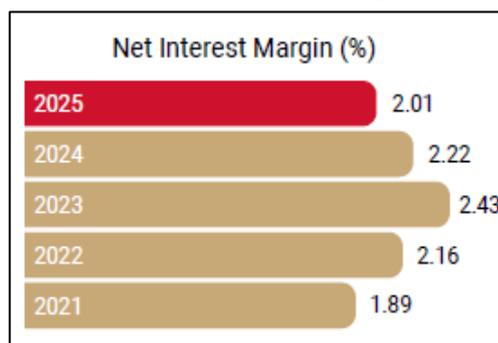
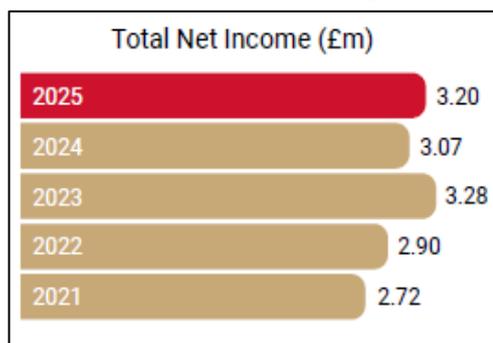
Key Performance Indicators

We use a number of key performance indicators to measure and monitor our progress on an ongoing basis. These are summarised and explained below, with the accompanying graphs showing the trend in these metrics over the past five years.

Income and Expenditure

We made a loss for the year after taxation of £0.39m (2024: Profit £0.09m).

Total net income increased to £3.20m (2024: £3.07m). Interest income rose across both mortgage and treasury assets, driven primarily by growth in the mortgage book through our partnership with Generation Home. However, this was offset by higher interest paid on savings balances, particularly fixed-term deposits, where rates have not reduced in line with the falling Bank of England base rate. As a result, total net income growth was constrained and the net interest margin reduced to 2.01% (2024: 2.22%).



We reduced our SVR once in 2025, which we reflected on from the perspective of both our saving and borrowing members, to ensure we were fair in our approach, remaining competitive in the market, but also managing pressures we were seeing to our interest margin.

DIRECTORS' REPORT, continued
FOR THE YEAR ENDED 31 DECEMBER 2025

Key Performance Indicators, continued

Income and Expenditure, continued

Management expenses, including depreciation, increased to £3.61m (2024: £3.04m). Management expenses expressed as a ratio of mean total assets rose to 2.27% (2024: 2.20%). The increase includes £0.3m (2024: Nil) of strategic transformation costs. These costs largely relate to technology spend associated with the replacement of our core banking platform.

We increased our staffing resources during 2025, ensuring we are well positioned to support future growth. This investment has focused on securing the right skills and capabilities across the business, recruiting locally at senior and apprentice level wherever possible, to help deliver our strategic change and transformation plans.

We remain committed to developing our own talent and, during 2025, saw continued success in the academic and professional qualifications achieved by our colleagues, particularly through our apprenticeships.

Total assets

In 2025 we achieved an increase in total assets of 16.76% (2024: 13.00%). This was driven largely by our partnership with Generation Home as part of our strategic focus to help more first-time buyers achieve their goal of home ownership. This allowed us to grow our overall mortgage assets by 25.09% (2024: 10.29%) with our organic mortgage asset growth representing 6% of this total, where we focused on lending in our target markets of self-employed, self-build, expatriates and local borrowers with unique circumstances from first time buyers to multi-generational living.

Our mortgage retention activity has been strong, and although we experienced an increase in overall redemptions, this was largely from borrowers redeeming mortgages following property sales or using surplus funds to repay their mortgages in full.

We advanced 235 (2024: 148) new loans at a total value of £48.14m (2024: £26.22m), of which seven were further advances (2024: ten). Direct business represented 5% (2024: 7%) of organic lending.

The UK housing market in 2026 is expected to remain broadly stable, with modest house price growth supported by the prospect of further interest rate reductions. Market activity is likely to be steady, reflecting cautious but improving sentiment among buyers and sellers.

The Bank base rate reduced by 1.0% over four reductions in 2025. In response, we reduced our Standard Variable Rate in July 2025 and implemented selective reductions across savings products.

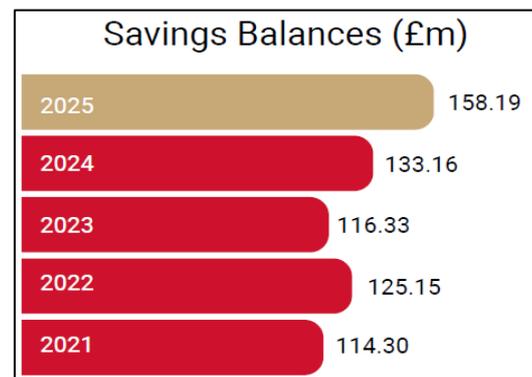
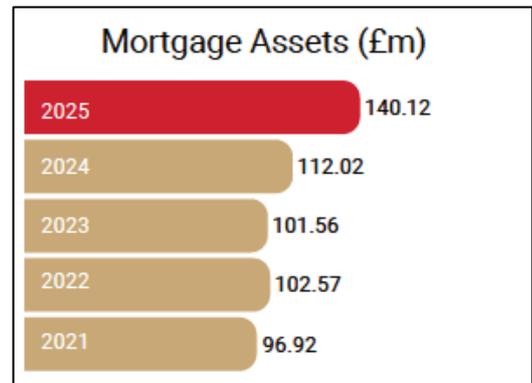
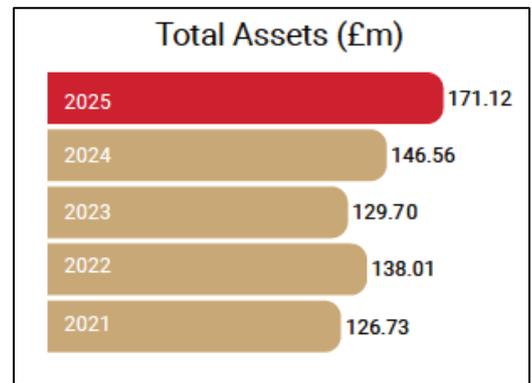
To support the mortgage activity, we grew our savings balances by 17.29% (2024: 14.47%), driven by the expansion of our product offering and increased member reach through our digital savings channel. There was particularly strong take-up of our fixed-term bond products, as members sought to secure attractive interest rates by locking in their savings with us for one or two-year periods.

We will further develop our range of digital products in 2026 while remaining committed to offering a wide range of savings products through our branch, which remains at the heart of our business day to day.

ISA products offering tax-free returns remain highly popular with members. We closely monitor market savings rates and regularly adjust our pricing and product range to ensure we offer good value and competitive choices.

As a result of the growth in mortgages being greater than the growth in savings, our surplus of liquid assets (being cash and treasury investments) was reduced, with our liquidity ratio being 18.65% of total shares and borrowings (2024: 24.71%). We continue to meet all liquidity buffer requirements, even at this lower ratio and being able to convert surplus cash into mortgage assets supports the achievement of our strategic objectives.

	2025 £	2024 £
Administrative expenses before strategic transformation costs	(3,199,545)	(2,910,592)
Depreciation and amortisation	(99,110)	(129,450)
Management expenses excluding strategic transformation and one off items	(3,298,655)	(3,040,042)
Strategic transformation costs	(300,186)	-
Disposal of fixed assets	(32,660)	(213)
Total Management Expenses	(3,631,501)	(3,040,255)



DIRECTORS' REPORT, continued
FOR THE YEAR ENDED 31 DECEMBER 2025

Key Performance Indicators, continued

Total assets, continued

In 2026, a key priority within our mortgage business will be to further support first-time buyers, including expanding our fixed-rate lending offering to terms of up to five years. For savings, we aim to expand our product range both digitally and within our branches to meeting evolving member needs and this will initially include further fixed-rate products in the tax-free range.

Arrears performance

At 31 December 2025, there were eight mortgage accounts in arrears more than three months (2024: four), of which one case was more than twelve months in arrears (2024: one). This case had a total outstanding balance of £167,117 (2024: £587,360) at the year end, with arrears of £24,581 (2024: £39,558). One case (2024: one) had forbearance measures in place at 31 December 2025. We had no properties in possession (2024: none).

We take all reasonable steps to minimise loss by ensuring that our Responsible Lending Policy and detailed lending criteria are consistently reflected in underwriting decisions. These policies and criteria are reviewed and updated regularly to take account of changing economic conditions. We remain vigilant to the financial stresses that may arise for borrowers and recognise that, for some, particularly those on longer-term fixed-rate mortgages the full impact of higher interest rates has yet to materialise. Where borrowers experience financial difficulty, we provide constructive assistance and appropriate forbearance, adopting a personal approach that enables us to develop a clear understanding of individual circumstances and needs, and we tailor our approach where appropriate.

Loan loss provisions have increased during the year to £0.14m (2024: £0.10m) to reflect the growth in exposure to higher loan-to-value (LTV) mortgages. Higher LTV lending carries an increased level of inherent credit risk, and provisioning has been adjusted accordingly to ensure appropriate coverage. This remains consistent with our prudent risk management approach and ongoing assessment of expected credit losses.

Capital

At 31 December 2025, our total capital is £12.68m (2024: £13.08m).

The free capital ratio, defined as the aggregate of general reserves and collective impairment for losses on loans and advances less tangible and intangible assets, decreased to 7.77% of total shares and borrowings (2024: 9.44%). The gross capital ratio, representing general reserves, similarly reduced to 8.02% (2024: 9.82%). The reduction in both ratios reflects our loss-making position in the year, alongside growth in the asset base.

The table summarises the Core Tier 1 Ratio, being Tier 1 Capital (reserves less a deduction for intangible assets) as a percentage of risk weighted assets and the Leverage Ratio, being Tier 1 Capital as a percentage of total assets plus mortgage impairments plus a proportion of mortgage pipeline commitments.

Our capital ratios remain robust and provide a strong foundation to support our transformation programme, while offering resilience against potential adverse economic conditions and future challenges.

To meet regulatory requirements, a risk assessment of our capital policies and procedures (the Internal Capital Adequacy Assessment Process (ICAAP)) is conducted and approved annually by the Board. This allows us to consider our future capital position and confirm that we hold sufficient capital to meet our strategic objectives as we move forward.

Country by Country Reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 place certain reporting obligations on financial institutions that are within the scope of the Capital Reporting Directive IV (CRD IV). The purpose of the regulations is to provide clarity on the source of our income and the location of our operations.

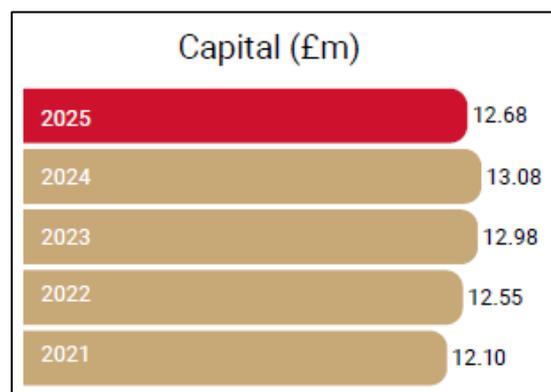
The annual reporting requirements as at 31 December 2025 are included in Note 3 on page 27.

Principal Risks and Uncertainties

We adopt the approach of a low exposure to risk to maintain member confidence and to allow the achievement of our business objectives. There is a formal structure for risk management which includes fully documented control procedures in addition to risk limits, mandates and reporting lines.

We monitor all our Core risk areas through the Board and sub-committee structure. Dashboards for all risk areas are presented at least quarterly to the relevant Risk committee, which include details on the sub-risks and controls for each risk area, and monitoring metrics (where appropriate) to ensure the risks are being managed within the risk appetite set by the Board.

We have summarised our Core risks on the following page.



	2025 £m	2024 £m
Tier 1 capital (after regulatory deductions)	12.63	12.95
Tier 2 capital	0.13	0.09
Total Capital	12.76	13.04
Risk weighted assets:		
Liquid assets	4.37	4.06
Loans and advances	53.77	41.30
Other assets	1.49	1.64
Operational risk	5.76	5.53
Total risk weighted assets	65.39	52.53
Capital ratios:		
Core tier 1	19.32%	24.65%
Leverage	7.03%	8.69%

DIRECTORS' REPORT, continued
FOR THE YEAR ENDED 31 DECEMBER 2025
Principal Risks and Uncertainties, continued

Area of risk	Description
Change	The risk we cannot implement our transformational or business as usual change activity in a safe or controlled manner. We have introduced a formal Change Management Framework to support our transformation journey, which is overseen by a monthly Transformation Steering Committee. All proposed changes must be undertaken using the Framework to ensure we capture all aspects of the change to manage the risk of failure to deliver our change agenda, which is key to achieving our overall strategic objectives.
Conduct	The risk we are not being fair to members in all dealings with them. Our Consumer Duty focus is enhancing our controls in this area, which includes the monitoring of new and existing product development, fair value pricing, service standards, member feedback and complaints, and improvements to processes across our channels to support the delivery of good customer outcomes.
Credit	The risk of a borrower or counterparty not meeting their obligations when they fall due. All mortgage applications are assessed individually under the Responsible Lending Policy and existing mortgages are monitored for impairment indicators. Geographical and broker concentration risks and physical risks for climate change including flood, coastal erosion, subsidence and energy efficiency expectations are part of the Responsible Lending Policy. For counterparty investments, we have credit limits covering exposure to individual counterparties, sectors and countries. Processes are in place to ensure that such limits are not breached and are monitored on a regular basis. Exposures to this risk are set out in Note 28 on page 35.
Cyber	The risk of data or financial loss due to a cyber related event. We invest in our technology infrastructure and controls to limit the exposure to a potential loss due to a cyber-attack. Penetration tests are conducted periodically on our systems and access to the key areas is restricted by both physical and non-physical measures.
Data	The risk of data or financial loss due to a data breach event. We monitor how we control and process data we hold on members, colleagues and other stakeholders, to ensure this is relevant to the processing activity we undertake under the General Data Protection Regulations. Our Data Protection Officer provides oversight in this area.
Fraud and Financial Crime	The risk of financial loss due to a fraudulent transaction or money laundering related activities. Formal processes are in place to identify all members from their initial contact and at other points in their relationship cycle. Ongoing transactions are monitored for unusual activity based on our knowledge of our members and other third-party relationships. Our Money Laundering Reporting Officer provides oversight in this area.
Funding	The risk we are unable to fund our balance sheet. We are a retailer of financial instruments in the form of mortgage and savings products and a user of wholesale financial instruments to invest in liquid assets. Managing how we fund both sides of the balance sheet is a high priority for us and we maintain a Board approved Funding Policy. This is further discussed in the Liquidity Risk section of Note 28 on page 34.
Interest Rate	The risk of loss arising from our exposure to movements in interest rates. We have fixed-rate mortgage and savings products and fixed-rate treasury investments over varying time buckets. This risk is monitored through weekly Flows and Trading meetings for fixed-rate matching and future product pricing decisions. Our interest rate sensitivity at 31 December 2025 is detailed in the Market Risk section of Note 28 on page 34.
Liquidity	The risk we are unable to meet our financial obligations as they fall due. Sufficient liquid resources must be held to ensure that all fluctuations in funding are covered, member confidence is maintained and we can meet calls on funds when they fall due, in line with the Individual Liquidity Adequacy Assessment Process (ILAAP) undertaken annually and our Recovery Plan options.
Model	The risk that we make a financial loss due to decisions principally based on the output of models, due to errors in the development, implementation, or use of such models. We have developed controls to effectively manage the models we have developed to support the delivery of our strategic objectives, both financially and non-financially.
Operational (Technology and Non-Technology)	The risk of financial or reputational loss through inadequate or failed systems, human error or other external factors. We have controls in place, monitored by the Board, with an aim to safeguard members' funds and we periodically review risks and contingency funding strategies through disaster recovery tests. All areas have appropriate Board approved systems of control and policies and adherence to these is monitored through risk management software, with formal attestation processes in place for each operational team. As a small business, we are reliant on key personnel to manage the business day to day. We maintain Blind Handover documents, in line with the Senior Managers and Certification Regime and have a formal succession plan in place for key roles, managed through the Nominations Committee.
Regulatory	The risk that we fail to follow the regulatory requirements across all areas of our business operations, which could lead to a fine or reputational damage. We use various tools, including software, to identify areas of regulatory development and undertake gap analysis to ensure we understand what and how we need to implement any changes identified – this risk links closely to our change risk, noted above.

**DIRECTORS' REPORT, continued
FOR THE YEAR ENDED 31 DECEMBER 2025**

Directors

The following persons were Directors during the year:

Non-Executive Directors

Rod Ashley	Board Chair
Will Lindsay (retired 11 April 2025)	
David Billinge	
Richard Drinkwater	Senior Independent Director
Nikki Marsh	
Fiona Smith (resigned 14 September 2025)	

Executive Directors

Zack Hocking	Chief Executive
Elsbeth James	Chief Financial Officer

None of the Directors had any beneficial interest in any connected undertaking at any time during the year.

We maintain liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986. There are no Directors' indemnities.

Colleagues

The Directors are pleased to record their appreciation to all colleagues for their hard work and loyal service during what has been a challenging year.

The Board encourages the personal development and training of all colleagues to ensure that they have the opportunities to gain sufficient expertise, qualifications, and relevant skills to provide the standard of service required. Wherever appropriate our colleagues attend suitable training courses and seminars to support their personal development.

Land and Buildings

The Head Office premises were valued during 2023 following completion of refurbishment works and as there has been no significant reduction in commercial property prices since that point, we can confirm the Directors' opinion is that the overall market value of the premises has remained above the book value.

Donations

During the year charitable donations totalling £19,532 (2024: £15,459) were made. No contributions were made for political purposes.

Creditor Payment Policy

Our policy is to agree the terms of payment at the commencement of trading with each supplier, to ensure that they are aware of those terms and to abide by them. Where terms of payment have not been agreed we settle the supplier's invoice on being satisfied that the supplier has fully conformed with the terms and conditions of purchase. Creditor days were 10 at 31 December 2025 (2024: 11 days).

Going Concern

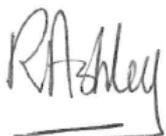
Forecasts of the financial position for the period ending at least twelve months from the date of the signing of these accounts have been prepared. In making this assessment, the risks that could impact on our capital, financial and liquidity positions over that period have been considered and stressed as appropriate.

As we have reported a loss for the year ended 31 December 2025, and we are anticipating a further period of loss making as we move through our core platform replacement project, we are monitoring our capital ratios closely to ensure we remain above the minimum capital buffer requirements. Our forecasts, which extend over a three-year period have focused on meeting our capital requirements as we move through the loss-making period back to profitability within our three-year forecasts.

Additionally, our operational resilience continues to be reviewed and tested, with a key requirement being to maintain a branch service for the local community and to ensure no loss of service to members as a result of risk events arising.

These forecasts and other reviews have satisfied the Directors that we have adequate resources to continue in business for the foreseeable future. For this reason, it is appropriate for the accounts to continue to be prepared on the going concern basis.

Approved and signed on behalf of the Board



Rod Ashley (Chair)
26 February 2026

CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2025

The Board views good corporate governance as an essential part of its responsibility to our members. We have regard to the UK Corporate Governance Code (2024 version) issued by the Financial Reporting Council in developing our policies and procedures as set out below:

Leadership

The Board

The Board provides leadership and strategic direction, ensuring the long-term success of the Society. It sets strategy, agrees policies, and provides oversight of management. Regular reviews of financial performance, risk management and internal controls help ensure that our operations remain robust and well-governed.

Board Composition

The Board consists of two Executive Directors - the Chief Executive (CEO) and Chief Financial Officer (CFO)—and four Non-Executive Directors (NEDs). Executive Directors are responsible for day-to-day management within the parameters established by the Board. Non-Executive Directors play a vital governance role, providing independent challenges, setting objectives, monitoring performance, and determining Executive Directors' remuneration.

The Chair, a Non-Executive Director, is elected annually by the Board to lead and ensure the effective operation of the Board.

Effectiveness

Board Independence

The Board considers all Non-Executive Directors to be independent. The Senior Independent Director is available to members who wish to raise concerns they feel are inappropriate to discuss with Executive Directors or other management.

Our rules state that all Directors submit themselves for election by members within sixteen months of their appointment to the Board. The Directors retire by rotation and not less than one third of those Directors not elected at the last two AGMS shall retire and if eligible stand for re-election, with no Non-Executive Director serving for a period of more than nine years on the Board. Any term above nine years must be fully disclosed in the Annual Report and Accounts.

Board Appointments

When a Board vacancy arises, the CEO prepares a role profile based on the skills, qualifications and experience needed to maintain a balanced and effective Board. This profile is approved by the Nominations Committee, which oversees recruitment of all Directors. The Chair, where possible, is appointed from among the existing Non-Executive Directors.

A formal recruitment process is employed which may include the use of an external recruitment agency alongside our own advertisements for all Directors, including the role of Chair where no internal candidate is identified.

The Board recognises that diversity and inclusion play a vital role in shaping a strong organisational culture and directly supports our ability to attract and retain high-quality Directors. We remain committed to seeking a broad range of qualities, education, skills and behaviours when recruiting to the Board. To support the assessment of skills and competencies, all Board members contribute to a comprehensive skills matrix, which provides a clear and holistic view of the Board's collective capabilities and experience. This ensures effective succession planning and helps identify any gaps or development needs. The skills matrix also informs future recruitment, enabling us to strengthen the Board by encouraging a wide range of perspectives, backgrounds and values. All candidates are treated with respect and inclusivity, regardless of gender or background.

Board appointments are notified to our Regulators. Where an Executive Director or an Approved Non-Executive Director is appointed, this must be formally approved by the Regulator under the Senior Managers and Certification Regime and may include a personal interview with the Prudential Regulation Authority, or Financial Conduct Authority or both.

Performance Evaluation

A formal annual evaluation process assesses the effectiveness of individual Directors, the Chair and the Board as a whole.

The appraisal of the Board Chair is conducted by the CEO and the Audit, Risk and Compliance Committee (ARCC) Chair. The Board Chair's appraisal includes a review of how they lead the Board, promote a culture of openness and debate, ensure all Directors contribute to discussions and that they receive accurate, timely and clear information to allow them to discharge their Board responsibilities.

Other Non-Executive Directors' appraisals are conducted by the CEO and Board Chair. These appraisals review attendance at meetings and external events, knowledge, contribution and performance at meetings, and challenge to the Executive team.

The annual appraisal of the CEO is conducted by the Board and Senior Independent Director, and appraisal of the CFO is conducted by the CEO.

The effectiveness of the Board as a whole and its committees is considered annually by the Board. This includes a review of terms of reference for the Board and all committees and confirmation that information, training, time and resources have been made available to all Board or committee members to allow them to participate in the relevant meetings.

Accountability

Our Risk Management Framework identifies, assesses and manages risks through structured controls linked to day-to-day operations. The Board has delegated responsibility to ARCC for the oversight and challenge of this process, review of the risk policies and assessment of how internal and external factors impact delivery of our strategic objectives. Responsibility for managing internal control is delegated to the Executive and senior management. Internal Audit is outsourced and provides independent assurance to the Board, via ARCC, that these controls are adequate and effective.

**CORPORATE GOVERNANCE REPORT, continued
 FOR THE YEAR ENDED 31 DECEMBER 2025**

Fitness and Propriety

All Directors must meet the fitness and propriety standards required under the Senior Managers and Certification Regime and confirm compliance annually. All Directors are provided with clear, timely and accurate information to enable them to fulfil their duties and responsibilities, have access to the advice of the Secretary and can take independent advice at our expense if required.

Our Non-Executive Directors devote considerable time to their role. In addition to attendance at Board Meetings, there must be a commitment to develop skills and knowledge from both internal and external sources to enable them to fulfil their duties and responsibilities. They are encouraged to attend training courses, seminars and other events to maintain up to date knowledge of the matters affecting us and our sector. New Directors go through a formal induction process.

Strategic Direction

The Board holds an annual Strategy Event to review current and emerging strategic priorities. An annual Corporate Plan evolves from this, setting out our strategic objectives, which are then delivered by the Executive and senior management. Process of the strategic objectives is reported to the Board and ARCC for review and challenge throughout the year.

Culture

We value the input of colleagues and key third parties in shaping our strategic direction. To facilitate this, we annually review the cultural behaviour of the Board and all colleagues through surveys, considering the alignment of business performance and behaviours. We also meet with our critical third parties to understand how they can help support our strategic goals. The results are used to define future strategic objectives, particularly around people and culture.

The Executive hold a Business Briefing for all colleagues on a regular basis to update on strategic progress, financial performance and key areas of Board focus. Non-Executive Directors join the Briefings periodically to allow additional colleague engagement.

At least quarterly, Board meetings are held in person at the Head Office to allow the Non-Executive Directors to engage directly with colleagues.

We have a Non-Executive Director Whistleblowing champion, allowing colleagues to raise concerns in confidence and anonymously. Whistleblowing reports are provided to Board to ensure any matters raised are followed up and formally investigated as appropriate.

Relationship with Members

Engagement with members remains a core priority. The branch is our main face to face option for local members, and we speak to many other members by telephone. We recognise that many of our members are now outside of our local area and therefore we increased our engagement in digital channels, including through our website and social media.

We use the Annual General Meeting (AGM) as an opportunity for direct engagement. All voting members are able to receive a copy of our Annual Review covering community engagement and other activity we have undertaken during the year, in addition to our financial information.

Feedback via questionnaires remains our main source of insight to member views and we were delighted to have more than 400 members respond to the survey we undertook in September. We have set service level standards for responding to any member queries at 24-hours, which we monitor and report on internally. We encourage all members to contact us if they have any concerns or views, positive or negative, at any time, to allow us to support our members as best we can.

Board and Committee Meetings

The Board meets at least twice each quarter, with additional meetings scheduled as necessary.

The Board have delegated responsibility to committees to allow it to discharge its responsibilities. The composition and purpose of each of these committees is summarised below for the year ended 31 December 2025. Full terms of reference exist for each and can be provided on request.

Committee	Members	Purpose
Audit, Risk and Compliance (ARCC)	David Billinge (Chair) Richard Drinkwater Nikki Marsh By invitation: Rod Ashley Executive Team External Audit Internal Audit Internal Compliance	<ul style="list-style-type: none"> To ensure compliance with all regulatory and prudential requirements. To review internal controls and management systems against the risk management environment. To take responsibility for the review of the effectiveness of the internal compliance and audit functions and approval of their annual review plans. To monitor the External Auditor’s independence, objectivity and effectiveness. Members of ARCC should have accountancy and audit experience, through the sector or other roles and bring recent relevant financial experience. The ARCC Report for 2025 is on pages 11 and 12.
Nominations (NomCo)	Richard Drinkwater (Chair) Rod Ashley Zack Hocking	<ul style="list-style-type: none"> To make recommendations on appointments to Board, including the annual review of the Succession Plan, ensuring that the Board has sufficient Directors with appropriate skill sets, who are fit and proper and independent. To consider diversity and inclusivity, and how this relates to strategy, Board and colleagues. The matters under the heading of Board Appointments and Performance Evaluation, on page 8, are also overseen by the Nominations Committee.

**CORPORATE GOVERNANCE REPORT, continued
 FOR THE YEAR ENDED 31 DECEMBER 2025**

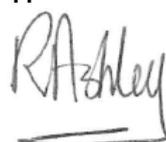
Committee	Members	Purpose
Remuneration (RemCo)	Nikki Marsh (Chair) Other Non-Executive Directors By invitation: Executive Directors	<ul style="list-style-type: none"> To set the Remuneration Policy for Executive Directors and to agree annual pay increase percentages and bonus provisions for the wider colleague base. To confirm Non-Executive Directors' Fees based on recommendations from the Executive Directors. To set all other benefits and matters relevant to the Executive Directors including contracts of employment. The Directors' Remuneration Report for 2025 is on page 13.
Executive Risk (ERC)	Elspeth James (Chair) Zack Hocking Other Executives Risk Manager By invitation: David Billinge (Risk Champion)	<ul style="list-style-type: none"> To provide oversight of the key risks (as set out on page 6), and to ensure that these are being managed effectively. To monitor the activities of the sub-risk committees, which consider these key risks and their associated monitoring metrics in more detail. To provide assurance to ARCC that all risks are being appropriately controlled and actioned and to report on any risk areas where additional focus and reviews may be required. The Risk Champion is encouraged to attend these meetings at least quarterly.
Assets & Liabilities (ALCO)	Zack Hocking (Chair) Elspeth James Other Executives Financial & Treasury Managers By invitation: Non-Executive Directors	<ul style="list-style-type: none"> To monitor liquidity, funding, interest rate and counterparty treasury risks. To undertake balance sheet management activities. To agree product pricing for savings and mortgages against the market and to propose these to Board when outside of strategic limits set. To consider forward looking economic data and how our cash flow forecasts and budget projections respond and adapt to market conditions. Non-Executive Directors are individually encouraged to attend at least one ALCO per year.

Attendance at these committees is summarised as follows for 2025:

	<u>Board</u>	<u>NomCo</u>	<u>RemCo</u>	<u>ARCC</u>	<u>ERC</u>	<u>ALCO</u>
Number of meetings	9	4	2	5	11	11
Rod Ashley	9 (9)	4 (4)	2 (2)	1 (1*)	-	-
David Billinge	9 (9)	-	2 (2)	5 (5)	3* (4*)	1* (1*)
Nikki Marsh	9 (9)	-	2 (2)	4/1* (4/1*)	-	2* (2*)
Richard Drinkwater	8 (9)	4 (4)	2 (2)	4 (5)	-	1* (1*)
Will Lindsay	2 (2)	-	-	-	-	-
Fiona Smith	6 (6)	-	-	2/1* (3/1*)	-	1* (1*)
Zack Hocking	9 (9)	4 (4)	2* (2*)	5* (5*)	11 (11)	11 (11)
Elspeth James	9 (9)	-	2* (2*)	5* (5*)	11 (11)	11 (11)

() denote number of meetings an individual was eligible to attend and * denotes the individual attended a meeting by invitation only.

Approved and signed on behalf of the Board



Rod Ashley (Chair)
 26 February 2026

AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT FOR THE YEAR ENDED 31 DECEMBER 2025

The Audit, Risk and Compliance Committee (ARCC) plays a central role in our governance framework. The Board delegates to the ARCC oversight of financial reporting, internal controls, risk management, and both internal and external audit activities. This report summarises the ARCC's work and how it has fulfilled its responsibilities during the year.

The ARCC's remit aligns with the Financial Reporting Council's (FRC) Guidance on Audit Committees. Its key responsibilities include ongoing review and assessment of:

- The integrity of the Annual Report and Accounts, including financial performance and significant accounting judgements.
- The effectiveness of internal control systems.
- The internal and external audit processes.
- The appointment, reappointment, removal, and performance of both the internal and external auditors, including assessment of independence.
- The policy governing non-audit work undertaken by the external auditor.

Following each meeting, minutes are shared with the Board, and the ARCC Chair provides a summary of key matters discussed at the next Board meeting.

The composition of the ARCC is outlined on page 9. The Executive and senior management attend the meeting by invitation. Representatives of internal audit, and external audit, are also invited to each meeting. At least twice a year, ARCC has a discussion with the external and internal auditors and internal compliance without management being present.

Key areas reviewed

Financial Reporting

ARCC review and assess, with the Executive and external audit, the integrity and appropriateness of the Annual Report and Accounts. Areas of focus included:

- The quality and acceptability of accounting policies and practices.
- Clarity of disclosures and compliance with financial and governance reporting requirements, including whether the Annual Report and Accounts are fair, balanced and understandable.
- Significant areas of judgement, specifically:
 - Loan loss provisions: Assessment of assumptions relating to timing, valuation, House Price Index impacts, forced sale discounts, selling costs and broader UK economic risks.
 - Interest income recognition: Evaluation of the design and effectiveness of controls over interest income calculations, fee and commission timing, and behavioural life assumptions used in effective interest rate methodologies.
 - Going concern: Review of financial forecasts, capital adequacy, and stress testing against the Corporate Plan, including sensitivity to market conditions.

ARCC considers whether the Annual Report and Accounts are fair, balanced and understandable by satisfying itself that there was a robust process of review and challenge to ensure balance and consistency.

The ARCC fully discharged its responsibilities in relation to financial reporting of the Annual Report and Accounts for 2025.

Internal Audit

ARCC oversees the internal audit function and ensures its resource and effectiveness. We outsource internal audit to ensure scalability and access to specialist skills to support our strategic objectives.

PwC have provided us with internal audit services for over 10 years. In 2025 we re-tendered for internal audit services and appointed BDO, who will commence in role from January 2026.

During the year, PwC completed its planned programme of work, including reviews of:

- Financial Crime
- Operations (focused on online activity and post completion mortgages)
- Recovery and Resolution planning (including Solvent Exit Analysis)
- Change Management Governance
- Matched Approach Progress

ARCC reviewed findings, thematic issues, management responses, and the tracking of resulting actions. PwC operates under an Internal Audit Charter, and the Committee is satisfied that it has the appropriate skills and resources to fulfil its role.

ARCC considers the guidance from the Chartered Institute of Internal Auditors entitled 'Effective Internal Audit in the Financial Services Sector' when ensuring that the internal auditors and the ARCC are fulfilling their obligations in a robust manner.

Internal audit fees for the year were approved following detailed review of the scope of work.

**AUDIT, RISK AND COMPLIANCE COMMITTEE REPORT, continued
FOR THE YEAR ENDED 31 DECEMBER 2025**

Systems of Internal Controls

The Board acknowledges the importance of robust internal controls in safeguarding assets, supporting operational efficiency, ensuring reliable reporting, and maintaining regulatory compliance.

Given the evolving risk environment, the internal control framework is designed to ensure regular assessment of risk and our ability to respond effectively. Management is responsible for implementing the Board's policies on risk and control, and all colleagues are accountable for operating within the framework. Induction and training reinforce these responsibilities.

ARCC reviewed internal control effectiveness through reports from management, internal audit, and external audit. Areas reviewed included:

- Conduct and prudential issues.
- Internal audit plans
- External auditor control reports, which identified no material weaknesses.
- Tracking and resolution of control issues, which remained within acceptable parameters.

Based on the information received, ARCC is satisfied that there were no material breaches of control or regulatory standards in 2025 and that we maintained an adequate internal control framework.

External Audit

Forvis Mazars LLP serves as external auditor.

The effectiveness of the external audit process is dependent on appropriate audit risk identification and at the start of the audit cycle ARCC receives a detailed external audit plan, identifying the assessment of the key risks.

An annual private meeting between the ARCC and external audit provide opportunities for open discussion regarding audit risks, management responsiveness, scope limitations and auditor independence.

Audit and non-audit fees for 2025 were approved following evaluation of the level and nature of work required.

ARCC considers the reappointment of the external auditor, including rotation of the audit partner, each year and assesses its independence on an ongoing basis. The external auditor is required to rotate the audit partner responsible for the audit at least every five years.

We are retendering for our external audit service at this time and will appoint our external auditors at the AGM in April 2026.

ARCC Effectiveness

The ARCC undertook a self-assessment of its effectiveness and reviewed its Terms of Reference, which were confirmed as fit for purpose.

Approved and signed on behalf of the ARCC



**David Billinge (ARCC Chair)
26 February 2026**

**DIRECTORS' REMUNERATION REPORT
FOR THE YEAR ENDED 31 DECEMBER 2025**

The Remuneration Policy is to reward Directors through salary and fees according to their skills, expertise, experience and overall contribution, considering salary and fee levels in comparable organisations. The Remuneration Policy follows the Remuneration Part of the PRA Rulebook, which sets out the standards and policies that we are required to meet when setting pay for Directors. We do not have bonus or share option schemes and therefore no element of variable remuneration. In addition, due to our size, we do not have any material risk takers who meet the proportionality thresholds set out in the PRA Rulebook and therefore no separate additional disclosures are required.

The Board will include an advisory resolution on the Directors' Remuneration Report at the forthcoming Annual General Meeting.

Non-Executive Directors

The remuneration of all Non-Executive Directors is fee based and is reviewed annually by the Board. They do not participate in any performance pay scheme, pension arrangements or other benefits and do not have service contracts.

The Chair receives higher fees than other Non-Executive Directors in recognition of the additional workload and responsibilities incumbent on that position.

Executive Directors

Our policy is to set remuneration at levels sufficient to attract and retain Executive Directors of sufficient calibre and expertise.

Executive Directors' remuneration comprises basic salary, discretionary bonus and pension benefits, the latter is based on a fixed percentage of salary. Their remuneration level and structure are considered by the Remuneration Committee which meets at least twice a year, with reference to role scope and responsibilities, the performance of the individual and salaries in similar organisations.

Additionally, the Remuneration Committee considers the achievement of the strategic objectives within the Corporate Plan and the ongoing delivery of the longer-term strategy when considering any increases to Executive Directors' salaries.

There are no incentive schemes in place for the Executive Directors. The Remuneration Committee has the discretion to add a bonus payment to the remuneration of the Executive Directors annually if they feel there are aspects of their performance that would support an additional reward. This is aligned with the approach taken for all colleagues and is as a result of the appraisal process completed each year when achievement of objectives, aligned to the strategic goals, are reviewed.

We do not have a defined benefit final salary pension scheme. We make contributions to the private pension arrangements of the Executive Directors, the contributions being the same percentage of salary for all colleagues.

The CEO's and CFO's contracts of employment require a 6 month notice period.

Remuneration detail is set out in Note 9 on page 28.

Approved and signed on behalf of the Remuneration Committee



Nikki Marsh (Director)
26 February 2026

**DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ANNUAL REPORT, THE ANNUAL BUSINESS STATEMENT,
THE DIRECTORS' REPORT AND THE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2025**

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

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

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

In preparing these Annual Accounts, the Directors are required to:

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

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

Directors' responsibilities for accounting records and internal controls

The Directors are responsible for ensuring that the Group and Society:

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

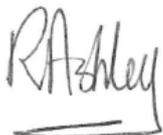
The Directors are responsible for such internal controls as they determine are necessary to enable the preparation of Annual Accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard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

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

The Directors who held office at the date of approval of this Directors' report confirm that:

- so far as they are each aware, there is no relevant audit information of which the external auditor is unaware; and
- each Director has taken all the steps that should be taken by a Director in order to be aware of any relevant audit information and to establish that the external auditor is aware of that information.

Approved and signed on behalf of the Board



Rod Ashley (Chair)
26 February 2026

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENRITH BUILDING SOCIETY

Opinion

We have audited the annual accounts of Penrith Building Society (the 'Society') and its subsidiary (the 'Group') for the year ended 31 December 2025 which comprise the Group and Society's Income Statement (including Statement of Comprehensive Income), the Group and Society's Statement of Financial Position, the Group and Society's cash flow statement, the Group and Society's Statement of Changes in Members' Interest and notes to the annual accounts, including a summary of significant accounting policies.

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

In our opinion, the annual accounts:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group and Society's ability to continue as a going concern;
- Assessment of Group's and Society's capital adequacy and leverage ratios, liquidity indicators, liquid asset buffer, Society's funding structure and funding plan and customer behaviour;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Group and Society's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included assessing the Society's latest ICAAP (Internal Capital Adequacy Assessment Process), ILAAP (Internal Liquidity Adequacy Assessment Process) and its reverse stress testing;
- Reviewing regulatory correspondence and committee and board meeting minutes to identify events or conditions that may impact the Group and Society's ability to continue as a going concern;
- Performing a sensitivity analysis by incorporating various stress scenarios to assess the impact on the capital and liquidity position of the Group and Society;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Assessing and challenging key assumptions and mitigating actions put in place in response to various economic scenarios as well as considering the impact of the Group and Society's planned IT transformation project;
- Considering the consistency of the directors' forecasts with other areas of the annual accounts and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the annual accounts on going concern.

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

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

Key audit matters

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENRITH BUILDING SOCIETY, continued
Key audit matters, continued

Key Audit Matter	How our scope addressed this matter
<p>Credit risk – Impairment of loans and advances to customers Group and Society: £141,000 (2024: £100,000) Refer to note 1.8(a), for the associated accounting policy, note 2.1 for management's accounting estimates and judgements in applying the accounting policy, and note 16 of the annual accounts. The Group and Society hold £140m (2024: £112m) of loans and advances to customers against which an impairment provision of £141k (2024: £100k) is held at the year end. Credit risk is an inherently judgement area due to the use of subjective assumptions and high degree of estimation in arriving at the year-end provisions. The total impairment provision of the Group and Society consists of individual provisions on loans with default indicators and a collective provision on the performing portfolio.</p> <p>Collective impairment The Group and Society has very limited actual loss experience on which to base its impairment assessment on the loan portfolio, resulting in management judgement being required in deriving assumptions to be applied in the assessment. Within the year there has also been the introduction of loans from the Society's Generation Home portfolio. The collective impairment is derived from a model that uses the data from an external credit rating agency, applying judgement where data is not available. The collective impairment assessment is most sensitive to movements in the forced sales discounts (FSD).</p> <p>Individual impairment In calculating the individual provision, management applies judgement in identifying loans that require individual impairment assessments and in estimating the recoverable amount from underlying collateral. Loans are assessed for individual impairment by the directors where the loan is in arrears by at least three months, or collateral has been repossessed by the Group and Society.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> • Evaluating the design and implementation and testing the operating effectiveness of the key controls operating at the Society in relation to the credit processes (loan origination and approval, loan redemptions, loan retentions and arrears monitoring); • Evaluating the control over the review of assumptions by the Audit committee; • Testing the completeness and accuracy of loans that are subject to individual provision including recalculating the provision charge; • Assessing the relevance and accuracy of external data used in the provisioning model (House Price Index (HPI)) based on our understanding of the Society's portfolio; • Comparing the Society's key assumptions (Probability of Default (PD) and Forced Sale Discount) with Society's internal empirical data as well as external data from lenders and loan portfolios with similar characteristics to critically assess the reasonableness and relevance of the assumptions applied; • Testing the integrity of the spreadsheet model used to calculate the impairment provision. This includes testing of input data (HPI, PD, FSD) used in the model; • Tested all inputs from the Generation Home loan book to challenge their accuracy; • Developing an auditor's range of the collective provision using reasonable alternative assumptions relevant to the Society's portfolio; • Engaging our internal property valuation expert to challenge the reasonableness of valuations for a selection of properties held as collateral; • Testing the completeness and accuracy of loans that are subject to Mortgage Indemnity Guarantee (MIG) cover and obtaining evidence of MIG cover; • Assessed the impact that using a time to sell assumption would have on the impairment provision; and • Assessing the adequacy of the Group and Society's disclosures in relation to the degree of estimation uncertainty involved in arriving at the provision for impairment losses on loans and advances to customers in the annual accounts. <p>Our observations Based on the procedures performed, we found the allowance for impairment losses on loans and advances to customers to be reasonable in compliance with the requirements of FRS 102.</p>

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENRITH BUILDING SOCIETY, continued
Our application of materiality and an overview of the scope of our audit

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

Overall materiality	Overall materiality Group: £126k (2024: £131k) Society: £126k (2024: £131k)
How we determined it	1% net assets (2024: 1% net assets)
Rationale for benchmark applied	We consider that net assets is the most appropriate benchmark to use for the Group and Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximisation. Further, net assets as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where net reserves is an approximation of regulatory capital resources.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the annual accounts exceeds materiality for the annual accounts as a whole. Performance materiality of £88k (Group) and £88k (Society) (2024: £91k) was applied in the audit based on 70% (2024: 70%) of overall materiality. In determining performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount towards the upper end of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £3k (both Group and Society) (2024: £4k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Our Group audit scope included an audit of the Group's and the Society's annual accounts. Based on our risk assessment, the group audit team undertook a full scope audit of all components of the Group, including the Society.

	2025	2024
Number of reporting entities subject to full audit scope	2	2
% of Group net interest income	100%	100%
% of Group profit before tax from continuing operations	100%	100%
% of Group total assets	100%	100%

At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENRITH BUILDING SOCIETY, continued

Opinions on the Annual Business Statement and the Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 14, the Directors are responsible for the preparation of the annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Annual Accounts

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

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

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

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

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

- Gaining an understanding of the legal and regulatory framework applicable to the Group and Society, the industry in which they operate, and considering the risk of acts the Society which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Group and Society is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations
- Inspecting correspondence with relevant licensing or regulatory authorities, including the PRA and the FCA;
- Attending a bilateral meeting with the PRA;
- Reviewing minutes of directors' meeting in the year;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience and through discussions with directors, management, and those charged with governance, from inspection of the Society's regulatory and legal correspondence, and review of minutes of Board of Directors, Risk Committee, and Audit and Compliance Committee.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PENRITH BUILDING SOCIETY, continued

Auditor's responsibilities for the audit of the Annual Accounts, continued

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

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loan loss provisions, and performing the procedures described in the "Key audit matters" section of our report.

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

The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

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

Other matters which we are required to address

Following the recommendation of the ARCC, we were appointed by the Directors on 19 November 2019 to audit the Annual Accounts for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2019 to 31 December 2025.

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

Our audit opinion is consistent with our additional report to the ARCC

Use of the audit report

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



Michael Davidson (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor

3 Wellington Place
Leeds
LS1 4AP

26 February 2026

**INCOME STATEMENT (INCLUDING STATEMENT OF COMPREHENSIVE INCOME)
 FOR THE YEAR ENDED 31 DECEMBER 2025**

		Group 2025	Group 2024	Society 2025	Society 2024
	Notes	£	£	£	£
Interest receivable and similar income	4	8,354,774	7,793,034	8,354,774	7,793,034
Interest payable and similar charges	5	(5,193,111)	(4,762,146)	(5,193,111)	(4,762,146)
Net interest receivable		3,161,663	3,030,888	3,161,663	3,030,888
Fees and commissions receivable		31,634	38,203	27,343	32,917
Fees and commissions payable		(42,307)	(17,015)	(42,307)	(17,015)
Fair value adjustment on investment properties	20	40,400	-	40,400	-
Gain on sale of investment		-	10,432	-	10,432
Other operating income	6	6,515	6,787	6,515	6,787
Total net income		3,197,905	3,069,295	3,193,614	3,064,009
Administrative expenses	8	(3,499,731)	(2,910,592)	(3,493,944)	(2,905,006)
Depreciation and amortisation	18/19	(99,110)	(129,450)	(99,110)	(129,450)
Disposal of fixed assets	18/19	(32,660)	(213)	(32,660)	(213)
Operating (loss)/ profit before impairment losses and provisions		(433,596)	29,040	(432,100)	29,340
Impairment losses on loans and advances	16	(41,000)	94,000	(41,000)	94,000
(Loss)/profit on ordinary activities before tax		(474,596)	123,040	(473,100)	123,340
Tax on loss/ (profit) on ordinary activities	11	75,905	(28,810)	75,905	(28,810)
(Loss)/profit for the financial year		(398,691)	94,230	(397,195)	94,530

(Loss)/Profit for the financial year arises from continuing operations and is attributable to members.

The notes on pages 23 to 36 form part of these accounts.

**STATEMENT OF FINANCIAL POSITION
 AT 31 DECEMBER 2025**

	Notes	Group 2025 £	Group 2024 £	Society 2025 £	Society 2024 £
Assets					
Liquid assets:					
Cash in hand	12	31,994	34,624	31,994	34,624
Treasury bills	13	14,370,667	17,808,764	14,370,667	17,808,764
Loans and advances to credit institutions	14	13,092,866	11,998,266	13,039,767	11,942,858
Debt securities	13	2,012,897	3,064,752	2,012,897	3,064,752
		<u>29,508,424</u>	<u>32,906,406</u>	<u>29,455,325</u>	<u>32,850,998</u>
Loans and advances to customers					
Loans fully secured on residential properties		139,970,233	111,816,361	139,970,233	111,816,361
Loans fully secured on land		153,336	201,496	153,336	201,496
	15	<u>140,123,569</u>	<u>112,017,857</u>	<u>140,123,569</u>	<u>112,017,857</u>
Investment in subsidiary	17	-	-	102	102
Tangible fixed assets	18	527,884	528,390	527,884	528,390
Intangible fixed assets	19	-	78,109	-	78,109
Investment properties	20	270,000	229,600	270,000	229,600
Prepayments and accrued income	21	688,327	801,396	687,277	801,246
Total assets		<u>171,118,204</u>	<u>146,561,758</u>	<u>171,064,157</u>	<u>146,506,302</u>
Liabilities					
Shares	22	153,522,138	130,401,100	153,522,138	130,401,100
Amounts owed to credit institutions	23	1,001,884	-	1,001,884	-
Amounts owed to other customers	24	3,665,413	2,759,806	3,665,413	2,759,806
		<u>158,189,435</u>	<u>133,160,906</u>	<u>158,189,435</u>	<u>133,160,906</u>
Other liabilities	25	-	16,500	-	16,500
Accruals and deferred income		249,170	246,854	243,246	241,017
Deferred tax liability	26	-	59,208	-	59,208
Total liabilities		<u>158,438,605</u>	<u>133,483,468</u>	<u>158,432,681</u>	<u>133,477,631</u>
Reserves					
Total reserves attributed to our members		12,679,599	13,078,290	12,631,476	13,028,671
Total reserves and liabilities		<u>171,118,204</u>	<u>146,561,758</u>	<u>171,064,157</u>	<u>146,506,302</u>

Approved by the Board of Directors and signed on its behalf by:



Rod Ashley (Chair)

26 February 2026

The notes on page 23 to 36 form part of these accounts

**CASH FLOW STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2025**

	Notes	Group 2025 £	Group 2024 £	Society 2025 £	Society 2024 £
Cash flows from operating activities					
(Loss)/profit on ordinary activities before tax		(474,596)	123,040	(473,100)	123,340
Adjustment to fair value of investment properties	20	(40,400)	-	(40,400)	-
Depreciation and amortisation	18/19	99,110	129,450	99,110	129,450
Disposal of tangible and intangible fixed assets	18	32,660	213	32,660	213
Gain on disposal of investment		-	(10,432)	-	(10,432)
Increase/(decrease) in impairment of loans and advances	16	41,000	(94,000)	41,000	(94,000)
Movement in accrued interest on debt securities	13	66,867	(32,315)	66,867	(32,315)
		(275,359)	115,956	(273,863)	116,256
Changes in operating assets and liabilities					
Decrease/(increase) in prepayments, accrued income and other assets	21	113,069	(257,960)	113,969	(258,701)
Increase in accruals, deferred income and other liabilities		18,694	51,446	18,607	52,412
Increase in loans and advances to customers	15	(28,146,712)	(10,359,650)	(28,146,712)	(10,359,650)
Increase in shares	22	23,121,038	17,612,364	23,121,038	17,612,364
Increase/(decrease) in amounts owed to credit institutions and other customers	23/24	1,907,491	(786,371)	1,907,491	(786,371)
(Decrease)/increase in loans and advances to credit institutions		(1,519,001)	578,688	(1,519,001)	578,688
Taxation paid	11	(16,181)	(141,315)	(16,181)	(139,650)
Net cash (outflow)/inflow from operating activities		(4,796,961)	6,813,158	(4,794,652)	6,815,348
Cash flows from investing activities					
Purchase of debt securities	13	(39,311,753)	(33,324,213)	(39,311,753)	(33,324,213)
Disposal of debt securities	13	43,734,838	27,385,221	43,734,838	27,385,221
Purchase of tangible and intangible fixed assets	18/19	(53,155)	(92,350)	(53,155)	(92,350)
Disposal of investment		-	155,365	-	155,365
Net cash used in investing activities		4,369,930	(5,875,977)	4,369,930	(5,875,977)
Net (decrease)/ increase in cash and cash equivalents		(427,031)	937,181	(424,722)	939,371
Cash and cash equivalents at the start of the year	12	8,004,384	7,067,203	7,948,976	7,009,605
Cash and cash equivalents at the end of the year	12	7,577,353	8,004,384	7,524,254	7,948,976

**STATEMENT OF CHANGE IN MEMBERS' INTERESTS
 FOR THE YEAR ENDED 31 DECEMBER 2025**
General reserves

	Group 2025 £	Group 2024 £	Society 2025 £	Society 2024 £
Balance as at 1 January	13,078,290	12,984,060	13,028,671	12,934,141
Total comprehensive (loss)/income for the year	(398,691)	94,230	(397,195)	94,530
Balance as at 31 December	12,679,599	13,078,290	12,631,476	13,028,671

The notes on page 23 to 36 form part of these accounts.

NOTES TO THE ACCOUNTS

1. Principal accounting policies

1.1. Basis of preparation

We have prepared the Annual Accounts, comprising the individual accounts of the Society and consolidated accounts for the Group, in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 ('the accounts regulations') and Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) as issued in January 2022.

In preparing the Annual Accounts under FRS 102, the use of certain critical account estimates and judgments has been required. The areas involving a higher degree of judgement or areas where assumptions and estimates are significant to the Annual Accounts are set out in Note 2, on page 26.

1.2. Basis of accounting

The Annual Accounts have been prepared under the historical cost convention. This is except for Investment Properties, which are measured at fair value.

The Annual Accounts have been prepared on a going concern basis. This is discussed in the Directors' Report on page 7, under the heading 'Going Concern'.

The presentation currency of the Annual Accounts is in sterling, and all amounts have been rounded to the nearest pound.

1.3. Basis of consolidation

The Group accounts consolidate the accounts of the Society and its subsidiary undertaking and exclude any profits or losses on intra group transactions. These accounts are made up to 31 December 2025. Unless otherwise stated, the acquisition method of accounting has been adopted. In the Society's accounts, investments in subsidiary undertakings are stated at the lower of cost and recoverable amount. Uniform accounting policies are applied throughout the Group.

1.4. Interest income and expense

Interest income and interest expense for all interest-bearing financial instruments are recognised in 'interest receivable and similar income' or 'interest payable and similar charges' using the effective interest rates of the financial assets or financial liabilities to which they relate. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instrument, to the net carrying amount of the financial asset or liability.

Fees receivable and payable on mortgage assets are generally recognised when all contractual obligations have been fulfilled and are spread over the expected life of the mortgage, as part of the effective interest rate method outlined in 1.6 below.

Interest on impaired financial assets is recognised at the original effective interest rate of the financial asset applied to the carrying amount as reduced by an allowance for impairment.

1.5. Fees and commissions

Fees and commissions receivable and payable 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 (see 1.6). Other fees and commission, including account servicing fees, sales commission and other fees are recognised as the related services are performed.

1.6. Financial assets

In accordance with FRS 102 (sections 11 and 12), we initially recognise loans and advances, deposits and debt securities on the date on which they originated. All other financial instruments are recognised on the trade date, being the date on which we became a party to the contractual provision of the instrument.

a) Loans and Advances

The loans and advances to customers are classified as loans and advances. Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

We measure our loans and advances at amortised cost less impairment provisions. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

The initial value may, if applicable, include certain fees such as application, product, legal, valuation or higher lending charges, which are recognised over the expected scheme life of mortgage assets, as noted in 1.4 above.

Discounted rates on mortgages are recognised over the expected scheme life of mortgage assets and for certain schemes, will form part of the effective interest rate model.

Throughout the year and at each year end, the mortgage life assumptions for each scheme are reviewed for appropriateness.

Any changes to the expected life assumptions of the mortgage assets are recognised through interest receivable and similar income and reflected in the carrying value of the mortgage assets in loans and advances to customers.

b) Debt instruments

Debt instruments, being debt securities (certificates of deposits, treasury bills and gilts), are non-derivative assets with fixed or determinable payments and fixed maturity that we have the positive intent and ability to hold to maturity, and which are not designated as at fair value through the income statement.

Debt instruments are carried at amortised cost using the effective interest rate method (see above), less any impairment losses.

We derecognise a financial asset when its contractual rights to a cash flow are discharged or cancelled or expire or substantially all the risk and rewards of ownership have been transferred.

NOTES TO THE ACCOUNTS, continued

1. Principal accounting policies, continued

1.7 Financial liabilities measured at amortised costs

In accordance with FRS 102 (sections 11 and 12), we classify financial liabilities as measured at amortised cost.

We derecognise a financial liability when its contractual obligations are discharged or cancelled or expire.

1.8. Impairment of financial assets

a) Assets carried at amortised cost

A financial asset or group of financial assets are 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.

Throughout the year and at each year end individual assessments are made of all loans and advances against land and properties which are in possession or in arrears by three months or more and/or are subject to forbearance activities. Individual impairment provisions are made against those loans and advances where there is objective evidence of impairment.

Objective evidence of impairment may include:

- Significant financial difficulty of the borrower/issuer.
- Deterioration in payment status.
- Renegotiation of the terms of an asset due to financial difficulty of the borrower or issuer, including granting a concession/forbearance to the borrower or issuer.
- Becoming probable that the borrower or issuer will enter bankruptcy or other financial reorganisation; and
- Any other information discovered during regular review suggesting that a loss is likely in the short to medium term.

We consider evidence of impairment for assets carried at amortised cost at both an individual asset and a collective level. Those found not to be individually impaired are then collectively assessed for any impairment that has been incurred but not yet identified by grouping together loans and advances and held to maturity investments with similar risk characteristics.

In assessing collective impairment, we use external market data to build a risk weighted model of historical trends of the probability of default, the timing of recoveries and the amount of loss that may be incurred. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

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.

In considering expected future cash flows, account is taken of any discount which may be needed against the value of the property at the statement of financial position date thought necessary to achieve a sale and anticipated realisation costs.

Where certain emerging impairment characteristics are considered significant but not assessed as part of the impairment calculation, the Board may elect to apply an overlay to the impairment provision.

The amount of impairment loss is recognised immediately through the income statement and a corresponding reduction in the value of the financial asset is recognised using provisions.

b) Forbearance strategies and renegotiated loans

A range of forbearance options are available to support borrowers who are experiencing financial difficulty. The purpose of forbearance is to support borrowers who have temporary financial difficulties and help them get back to normal payments.

The main options offered include:

- Reduced or suspended monthly payments (concessions).
- An arrangement to clear outstanding arrears; and
- Extension of mortgage term.

Borrowers requesting a forbearance option will need to provide information to support the request which is likely to include an income and expenditure form, statement of assets and liabilities, bank/credit card statements, payslips and similar, in order that the request can be properly assessed. If the forbearance request is granted the account is monitored in accordance with our Dealing Fairly with Borrowers at Risk or In Financial Difficulty Policy and associated procedures. At the appropriate time, the forbearance option that has been implemented is cancelled and the borrower's normal contractual payment is restored.

1.9. Cash and cash equivalents

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

1.10. Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or both. Investment properties are recognised initially at cost.

After initial recognition, investment properties are held at fair value. An annual independent valuation (physical or desktop) is completed by a RICS qualified surveyor to obtain a current market (fair) value of the investment properties, which considers their rental yield and ownership structure. Any gains or losses arising from changes in the fair value are recognised in the income statement in the period that they arise and no depreciation is provided in respect of investment properties applying the fair value model.

Rental income from investment properties is accounted for on an accrual's basis.

NOTES TO THE ACCOUNTS, continued

1. Principal accounting policies, continued

1.11. Tangible assets – property, plant and equipment

Additions and improvements to office premises and equipment, including costs directly attributable to the acquisition of the asset, are capitalised at cost. In the statement of financial position, the value of property, plant and equipment represents the original cost, less cumulative depreciation.

The costs, less estimated residual values of assets, are depreciated on a straight-line basis over their estimated useful economic lives as follows:

- Freehold buildings - over 100 years
- Refurbishment costs - over 20 years
- Office and IT, fixtures and fittings - over 5-10 years
- No depreciation is provided on freehold land.

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

1.12. Intangible assets – computer software

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

Intangible assets are stated at cost less cumulative amortisation and impairment losses.

Amortisation begins when the asset becomes available for operational use and is charged to the income statement on a straight-line basis over the estimated useful life of the software, which is 3-5 years. The amortisation period used is reviewed annually.

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

1.13. Investments in non-financial assets

Investments in non-financial assets are recognised initially at cost. The carrying value of investments in non-financial assets other than investment properties are reviewed each year end 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 in the income statement, 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. Impairment losses recognised in prior years are assessed at each year end for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

1.14. Employee benefits

We operate a defined contribution pension scheme, the assets of which are held separately. For this scheme, the cost is charged to the income statement as contributions become due.

1.15. Taxation

Tax on the profit for the year comprises 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, in which case it is recognised 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 date of the statement of financial position, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Annual Accounts. 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 balances are not discounted.

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

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

NOTES TO THE ACCOUNTS, continued

1. Principal accounting policies, continued

1.16. Contingent liabilities

Contingent liabilities are potential obligations from past events which shall be confirmed by future events. Contingent liabilities are not recognised in the statement of financial position.

1.17. Leases

Leases in which we assume substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Rental payments (including costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives are recognised in the income statement over the term of the lease as an integral part of the total lease expense.

2. Accounting estimates and judgements

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

2.1. Impairment losses on loans and advances to customers

We review the mortgage book on at least a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded, we are required to exercise a degree of judgement. Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and expected cash flows.

In determining impairment losses at 31 December 2025, we consider the possibility of inflated house prices and increased propensity to default. We have concluded that house prices are in a stable position and we therefore have not discounted HPI.

Estimates are applied in the impairment provisioning model to determine prevailing market conditions (e.g. interest rates and house prices), borrower's behaviour (e.g. default rates) and forced sales discounts, reflecting the reduction in market value and the length of time expected to complete the sale of properties in possession. The accuracy of the provision would therefore be affected by unexpected changes to these assumptions. The impairment provisions are sensitive to changes in the underlying assumptions, with the HPI being the most critical. If we were to reduce the HPI, or initial valuation for a new loan, by 10%, then the closing impairment provisions would increase by £125,353 (2024: £69,685). Propensity for default rates have an immaterial impact on the impairment provisions. A 0.10% increase to the default rates would increase the closing impairment provisions by £9,877 (2024: £3,989).

2.2. Effective interest rate (EIR)

We recognise interest on loans and advances to customers based on their Effective Interest Rate. This is a constant rate that averages out the effect of interest, fees and incentives across the expected behavioural life of mortgage assets. The behavioural life is a critical assumption based on historical and forecast redemption data as well as management judgement.

The behavioural life of mortgage assets is reassessed at regular intervals throughout the year to ensure it remains reasonable. Changes to the assessed behavioural life would impact both the carrying value of mortgage assets in the statement of financial position and the timing of interest income recognition. In the current year, the interest asset previously recognised has been unwound, as the behavioural life of the mortgage assets is now considered to materially align with the contractual product term. An interest asset continues to be held in respect of fees paid and the impact of early repayment charges.

2.3. Fair value of investment properties

We review the fair value of our investment properties on an annual basis, via either a desktop or physical valuation. The fair value is then adjusted to reflect any uplift or reduction in the market value arising from the valuation.

These properties are residential shared ownership properties where we own 50% of the property and the underlying freehold. Our intention is to sell our share in the investment properties collectively when an appropriate buyer can be found. However, we are open to selling the individual properties rather than collectively if an opportunity presents.

In reviewing the valuation at 31 December 2025, we believe that the current market (fair) value of the properties, which is based on the market value of individual sales for each property, reflects the remaining tenure of the freehold leases underlying these properties.

The impact on the fair value at 31 December 2025 is disclosed in more detail in Note 20 on page 32.

NOTES TO THE ACCOUNTS, continued

3. Country by country reporting

The reporting obligations set out in Article 89 of the European Union's Capital Requirements Directive IV (CRD IV) have been implemented in the UK by the Capital Requirements (Country-by-Country Reporting) Regulation 2013. The purpose of these regulations is to provide clarity on our income and the location of our operations.

The Society's principal activities are mortgage lender and provider of savings accounts. The subsidiary's principal activity, as detailed in Note 17 on page 31, is that of a tied mortgage broker. All the consolidated entities were incorporated in the UK.

The consolidated Annual Accounts of the Group include the audited results of the Society and its subsidiary company.

For the year ended 31 December 2025:

- The Group's turnover (being net interest receivable) was £3.16m (2024: £3.03m). Loss before tax £0.48m (2024: Profit £0.12m) all of which arose from UK based activity.
- The average number of full-time equivalent employees for the Group and Society was 32 (2024: 25).
- Group corporation tax of £16,181 (2024: £141,315) was paid in the year and is within the UK tax jurisdiction.
- There were no public subsidies received in the year.

4. Interest receivable and similar income

	Group and Society	
	2025	2024
	£	£
On loans fully secured on residential property	7,066,580	6,514,545
On other loans	10,079	14,074
On debt securities	162,916	226,595
On treasury bills	793,945	637,051
On liquid assets	321,254	400,769
	<u>8,354,774</u>	<u>7,793,034</u>

Interest on debt securities includes £162,916 (2024: £226,595) arising from fixed income investment securities.

5. Interest payable and similar charges

	Group and Society	
	2025	2024
	£	£
On shares held by individuals	5,158,905	4,696,557
On deposits and other borrowings	34,206	65,589
	<u>5,193,111</u>	<u>4,762,146</u>

6. Other operating income

	Group and Society	
	2025	2024
	£	£
Rental income	<u>6,515</u>	<u>6,787</u>

7. Employees

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

	Full time	Part time	Full time	Part time
	2025	2025	2024	2024
	No.	No.	No.	No.
Head Office	23	7	17	6
Branch	4	2	3	1
Total	<u>27</u>	<u>9</u>	<u>20</u>	<u>7</u>

NOTES TO THE ACCOUNTS, continued
8. Administrative expenses

	Group 2025	Group 2024	Society 2025	Society 2024
	£	£	£	£
Staff costs				
Wages and salaries	1,484,565	1,253,836	1,484,565	1,253,836
Social security costs	160,025	119,051	160,025	119,051
Other pension costs	63,887	52,549	63,887	52,549
	<u>1,708,477</u>	<u>1,425,436</u>	<u>1,708,477</u>	<u>1,425,436</u>
Other admin expenses	818,997	881,944	813,210	876,358
Other admin expenses - technology	972,257	603,212	972,257	603,212
	<u>3,499,731</u>	<u>2,910,592</u>	<u>3,493,944</u>	<u>2,905,006</u>

Other admin expenses include:

Audit of these Annual Accounts* (excluding VAT)	114,000	100,000
Operating lease costs	27,185	29,215

*The audit fee for the subsidiary company of £4,165 (2024: £3,969) is included above.

Non-audit services were provided totalling £2,000 (2024: £2,000).

9. Directors' emoluments

Key management personnel comprise solely the Non-Executive and Executive Directors

	Group and Society	
	2025	2024
	£	£
Fees for services as Non-Executive Directors:		
Rod Ashley	22,863	18,824
David Billinge (appointed 1 February 2024)	19,435	17,301
Richard Drinkwater	19,435	18,824
Janice Lincoln (retired 30 June 2024)	-	9,632
Will Lindsay (retired 11 April 2025)	6,740	23,367
Nikki Marsh	19,435	18,824
Fiona Smith (retired 24 September 2025)	14,540	18,824
Total for Non-Executive Directors	<u>102,448</u>	<u>125,596</u>
For services as Executive Directors:		
Zack Hocking		
Salary	132,925	128,750
Bonus	2,678	2,600
Benefits and allowances	6,531	6,468
Pension contributions	6,646	6,438
	<u>148,780</u>	<u>144,256</u>
Elspeth James**		
Salary	89,038	83,345
Bonus	-	2,505
Benefits and allowances	609	804
Pension contributions	4,452	4,152
	<u>94,099</u>	<u>90,806</u>
Total for Executive Directors	<u>242,879</u>	<u>235,062</u>
Total for Directors' emoluments	<u>345,327</u>	<u>360,658</u>

**Elspeth James works on a four-day contract.

NOTES TO THE ACCOUNTS, continued
10. Directors' loans and related party transactions

A register of loans to Directors and connected persons, maintained in accordance with Section 68 of the Building Societies Act 1986, is available for inspection at Head Office during normal office hours in the 15 days prior to the Annual General Meeting and at the meeting itself.

At 31 December 2025, one Director and connected persons had outstanding loans totalling £94,072 (2024: £100,678), all on normal commercial terms.

Elsbeth James was appointed a director of Eden Housing Association in September 2023, receiving fees of £1,322 in 2025 (2024: £Nil). The Society has six loans (2024: six) with Eden Housing Association, totalling £429,117 at year end (2024: £453,939), all on normal commercial terms.

Directors and connected parties also hold savings accounts with the Group on the same terms as members. Due to their sensitive nature, savings balances are not listed individually but totalled £144,405 at 31 December 2025 (2024: £149,259).

The Society held unlisted shares in Mutual Vision Technologies Limited until their disposal on 1 November 2024. Payments to the company for IT services totalled £665,767 in 2025 (2024: £496,323), of which £Nil (2024: £81,408) was capitalised.

11. Taxation

	Group 2025	Group 2024	Society 2025	Society 2024
	£	£	£	£
Current tax				
Current tax on income for the period	(16,181)	16,500	(16,181)	16,500
Adjustment in respect of previous periods	(515)	(1,262)	(515)	(1,262)
Total current tax	(16,696)	15,238	(16,696)	15,238
Deferred tax (see Note 26)				
Origination and reversal of timing differences	(59,210)	13,572	(59,210)	13,572
Adjustment in respect of prior years	1	-	1	-
Total deferred tax	(59,209)	13,572	(59,209)	13,572
Total tax (credit)/ expense	(75,905)	28,810	(75,905)	28,810

Current tax has been provided at 25%

Reconciliation of effective tax rate:

(Loss)/ profit for the year	(474,596)	123,040	(473,100)	123,340
Total effective tax at 25%	(118,649)	30,760	(118,275)	30,835

Effects of:

Non-deductible expenses	738	835	738	835
Adjustments from previous periods	(515)	(1,262)	(515)	(1,262)
Income not taxable	-	(690)	-	(690)
Gains/rollover/ other reliefs	1,227	(833)	853	(908)
Deferred tax not recognised due to losses	41,294	-	41,294	-
Total tax (credit)/ expense included in income statement	(75,905)	28,810	(75,905)	28,810

The deferred tax liability is calculated using the tax rate enacted from 1 April 2023 at 25%.

12. Cash and cash equivalents

	Group 2025	Group 2024	Society 2025	Society 2024
	£	£	£	£
Cash in hand	31,994	34,624	31,994	34,624
Loans and advances to credit institutions (Note 14)	7,545,359	7,969,760	7,492,260	7,914,352
	7,577,353	8,004,384	7,524,254	7,948,976

NOTES TO THE ACCOUNTS, continued
13. Debt securities

	Group and Society	
	2025	2024
	£	£
Treasury bills and gilts	14,370,667	17,808,764
Certificates of deposit	2,012,897	3,064,752
	<u>16,383,564</u>	<u>20,873,516</u>
Debt securities have remaining maturities as follows:		
In not more than one year	16,383,564	20,873,516
In more than one year	-	-
	<u>16,383,564</u>	<u>20,873,516</u>
Transferrable debt securities (excluding accrued interest) comprise:		
Unlisted	2,000,506	3,000,788

Movement in debt securities (excluding accrued interest) during the year can be summarised as follows:

	Group and Society	
	2025	2024
At 1 January	20,873,516	14,902,209
Premium amortisation	8,156	1,299
Disposals and maturities	(43,734,838)	(27,385,221)
Acquisitions	39,303,597	33,322,914
Movement in accrued interest	(66,867)	32,315
At 31 December	<u>16,383,564</u>	<u>20,873,516</u>

14. Loans and advances to credit institutions

	Group	Group	Society	Society
	2025	2024	2025	2024
	£	£	£	£
Accrued interest	47,507	28,506	47,507	28,506
Repayable on demand	7,545,359	7,969,760	7,492,260	7,914,352
Other loans and advances by residual maturity payable:				
In not more than 3 months	3,000,000	2,500,000	3,000,000	2,500,000
In not more than 1 year	2,500,000	1,500,000	2,500,000	1,500,000
	<u>13,092,866</u>	<u>11,998,266</u>	<u>13,039,767</u>	<u>11,942,858</u>

15. Loans and advances to customers

	Group and Society	
	2025	2024
	£	£
Loans fully secured on residential property	139,970,233	111,816,361
Loans fully secured on land	153,336	201,496
	<u>140,123,569</u>	<u>112,017,857</u>

The remaining maturity of loans and advances to customers from the date of the statement of financial position is as follows:

	Group and Society	
	2025	2024
	£	£
In not more than three months	1,144,961	846,217
In more than three months but not more than one year	2,975,770	2,676,132
In more than one year but not more than five years	19,826,851	17,072,957
In more than five years	116,316,987	91,522,551
	<u>140,264,569</u>	<u>112,117,857</u>
Impairment (see Note 16)	(141,000)	(100,000)
	<u>140,123,569</u>	<u>112,017,857</u>

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

NOTES TO THE ACCOUNTS, continued
16. Allowance for impairment

	Group and Society		Total
	Loans fully secured on land	Loans fully secured on residential property	
At 1 January	£	£	£
Individual provision	-	7,000	7,000
Collective provision	-	93,000	93,000
	-	100,000	100,000
Income statement			
Individual provision	-	1,000	1,000
Collective provision	-	40,000	40,000
		41,000	41,000
At 31 December			
Individual provision		8,000	8,000
Collective provision		133,000	133,000
		141,000	141,000

We have six mortgage cases where forbearance has been exercised (2024: one).

17. Investment in subsidiary

	Shares	Loans	Total
Cost	£	£	£
At 1 January 2025 and 31 December 2025	2	100	102

The Society directly holds 100% of the issued ordinary share capital of the following company which is registered in England and Wales:

Principal Activity

Cumbria Mortgage Centre Limited

Tied Mortgage Broker

The subsidiary operates within the United Kingdom and is included in the Group's accounts. No Director had a beneficial interest in any shares or debentures of the subsidiary undertaking.

18. Tangible fixed assets

Cost	Group and Society			Total
	Freehold land and buildings	Office and IT, fixtures and fittings	Refurbishment costs	
At beginning of year	£	£	£	£
At beginning of year	40,000	336,318	417,000	793,318
Additions	-	39,157	13,998	53,155
Disposals	-	(13,896)	-	(13,896)
At end of year	40,000	361,579	430,998	832,577
Depreciation				
At beginning of year	18,800	197,911	48,217	264,928
Charge for the year	400	30,970	21,025	52,395
Elimination in respect of disposals	-	(12,630)	-	(12,630)
At end of year	19,200	216,251	69,242	304,693
Net book value				
31 December 2025	20,800	145,328	361,756	527,884
31 December 2024	21,200	138,407	368,783	528,390

The net book value of the freehold premises occupied by the Group for its own activities is £20,800 (2024: £21,200).

NOTES TO THE ACCOUNTS, continued
19. Intangible fixed assets

	Group and Society
	IT software and development costs
	£
Cost	
At beginning of year	539,251
Additions	-
Disposals	(539,251)
At end of year	<u>-</u>
Depreciation	
At beginning of year	461,142
Charge for the year	46,715
Elimination in year	(507,857)
At end of year	<u>-</u>
Net book value	
31 December 2025	-
31 December 2024	<u>78,109</u>

20. Investment properties

	Group and Society	
	2025	2024
	£	£
Fair value		
At 1 January	229,600	229,600
Gain from fair value adjustment	40,400	-
At 31 December 2025	<u>270,000</u>	<u>229,600</u>

We own residential investment properties at Mardale Close and Greystoke Park, Penrith, which are freehold, under a shared ownership arrangement. Our share being 50% of the property value.

A desktop valuation was completed at 31 December 2025 to support our estimate of a current market (fair) value of £270,000. The valuation was completed by an independent valuer from SWH Surveys Limited, having an appropriate recognised professional qualification and recent experience in the location and class of property being valued. The fair value is estimated using the market valuation approach which uses prices and other relevant information generated by market transactions involving comparable properties. The basis of the fair value of these properties also reflects the remaining tenure of the freehold leases underlying the properties. Any gains or losses arising from a change in fair value are recognised in the income statement. Rental income from the properties is accounted for on an accrual's basis, as set out in Note 1.10 on page 24 and disclosed in Note 6 on page 27.

21. Prepayments and accrued income

	Group	Group	Society	Society
	2025	2024	2025	2024
	£	£	£	£
Prepayments	688,327	801,396	687,277	801,246

22. Shares

	Group and Society	
	2025	2024
	£	£
Held by individuals	153,522,138	130,401,100
	<u>153,522,138</u>	<u>130,401,100</u>

Shares are repayable with remaining maturities from the date of the statement of financial position as follows:

	Group and Society	
	2025	2024
	£	£
Accrued interest	1,489,024	1,457,680
Repayable on demand	85,850,176	76,589,591
In not more than 3 months	37,599,151	40,631,419
In more than 3 months but not more than 1 year	14,971,309	8,403,419
In more than 1 year but not more than 5 years	13,612,478	3,318,991
	<u>153,522,138</u>	<u>130,401,100</u>

NOTES TO THE ACCOUNTS, continued
23. Amounts owed to credit institutions

	Group and Society	
	2025	2024
	£	£
Accrued interest	1,884	-
Repayable with agreed maturity dates of periods of notice:		
In not more than 3 months	1,000,000	-
	1,001,884	-

24. Amounts owed to other customers

Amounts owed to other customers are repayable with the remaining maturity from the date of the statement of financial position as follows:

	Group and Society	
	2025	2024
	£	£
Accrued interest	2,186	-
Repayable on demand	1,837,833	2,234,921
Repayable with agreed maturity dates of periods of notice:		
In not more than 3 months	825,394	524,885
In not more than 1 year	1,000,000	-
	3,665,413	2,759,806

25. Other liabilities

	Group and Society	
	2025	2024
	£	£
Other liabilities due within one year comprise:		
Corporation tax	-	16,500
	-	16,500

26. Deferred tax liability

	Group and Society	
	2025	2024
	£	£
At beginning of year	59,208	45,636
(Credit) / charge to statement of income for year	(59,208)	13,572
At end of year	-	59,208
The elements of deferred taxation are as follows:		
Differences between accumulated depreciation and amortisation and capital allowances	52,351	72,932
Revaluation of investment properties	19,693	9,593
Timing differences	(72,044)	(23,317)
	-	59,208

The net reversal of deferred tax assets and liabilities expected to occur in the next reporting period is a credit of £nil (2024: credit of £5,000), as future losses are forecast which would be offset against future capital allowances.

27. Commitments

There were no contracted capital commitments at the financial year end.

Detail on future mortgage commitments is in Note 28 on page 35.

At 31 December 2025 we had future minimum lease payments under non-cancellable operating leases as follows:

	Group and Society	
	2025	2024
	£	£
Office equipment leases which expire:		
Within 1 year	25,233	27,185
Within 2-5 years inclusive	100,417	73,277
Over 5 years	-	1,540

NOTES TO THE ACCOUNTS, continued
28. Financial instruments

We provide mortgage and savings products and utilise wholesale financial instruments to manage liquidity and support our retail savings operations. These instruments form part of our broader risk-management framework, which includes Board-approved policies, risk limits, reporting structures, mandates and other control procedures.

Although derivative instruments are commonly used in financial services to manage market risks, we do not currently use derivatives. This is because our products do not create balance sheet exposures requiring such instruments, and all fixed-rate mortgages are internally matched with corresponding fixed-rate deposits. We also do not enter into financial instruments for trading or speculative purposes.

Categories of financial assets and liabilities

Financial assets and liabilities are measured on an on-going basis at amortised cost. Notes 1.6 and 1.7, on page 23 and 24, describe how classes of financial instrument are measured and how income and expenses are recognised.

Liquidity risk

Liquidity risk, as noted in the Directors' Report on page 6, is the risk that we will encounter difficulty in meeting the obligations associated with our financial liabilities that are settled by delivering cash or another financial asset.

We monitor liquidity requirements daily in line with specific policies in this area, approved by the Board.

The liquidity risk appetite is supported by qualitative and quantitative measures that are monitored by the Board monthly.

Our policy is to always maintain sufficient funds in a liquid form to ensure that we can cover all fluctuations in funding, retain member and public confidence in our solvency and to enable us to meet our financial obligations

The tables below analyse the remaining contractual maturity of our financial liabilities, at undiscounted amounts.

The analysis of the contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued, for the average period until maturity on the amounts outstanding at the statement of financial position date.

31 December 2025	On demand	Not more than 3 months	More than 3 months, but no more than 1 year	More than 1 year but not more than 5 years	More than five years	Total
	£	£	£	£	£	£
Financial liabilities						
Shares	87,339,200	37,599,151	14,971,309	13,612,478	-	153,522,138
Amounts owed to credit institutions	-	1,015,588	-	-	-	1,015,588
Amounts owed to other customers	1,837,833	825,394	1,015,649	-	-	3,678,876
Total financial liabilities	89,177,033	39,440,133	15,986,958	13,612,478	-	158,216,602

31 December 2024	On demand	Not more than 3 months	More than 3 months, but no more than 1 year	More than 1 year but not more than 5 years	More than five years	Total
	£	£	£	£	£	£
Financial liabilities						
Shares	78,047,271	40,631,419	8,403,419	3,318,991	-	130,401,100
Amounts owed to credit institutions	-	-	-	-	-	-
Amounts owed to other customers	2,234,921	524,885	-	-	-	2,759,806
Total financial liabilities	80,282,192	41,156,304	8,403,419	3,318,991	-	133,160,906

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes (or potential changes) in market interest rates and divergence of interest rates for different Statement of Financial Position elements (basis risk).

Over 80% of interest rates on assets and liabilities at 31 December 2025 are on an administered basis, which can be adjusted at any point in time. As a result, the exposure to movements in interest rates, reflecting the mismatch between the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature, is not significant. We manage this exposure by matching the maturity dates of assets and liabilities through natural hedges, allowing this risk to be minimised.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivities of financial assets and financial liabilities to various standard and non-standard interest rate scenarios.

Standard scenarios that are considered on a quarterly basis include a 2% parallel fall or rise in the bank base rate. If there was a 2% parallel upwards shift in interest rates the favourable impact on reserves would be £0.39m (2024: £0.04m) and if this were a 2% parallel downward shift in interest rates, the negative impact on reserves would be £0.43m (2024: £0.04m).

NOTES TO THE ACCOUNTS, continued
28. Financial instruments, continued
Credit risk

Credit risk, as noted in the Directors' Report on page 6, is the risk that a borrower or counterparty will cause a financial loss to us by failing to discharge an obligation. We have policies in place to manage credit risk arising from a borrower or counterparty, with clearly defined risk appetite statements and appropriate credit limits. The risk appetite statements are supported by several qualitative and quantitative measures that are monitored monthly by the Board. Further challenge and oversight are provided by the ARCC as part of its quarterly meetings.

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

	Group 2025	Group 2024	Society 2025	Society 2024
	£	£	£	£
Cash in hand	31,994	34,624	31,994	34,624
Loans and advances to credit institutions	13,092,866	11,998,266	13,039,767	11,942,858
Debt securities	16,383,564	20,873,516	16,383,564	20,873,516
Loans and advances to customers	140,123,569	112,017,857	140,123,569	112,017,857
Total statement of financial position exposure	169,631,993	144,924,263	169,578,894	144,868,855
Off balance sheet exposure – mortgage commitments	16,696,299	6,831,353	16,696,299	6,831,353
	186,328,292	151,755,616	186,275,193	151,700,208

The growth in mortgage commitments in 2025 is primarily the result of the Society's partnership with Generation Home.

Credit quality analysis of loans and advances to customers

The Board is responsible for approving the Responsible Lending Policy which includes our credit risk appetite. The lending portfolio is monitored daily by the Mortgage team and reviewed monthly by the Retail Credit Risk Committee (RCRC) to ensure it remains in line with the stated risk appetite, including adherence to lending principles, policies and limits.

To manage good customer outcomes and responsible lending, we ensure at the outset that borrowers can meet their repayments. This is achieved by obtaining specific information from the borrower concerning income and expenditure, but also with reference to external credit reference agency data. The maximum credit risk exposure is disclosed in the tables above.

Loans and advances to customers are predominantly made up of retail loans fully secured against UK residential property, as set out in the table below. These are residential or buy to let loans, with only 0.1% (2024: 0.2%) of the mortgage book secured on land.

A large percentage of our borrowers are locally based in Cumbria, being 28.92% (2024: 38.48%) of the mortgage book. Borrowers in Scotland represent 16.91% (2024: 15.70%) and the remaining 54.17% (2024: 45.82%) is spread across the rest of England and Wales.

The table below sets out information about the credit quality of loans and advances to customers by payment due status net of provisions:

	Group and Society			
	2025		2024	
	£	%	£	%
Arrears analysis				
Neither past due nor impaired	136,651,639	97.52	108,462,211	96.83
Past due but not impaired:				
Past due up to 3 months	2,087,537	1.49	2,263,279	2.02
Past due over 3 months	487,957	0.35	935,118	0.83
Impaired:				
Not past due	-	-	-	-
Past due up to 3 months	713,211	0.51	357,249	0.32
Past due over 3 months	70,568	0.05	-	-
Past due 6 to 12 months	112,657	0.08	-	-
	140,123,569	100.00	112,017,857	100.00
	Indexed	Unindexed	Indexed	Unindexed
	£	£	£	£
Value of collateral held:				
Neither past due nor impaired	342,706,815	299,642,748	303,244,181	258,101,281
Past due but not impaired	10,194,097	7,713,000	8,577,822	7,167,000
Impaired	1,379,132	1,304,000	549,615	540,000
	354,280,044	308,659,748	312,371,618	265,808,281

With collateral capped to the amount of outstanding debt, the value of collateral held against 'Not impaired' loans at 31 December 2025 was £307,355,748 (2024: £265,268,281) against outstanding debt of £139,368,269 (2024: £111,658,754). In addition, the value of collateral held against 'Impaired' loans at 31 December 2025 was £1,304,000 (2024: £540,000) against outstanding debt of £948,736 (2024: £405,914).

NOTES TO THE ACCOUNTS, continued
28. Financial instruments, continued
Credit risk, continued
Credit quality analysis of loans and advances to customers, continued

Note 1.8(a), on page 24, sets out our approach to the impairment of financial assets. We use HPI indexing to update the property values of our residential and buy to let portfolios on a quarterly basis. Collateral values are adjusted by HPI to derive the indexed valuation at 31 December 2025. This is a UK HPI and considers regional data from the 12 standard planning regions of the UK. The collateral consists of UK property and land. Mortgage indemnity insurance acts as additional security. It is taken out for all residential loans where the borrowing exceeds 80% of the value of the total security at the point of origination.

The categories 'past due up to three months but not impaired' and 'past due over three months but not impaired' include any loan where a payment has been missed or received late, but where no individual impairment provision is considered necessary. These categories reflect the full loan balance, not only the overdue instalments. Possession balances represent loans for which we have initiated action to realise the underlying security.

We offer a range of forbearance options to support borrowers experiencing financial difficulty. Our approach to forbearance is outlined in Note 1.8(b). Scheme reviews are undertaken where a change of product is appropriate, including where a borrower does not transfer to a new scheme at the maturity of a fixed or discounted term. All borrowers are contacted at scheme maturity. Where required, arrears may be capitalised to restructure the loan.

All forbearance proposals are discussed with the borrower and reviewed by the Executive before approval. While these measures support borrowers, they may increase our risk by extending periods of non-contractual payment or creating potential financial pressure once the forbearance period ends. Forbearance activity, including volume and type, is reported quarterly to the Retail Credit Risk Committee, and each arrangement is regularly reviewed with the borrower to assess its ongoing suitability and associated risks.

The table below details the number of forbearance cases within the 'not impaired' category:

Type of Forbearance:	2025	2024
	No.	No.
Increased payment arrangement at year end	-	1
Reduced payment concessions at year end	1	-
Total	1	1

Total loans in forbearance within the 'not impaired' category represent £167,117 (2024: £10,249).

Credit quality analysis of counterparties

ALCO approves treasury counterparties for investment purposes. Limits are placed on the amount of risk accepted in relation to counterparties, and to industry sectors. This is monitored daily by the Finance team and reviewed monthly by ALCO. The following table provides details on the exposure to counterparties, being all liquid assets with financial institutions, excluding cash in hand, by their Fitch rating, where appropriate:

	Group 2025	Group 2024	Society 2025	Society 2024
	£	£	£	£
UK Government securities	14,370,667	17,808,764	14,370,667	17,808,764
Financial institutions				
A+ to A-	9,561,125	11,034,512	9,508,026	10,979,104
Unrated	5,544,638	4,028,506	5,544,638	4,028,506
Total exposure to counterparties	29,476,430	32,871,782	29,423,331	32,816,374

At 31 December 2025, one exposure was from outside the UK (2024: all exposures were within the UK).

29. Capital

We maintain a strong capital base to ensure confidence in our ability to support current and future growth. Our capital management is underpinned by the ICAAP, completed at least annually, with key capital ratios reported to the Board each month to confirm we meet PRA Total Capital Requirements. The PRA set and monitor our capital requirements. Our actual and expected capital is reviewed against our Board's capital risk appetite each month, which aims to maintain capital at a level that equates to or exceeds our Total Capital Requirements. Alongside this the Board reviews any strategic decisions that may affect our future capital position.

There were no reported breaches of capital requirements during the year.

30. Contingent liabilities

We have reviewed our mortgage back book to identify all properties with external cladding which may require remediation activity moving forward. There are three (2024: three) properties in mortgage where cladding has been identified. The total outstanding loan balance on these properties is £204,548 at 31 December 2025 (2024: £222,406).

We have been provided with evidence that work is ongoing at one of the three properties currently to remove the cladding. The borrowers of the remaining two properties are awaiting a final position from the Government or house builder to understand where the remediation costs on these properties would lie, as neither the Government nor the house builders have announced their final position. We remain satisfied that we can see no probable loss from these properties and therefore have therefore not specifically provided for these loans at 31 December 2025 but will continue to monitor the situation closely.

**ANNUAL BUSINESS STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2025**
1. Statutory percentages

The statutory percentages are as laid down under the Building Societies Act 1986 as amended by the Building Societies Act 1997 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

	2025	Statutory Limit
Lending Limit	0.79%	25.00%
Funding Limit	2.95%	50.00%

The Lending Limit measures the proportion of business assets not in the form of loans fully secured on residential property and is calculated as $(X-Y)/X$ where:

- X = business assets, being the difference between the total assets plus provisions for bad and doubtful debts and the aggregate of liquid assets and tangible and intangible fixed assets.
- Y = the principal of, and interest accrued on, loans owed which are fully secured on residential property, plus provisions for bad and doubtful debts and interest in suspense.

The Funding Limit measures the proportion of shares and amounts owed to other customers not in the form of shares held by individuals and is calculated as $(X-Y)/X$ where:

- X = shares and amounts owed to other customers, being the aggregate of: the principal value of, and interest accrued on, shares; and the principal of, and interest accrued on, sums deposited.
- Y = the principal value of, and interest accrued on, shares held by individuals otherwise than as bare trustees (or, in Scotland, simple trustees) for bodies corporate or for persons who include bodies corporate.

2. Other percentages

	2025 %	2024 %
As percentage of shares and borrowings:		
Gross capital	8.02	9.82
Free capital	7.77	9.44
Liquid assets	18.65	24.71
As a percentage of mean total assets:		
Profit after tax	(0.25)	0.07
Management expenses	2.27	2.20

The above percentages have been prepared from the accounts and in particular:

“Shares and borrowings” represent the total of shares; amounts owed to credit institutions and amounts owed to other customers.

“Gross capital” represents the general reserves.

“Free capital” represents the aggregate of gross capital and collective impairment for losses on loans and advances less tangible and intangible fixed assets.

“Liquid assets” represent the total cash in hand, treasury bills, loans and advances to credit institutions and debt securities.

“Management expenses” represent the aggregate of administrative expenses and depreciation.

“Mean total assets” is the average of the total assets at 31 December 2024 and 31 December 2025.

3. Information relating to the Directors

Name	Date of Appointment	Business Occupation	Other Directorships
Rod Ashley	23/04/2020	Non-Executive Director	
David Billinge	01/02/2024	Non-Executive Director	
Richard Drinkwater	01/07/2017	Non-Executive Director	Amber Securities Ltd Stamford Lodge Ltd
Nikki Marsh	01/03/2023	Non-Executive Director	NEST Corporation Marsh & Vickers Coaching Ltd Shine 55 Coaching & Consulting
Zack Hocking	04/12/2023	CEO	
Elspeth James	01/01/2013	CFO	Cumbria Mortgage Centre Ltd Eden Housing Association

Documents may be served on the above-named Directors c/o Forvis Mazars LLP at the following address:

5th Floor, 3 Wellington Place, Leeds, LS1 4AP

4. Service Contracts

None of the Non-Executive Directors has a service contract.

The CEO and CFO have contracts which can be terminated by either party giving not less than 6 months prior written notice, respectively. These specific contracts were entered into on 4 December 2023 and 1 September 2012, respectively.