

Annual Report & Accounts 2025



Furness
Building Society



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Strategic Report



Strategic Report:

From our Chief Executive, Simon Broadley

Since joining the Society, I have been struck by the pride our Members, colleagues and communities feel for our Heartland. That pride reflects a deeply-rooted belief that people matter. That communities thrive when they are supported and local connections have greater meaning in an increasingly divided world.

You will see throughout this year's Annual Report how, over the past year, we have focused on understanding the needs of our Members more clearly than ever. Our actions have focused on three key areas:

- Long Term Sustainability
- Evolving our Member offering and;
- Delivering on our ambition to become Locally Famous.

Long Term Sustainability

Continued Financial Strength

The financial performance in the year reflects our considered approach, delivering growth in both mortgage and savings balances, and achieving sufficient levels of profit to continue investing in the Society for the future. This year's results reflect the continued investments we have made in our colleagues, branch network and systems. Although profit was lower than 2024, these conscious actions position the Society for sustained longer-term growth.

We enter 2026 in a good position, with levels of capital substantially above our regulatory requirements, low levels of arrears and a high level of liquidity relative to our funding base. This financial strength, coupled with the strong outlook for our region, will enable us to continue supporting our current and future Members with saving and in home ownership for many years to come.

Members Matter - Balancing the needs of our Savers and Borrowers

As in previous years, we remain committed to contributing to our Members' personal prosperity by supporting property ownership and offering an attractive savings return. Our purpose remains unchanged; we're here to help people buy, move up, or build their dream home, while supporting their savings goals with long-term value and security.

Taking Care of Our Planet

In 2025, we continued to take practical steps to reduce our environmental impact. We have utilised local and recycled materials across our branch refurbishment project, reduced our reliance on paper through targeted reviews of our processes, offered mortgage support for energy-efficient homes and moved our Head Office and branch locations onto green energy meaning it is generated from renewable sources reducing our environmental impact. As a result of our continued efforts, we were proud to receive the award for 'Excellence in Corporate Social Responsibility' at the 2025 Credit Risk Awards. You can find out more about the progress made in reducing our environmental impact on page 14 as well as in our Members Review digital booklet.

Our branches remain at the centre of our heartland communities and have been designed to allow our colleagues to engage in more meaningful discussions so we can serve you and your family through the good times, as well as those more difficult times.

Evolving our Member Offering

Managing your money, your way

In 2025, our Members continued to tell us that flexibility matters. Some prefer the reassurance and warmth of speaking to a colleague in branch whereas others appreciate the speed and convenience of managing their money through our digital savings app. Many choose a mix of both and this is why we have continued to invest in technology, new upgrades to our existing systems, as well as our people to allow us to provide a range of products and services to deliver across a range of channels that best suit your needs.

We are constantly evolving our processes, products and services so they reflect real people's lives. Your feedback has guided how we improve our digital savings app, how we design our branch spaces, and how we shape new mortgage and savings products.

Branches designed around conversations, not transactions

Our branches remain at the centre of our heartland communities and have been designed to allow our colleagues to engage in more meaningful discussions so we can serve you and your family through the good times, as well as those more difficult times.

As part of our wider branch transformation programme, and following a detailed review of our network footprint, the Society closed its Dalton branch during 2025. The decision reflected the proximity of our Barrow and Ulverston branches and our ability to continue serving Dalton Members locally. The vast majority of Members remain within close reach of an alternative branch, and all colleagues were retained within the Society. This change enables us to focus our investment on modern, welcoming branch environments across our heartland, ensuring face-to-face service remains central to our Member proposition.

Following a programme of refurbishments across Kendal, Preston, Barrow and Ulverston branches in 2024, we continued to redesign our spaces in Poulton, Lancaster, Millom and Grange throughout 2025 to make them more welcoming, more personal and more helpful. Our Members told us they wanted:

- More privacy when discussing mortgages or savings;
- More time with our colleagues;
- Modern, comfortable spaces; and
- A welcoming environment that reflects the local community.

This feedback was gladly received and shaped the heart of our branch design and we hope you can see, and more importantly, feel that we have delivered against these requests.

A Stronger Digital Savings Mobile App

Following a successful launch in 2024, we have continued to enhance our digital savings app with improvements inspired directly by Member feedback. Enhancements made during the year included easier navigation, faster payments, clearer visibility of accounts and more accessible support options. At the end of December 2025 over 12,000 Members have gone digital.

Delivering on our Ambition to Become Locally Famous

Helping local people live locally

We remain committed to helping our heartland thrive – one home at a time. Supporting home ownership across our region remains a core part of our purpose which means creating opportunities for people to put down roots, socially and economically contribute to the communities they know and love, as well as work to build secure futures for themselves along with their families.

Introduced in 2025, our heartland mortgages are built around the needs of the communities we serve. Created specifically for buyers across the LA, CA, FY and PR postcodes, they're designed to make taking the next step on the property ladder faster, simpler and more personal. Alongside these, we developed our Heartland Perks which align to our ambition of becoming Locally Famous:

- Priority Service for Local Members
- Dedicated Support
- Regional Expertise
- Flexible Appointments
- Multiple ways to Connect
- Quick Decisions
- Exclusive rates for Locals.

One of the most urgent needs we heard was the challenge of accessing the housing market, especially for younger people and those at early stages in their careers. Our Apprentice Mortgage and Heartland Mortgage are examples of how we are acting on this - and there is more to come in 2026.

Financial Skills for Life

Our Social responsibility remains a core part of our values, underpinned through our Environmental, Social and Governance Strategy. We have extended our financial education efforts in 2025, helping more Members and their families learn about saving, borrowing, budgeting and beyond. We also expanded our school and college partnerships, taking financial education into classrooms and community groups to help equip young people with essential skills. Our work included partnering with the Furness Education and Skills Partnership (FESP) to deliver a series of interactive workshops with local school children at The Bridge Community Hub. The sessions were designed to introduce them to the concept of money management and improve financial literacy in Barrow.

Rooted in the Communities We Call Home

We remain determined to make a difference to the towns and cities we live and work in. From charity fundraising to volunteering, to local partnerships and events, the dedication of our colleagues brings our values and behaviours to life. During 2025, our people have supported our heartland through sponsored walks such as the 'Keswick to Barrow' as well as through our continued support of Barrow Foodbank. Our affinity and community accounts further supported local causes including hospices, youth groups, charities and community projects.

2026 and Beyond

As we look ahead to the rest of 2026, we remain focused on creating meaningful experiences for our Members and communities. Our priorities for the year ahead are clearly defined and each and every one of our colleagues understands the part they have to play in making the Furness 'Nationally Known, Locally Famous'. We are committed to building a stronger, more connected future for our Members and everyone we serve. We are working with new build contractors in the heartland to support their financial needs whilst building new homes that our communities and future members will need.

On behalf of the Society, I thank you, our Members, for your continued loyalty and commitment.

Simon Broadley
Chief Executive Officer
20 March 2026

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Directors' Report



Business Review: Sustainability for the Long Term

In 2025 we delivered key building blocks of our strategy, growing both mortgage and savings balances whilst investing in our branch network and in our digital capabilities, enabling current and future Members to engage with the Society in the way that they choose. We have invested prudently to build a thriving organisation which provides real value in our heartland and nationally, and have continued to prioritise long-term sustainability over short-term profitability. We have enhanced the valued face to face service in local communities through our modernised branch network, and have built a rich digital offering for Members who wish to engage through technology.

Our key performance indicators are detailed below.

Key Performance Indicators		Group 2025	Group 2024
Balance Sheet	Assets	£1,483m	£1,397m
	Loans and advances to customers	£1,178m	£1,092m
	Shares and deposits	£1,384m	£1,303m
Operating Performance	Management expenses (% of mean assets)	1.43%	1.42%
	Interest Margin (% of mean assets)	1.60%	1.62%
	Mortgage balances in arrears (>2months)	£3.5m	£5.3m
	Profit after tax	£2.0m	£2.8m
Financial strength	Regulatory capital	£88.8m	£86.3m
	Total capital ratio	16.1%	17.4%
	Liquid assets (% of shares and borrowings)	21.0%	22.1%

Overview of income statement	Group 2025 £000	Group 2024 £000
Net interest income	23,088	21,927
Other income and charges (including movement on provisions)	108	1,135
Administrative expenses	(20,150)	(18,577)
Depreciation and amortisation	(502)	(537)
Impairment charges	51	(277)
Profit before tax	2,595	3,671
Taxation	(579)	(889)
Profit after tax	2,016	2,782

Net Interest Margin

The Group's interest margin remained largely stable during the year despite the challenges of managing four reductions in Bank of England base rate, with net interest income as a proportion of assets reducing to 1.60% from 1.62% in 2024.

In making decisions about changes to mortgage and savings rates as a result of base rate reductions, the Society has sought to balance the needs of savings and mortgage Members, together with current market conditions and the proportionate pass-through of the interest rate increases we have experienced since 2022. Decisions have also been taken with regard to the long-term stability of the Society, particularly in an environment of increased digital investment requirements and the impact of inflation on administrative costs.

Other income and charges

This comprises fees and charges not accounted for within net interest margin such as payments to Community Accounts and fair value losses or gains on interest rate swaps and hedged items. We use interest rate swaps solely for risk management purposes to hedge exposure to interest rate changes on our portfolio of fixed rate mortgage and savings products.

Administrative expenses and depreciation

Management expenses include staff costs and all other operating costs necessary for the business to function including any overheads, depreciation and amortisation.

We recognise the need to balance cost control with investment, including in the high calibre people required to continue providing excellent products and services for our Members. Management expenses were 1.43% of mean assets in 2025 (1.42%: 2024), meaning costs per pound of assets has remained broadly consistent year on year. The absolute increase in management expenses is due to the full year impact of the costs associated with the Society's savings app (launched in mid-2024), together with investment in IT infrastructure, expenses related to the Society's leadership changes in the year and inflation-driven increases in both staff costs and third-party supplies.

Management of costs whilst making the right long term investment decisions for the Society in a rapidly changing environment will remain a key focus for the Board through 2026.

Impairment

Impairment movements in the year generated a £51k credit to the Income Statement (£277k charge: 2024), driving a reduction in total loan loss provisions from £1,168k to £1,123k at 31 December 2025. This reduction reflects changes of circumstance in individual cases supported by a reduction of the number of cases in arrears, particularly in those two or more payments in arrears.

The number of mortgages in arrears (over 2 months) at 31 December 2025 was 23 (33: 2024) and 3 in arrears over 12

months (6: 2024). Total arrears outstanding at the year-end on these cases of £227k (£502k: 2024) and an aggregate balance of £3.5m (£5.3m: 2024).

We extend forbearance to borrowers where appropriate, and at the year end, there were 35 (19: 2024) cases on which forbearance was being applied. The year on year increase in forbearance reflects a change in methodology to capture all Members who require assistance whilst experiencing temporary payment difficulties.

Whilst arrears have decreased from the prior year and remain low, the Society recognises the importance of identifying borrower financial distress at an early stage and supporting Members to reach the right outcome in their individual circumstances.

Profit

Profit before tax reduced from £3.7m in 2024 to £2.6m in 2025. The reduction in profit was driven by the increase in fair value movements and administrative expenses associated with continued investment in our people and processes that enhance our member service and support sustainable growth. The impact of which was partially offset by higher net interest income driven by growth in the balance sheet and lower impairment charges.

Looking ahead, the growth enabled by the Society's continuing investment together with careful cost control will support profitability and ensure the Society can meet the challenges of the future from a position of strength.

Balance Sheet

Trading conditions in the mortgage and savings markets were challenging throughout 2025 with strong competition, as well as both domestic and internationally generated economic uncertainty, causing abrupt changes in market expectations of the path of future interest rate changes, along with increasing volatility in competitor pricing. Despite these challenges, the Society grew both mortgage and savings balances in the year.

The Society achieved gross mortgage lending of £306m (£216m: 2024) during the year despite mortgage market volatility. As a result, mortgage assets grew by 7.8% (1.9%: 2024) in the year to £1,178m (£1,092m: 2024). During 2025 the Society transferred the remaining mortgage balances (£1.77m) from its subsidiary, Furness Mortgage Services Limited. The remaining reserves of £2.68m were paid to the Society as a dividend.

We aim to attract and retain retail savings, which provide the majority of the funding required for our lending, and we've strived to ensure our savings products remain attractive to Members. The Society grew savings balances by £70.2m in the year (£140.4m: 2024), representing 5.8% growth (13.2%: 2024). We have also continued to make use of our ability to access non-retail sources of funding, including wholesale markets, where the diversification of funding helps to manage our risks and where it is commercially beneficial to do so. The Society repaid all remaining funding from the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME) in the first quarter of 2025.

As a building society, we exist to provide residential home loans, particularly where our manual underwriting helps us to understand and assist in more complex circumstances, and to support home building through products such as self-build and residential development lending. Helping Members in our communities to purchase a home is core to our purpose and we will continue to develop our products and propositions to facilitate that within our risk appetite.

Capital

Our strong capital base enables us to grow the Society whilst ensuring long-term sustainability and remaining a safe home for our Members' savings. Our common equity tier one (CET1) ratio remains strong at 16.0% (17.3%: 2024) and substantially higher than the minimum required by our Regulator. Gross capital as a percentage of Share and Borrowings was 6.52% (6.76%: 2024) and our total capital ratio was 16.1% (17.4%: 2024). Our capital strength protects the Society against its principal risks and continues to support the demands associated with the development and investment in the business which will support our future success.

Over recent years we have invested capital in our digital proposition, our people and our branch network. Our capital requirements have increased principally due to mortgage book growth, together with some more capital-intensive lending activities such as residential housing development, driving the modest reduction in capital ratios.

The strength of our overall capital position has enabled this investment, providing security for our Members and continuing to support the future development of the business, ensuring the long-term sustainability on which the future success of the Society depends.

Liquidity

The Society's liquid assets comprise cash and other assets that are easily converted to cash, which are shown in the statement of financial position. We ensure liquidity levels are optimised and that the liquidity held is of appropriate quality to meet our financial obligations as they fall due, under both normal and stressed scenarios.

During 2025 the Society's liquidity measured as a proportion of Share & Deposit Liabilities (SDL) reduced modestly from 22.1% to 21.0% at 31 December 2025. The Society had built up additional liquidity through 2024 to repay the remaining TFSME funding, which was achieved in the first quarter of 2025.

Looking ahead, the Society will continue to assess its liquidity investments to ensure appropriate and secure liquidity instruments are held which can be rapidly converted to cash as is required whilst ensuring the funds invested are working as hard as possible for Members.

A key regulatory measure of liquidity is the Liquidity Coverage Ratio (LCR) which was 192.9% as at 31 December 2025 (227.4%: 2024), considerably above the regulatory requirement of 100% and reflecting a reduction in balances held for repayment of TFSME at the end of 2024 and, efficient liquidity management as the balance sheet grows.

Going concern and long-term viability

We've considered the potential implications of economic and geopolitical uncertainty on our current and future obligations and the Society's prospects over our five-year Corporate Plan period.

The economic outlook continues to be one of low growth and stubborn inflation, albeit substantially lower than we have experienced over the last few years. Interest rates are forecast to decrease further in 2026, offering support to the UK economy, but the impact will be offset by a tightening fiscal environment as the government continues to face challenges about the sustainability of public spending and associated borrowing plans.

We continue to experience periodic trade and geopolitical tensions, and there remains a real prospect of economic shocks in 2026. Potential sources for this include the elevated levels of equity valuations in the US, market confidence in public debt sustainability in both the US and Europe, and the continued success of populist parties across the western world.

Housing affordability improved modestly in 2025 with income growth outstripping house price increases, together with easing mortgage rates. Economists have forecast modest house price growth in 2026. We understand however the continued significant barriers to home ownership in our heartland and beyond, and will continue to develop innovative ways to support aspiring homeowners achieve their home purchase goals.

The latest profitability, liquidity and capital forecasts in our five-year Corporate Plan together with capital adequacy in severe-but-plausible stress scenarios have been considered through both our Internal Capital Adequacy Assessment Process (ICAAP), as well as our Internal Liquidity Adequacy Assessment Process (ILAAP), and the Board is satisfied that the Society is well positioned to weather even severe plausible stress scenarios. We continue to forecast long-term viability with ongoing growth, profitability and a substantial capital surplus supporting the security of the Society for its Members.

The Board has concluded that the Society is well positioned for the future, with sufficient levels of capital and liquidity to withstand stress events. The financial statements are therefore prepared on a going concern basis.

Post year-end events

The outlook for the UK economy remains challenging. Geopolitical risks remain elevated, with the combination of

political, economic and military competition between major countries contributing to a volatile geopolitical picture. Economic growth continues to be constrained by fiscal headwinds, monetary policy remains restrictive and consumer confidence is subdued. While inflationary pressures have eased from recent peaks, progress remains uneven and persistence in certain categories continues to pose challenges for households and businesses.

Market expectations suggest Interest rates are expected to trend downward through 2026; however, the pace and extent of any reductions will depend on inflationary pressures, including those arising from geopolitical developments.

Whilst these factors require careful ongoing monitoring, the Directors do not consider that they have a material impact on the Society's current financial position or on its ability to continue as a going concern.

Subsequent to the year end, the Society entered into a forward flow mortgage purchase arrangement with Imagine Mortgages Limited (trading as Generation Home). The Society has entered into a forward flow arrangement to support the responsible growth of its mortgage lending while helping borrowers, particularly first-time buyers, to take their next step onto the property ladder. The value created through this partnership will be reinvested for the benefit of our members, strengthening the Society and enabling continued investment in our members, our services and the communities we support. Under the terms of the arrangement, Generation Home will originate residential mortgage loans which, following completion and subject to agreed eligibility criteria, will be sold and transferred to the Society. As this arrangement was entered into after the reporting date, it has not been recognised in the financial statements for the year ended 2025. The Directors consider this to be a non-adjusting post balance sheet event.

Supplier payment policy

Our policy continues to be to pay all supplier invoices within the agreed payment terms. We know how important this is, particularly to small businesses.

Donations

During the year, we made donations of £167k (£128k: 2024) to a number of charities. This included Community Account payments of £91k (£96k: 2024). Our Community Accounts support clubs and charities, with an annual donation being made to each by the Society based on the balances of all the savings accounts related to the affinity group.

We also allow our people time to support charitable causes through our Community Days, and many of our colleagues provided valuable support to local good causes in this way. In 2025, our colleagues dedicated a total of 345.5 hours to supporting causes across our Heartland (342.5 hours: 2024).

No political gifts or donations were made during the year (£Nil: 2024).

Directors

Our Directors are responsible for the maintenance and integrity of corporate and financial information. UK legislation governing the preparation and dissemination of the Annual Report & Accounts may differ from that in other jurisdictions.

We're required by the Building Societies Act 1986 to prepare Annual Accounts for each financial year that provide a true and fair view of the income and expenditure of the Society and provide details of the Directors' remuneration. The Directors' responsibilities in respect of the preparation of the Annual Report & Accounts and Annual Business statement include:

- Ensuring suitable accounting policies are used in consistent manner
- Ensuring key accounting judgements are reasonable
- Ensuring compliance with UK GAAP
- Preparing the accounts on a going concern basis (unless it would be inappropriate to do so)

Directors who served during 2025 are listed within our Summary Financial Statement. None of the Directors had an interest in the shares or debentures of any associated body of the Society at any time during the financial year.

Section 172(1) of the Companies Act 2006 sets out the duties of any company Director. This does not apply to our Directors here at Furness as we are a Building Society. However, the UK Corporate Governance Code expects Board members to set out how Section 172(1) matters are considered in its decision making.

The Board continues to seek engagement from its stakeholders, including Members, employees and suppliers, to ensure fair and balanced decisions are made which take their opinions and considerations into account whilst honouring its duty to promote the long term success and sustainability of the Society. During the year, we embarked upon our Member Stories initiative which draws upon the insights of our newly-established Member Panel with surveys and focus groups. We have worked closely with the Building Society Association (BSA) to explore the importance of branch access for building society Members across the UK. We have also collected feedback and recorded interviews with Members.

Our Board confirms it has acted in good faith and in a way that would be most likely to promote the success of the Society and the best interests of all of its stakeholders.

Environment, Social and Governance (ESG)

The Board continues to track progress against its Environmental, Social and Governance (ESG) Strategy which looks to ensure the business conducts itself in a eco-conscious

manner. We have reviewed our scope 1 and scope 2 emissions and are currently building a roadmap to reduce these. A revitalised ESG Strategy is under development for launch in 2026 which has a greater focus on our Heartland and the high levels of deprivation seen and experienced by our Members, their families and friends in these communities. Our principles remain aligned with the UN Sustainability Goals.

Key achievements made thus far include:

- Development of a new Diversity, Equity and Inclusion Strategy and Policy which dedicated 'DE&I Champions' across the business and on our Board
- Launching a Cycle to Work Scheme and Electric Vehicle Salary Sacrifice Scheme for our colleagues to reduce the carbon emissions generated through work related travel
- Investing in the communities we serve through donations managed through our Branch managers and colleagues who best understand the needs of their local community
- Supporting our Members to purchase energy efficient homes, with discounts provided for properties with a better EPC rating
- Updates to our affordability assessment to account for lower energy bills for properties with an EPC rating of 'A' or 'B'
- Establishing, monitoring and reporting on our Scope 1 and 2 carbon emissions to allow us to track and set goals to actively reduce our carbon footprint
- Ensuring our branch footprint is kinder to the environment through using local and recycled materials and improving our layout to better support both colleagues and Members
- Reducing our paper usage by improving internal processes to allow our Members and colleagues to communicate and transact digitally
- Launching our 'Doshi' Member benefit app to encourage and award financial education and help our colleagues and Members build robust money management skills
- Moving to green energy across our Head Office and branch network and upgrading our lighting with our Head Office to reduce our energy consumption
- Partnering with Furness Education & Skills Partnership (FESP) to equip local young people with knowledge, skills and aspirations relevant to a competitive 21st century market-place
- Following consultation with our DE&I Champions, we rebranded our 'Christmas Shopping Day' to simply 'Celebration Day' which can be taken any time during the year to reflect the diverse beliefs and backgrounds of our colleagues.

- Winning the award for 'Excellence in Corporate Social Responsibility' at the 2025 Credit Risk Awards and receiving shortlist nominations at the Women & Diversity in Credit Awards for categories 'ESG Champion' and 'Rising Star' in recognition of the passion and commitment of our colleagues in these fields.
- Dedicated a total of 345.5 hours through our community days

More details on our ESG strategy can be found on our website and in our Members Review digital booklet.

We are proud to say we are a Real Living Wage, Disability Confident and Women in Finance accredited employer and as such, we are committed to fostering an inclusive environment that values diverse perspectives and enables everyone to unlock their full potential. You can find out more about our DE&I principles and read our DE&I statement on our website.

Disclosure of information to the Auditor

At the date of approval of this report, each of our Directors confirms that:

- So far as they are aware, there is no relevant audit information of which the Group's Auditor is unaware.
- All necessary steps have been taken in order to be aware of any relevant audit information and establish that the Group's auditor is aware of that information.

Appointment of the Auditor

Forvis Mazars LLP have been appointed as the Society's external Auditors for the financial year 2025 and will be put to vote via ordinary resolution at the 2026 AGM.

Risk Review: Managing & Mitigating Risk

The Society operates in a dynamic business environment that contains a broad range of financial and non-financial risks. We have a formal risk management framework, including a detailed Board Statement of Risk Appetite which is reviewed at least annually.

The Board is responsible for the effective management of risks within the scope of its risk appetite, and it delegates oversight of the implementation of the risk management framework, including policies, to the Board Risk Committee. Key risk and performance indicators are monitored by the Board at each of its meetings.

Our three lines of defence model ensures clear separation between the ownership and management of risk and controls (first line), oversight, support and advice (second line) and internal audit assurance (third line). More details on this model can be found in the Corporate Governance Report on page 25.

The Society's risks cover a wide range of areas (for example Credit Risk, Conduct Risk, Regulatory Risk, Operational Risk, Strategic Risk and Financial Risk) and the information below highlights the key risks to the Society in 2025.

Strategic Risk

Strategic risk is the risk resulting from our strategic decisions which have the potential to impact our Members, the Corporate Plan and forecast results or performance over the planning period. A crystallisation of strategic risk could affect the overall strength of the Society or impact the business model. The Board regularly discusses strategic issues and challenges the Corporate Plan proposed by Executives. It ensures strong levels of capital and liquidity are maintained to provide resilience against external factors which may cause stress to the business.

The Society's strategy is reviewed at least annually by the Board and Management to ensure it remains appropriate, deliverable and sustainable with external assistance sought when required to validate conclusions. The on-going

management of strategic risk is supported by the business performance and risk reporting data provided to the Board and Risk Committees.

The current challenging economic environment and competitor pressures on both sides of the balance sheet continues to put pressure on the Net Interest Margin, and this has been addressed through our strategy development. Consideration has also been given to the potential ramifications of geopolitical uncertainty on our current and future obligations and the Society's prospects over the Corporate Plan period.

In 2025, the Society continued to invest in technology, capability, product propositions and distribution to ensure we are in the best position to meet Member expectations and secure a sustainable future for the Society.

Credit Risk

Credit risk is the risk that borrowers or counterparties may default on their obligations to the Society. The Society mitigates this risk primarily through robust affordability and underwriting assessment as well as security held on member mortgages in the form of property and land, protecting both members and the Society. A decline in the House Price Index (HPI) reduces the value of this security and may increase potential losses in the event of default. During economic downturns, property sales become more challenging and forced sale discounts can further elevate credit risk.

As at year-end, the mortgage portfolio comprised 6,465 accounts with total balances of £1,174.8m, split as follows:

- Residential lending: 4,654 accounts, £821m balances
- Buy-to-let lending: 1,607 accounts, £280m balances
- Self-build lending: 185 accounts, £50m balances
- Legacy commercial lending: 19 accounts, £1.7m balances
- Residential development lending (NEXA): 9 accounts, £21.1m balances

Portfolio arrears remain low, with 23 accounts in arrears greater than 2 months totalling £227k, reflecting the effectiveness of the Society's responsible lending approach. In addition, the Society has commenced new residential development lending through NEXA, disclosed under loans fully secured on residential property in the Statement of Financial Position.

The Society manages mortgage credit risk through a comprehensive lending policy, which includes thorough assessment of borrower creditworthiness and property valuation. Mortgages are monitored continuously, with prompt action taken on accounts in arrears. Robust property valuations and enhanced analytical capabilities support ongoing monitoring of credit exposures. Manual underwriting enables bespoke risk assessment for all; however, this is particularly beneficial for individuals with complex borrowing needs.

Credit risk on liquid asset investments is managed by the Assets and Liabilities Committee (ALCO). Investments are restricted to highly secure instruments, including cash with the Bank of England, UK Government-issued debt, AAA-rated liquid securities, term deposits with regulated entities, Local Authorities, and operational accounts with UK clearing banks holding investment-grade ratings. The Society actively monitors developments in the financial sector and takes appropriate measures to safeguard its investments.

The Society expects credit risk to remain well-controlled in the coming year, supported by strong underwriting standards and low arrears levels. However, continued economic uncertainty, potential interest rate volatility, and property market fluctuations may increase risk exposure. The Society will maintain its focus on robust underwriting, monitoring, stress testing, and provisioning to ensure resilience. Growth in residential development lending will be managed prudently, with enhanced oversight applied to this segment.

Liquidity and Funding Risk

Liquidity risk is the risk of the Society failing to meet its financial obligations as they fall due, resulting in the inability to support normal business functions and activity. There is also a risk of breaching regulatory requirements.

The nature of the Society's business involves 'maturity transformation' whereby the Society borrows for relatively short terms and lends on mortgages for much longer periods. This mismatch creates liquidity risk whereby the Society could be unable to meet its financial obligations as they fall due.

Funding risk is the inability to access funding markets or to do so at excessive cost. In order to minimise funding risk the Society ensures there is no over reliance on a single source of funds.

In 2025, the Society repaid the final £20m of funds from the Term Funding Scheme (TFSME), to the Bank of England, out of a total of £90m drawn. This repayment was funded by retail deposits, supported by the use of the digital distribution channel and the tactical use of deposit aggregators. To further support our Members' needs and our own funding needs, we have also developed during 2025, the new capability to accept treasury deposits directly from Heartland customers, rather than our general approach of accepting deposits through brokers.

On a day-to-day basis the Group's liquidity position is managed by the Treasury function which is responsible for the liquid asset portfolio and contingency arrangements. Liquidity and funding risk is monitored by the ALCO which meets on a frequent basis and receives a variety of Management Information reports. These reports enable it to monitor the amount and composition of the liquid asset portfolio and ensure Group compliance with the regulations covering liquidity, as well as the Board Statement of Risk Appetite. This is supported by the Treasury Function Risk Management Policy (TFRMP) and the Internal Liquidity Adequacy Assessment Process (ILAAP) to ensure that financial obligations can be satisfied as they fall due under both normal conditions and defined stress scenarios. This liquidity adequacy is also tested through the Liquidity Contingency Plan (LCP) and Recovery Plan (RP) to ensure a wide range of stresses are considered, of varying severity, and that available mitigating actions are assessed from both capacity and practicability perspectives.

The Furness Building Society maintains access to the Bank of England's Sterling Monetary Framework, including a reserves account. A significant proportion of the Society's liquid assets are held in the reserve account and short-term deposits, to provide instant access to funds if and when required. In addition, the Society holds a portfolio of treasury instruments where there is an active secondary market enabling liquidation if required under a stress scenario. These treasury instruments are all eligible for use as collateral in the Discount Window Facility with the Bank of England and inclusion in the Society's Liquid Asset Buffer.

Interest Rate Risk in the Banking Book (IRRBB) including Basis Risk

IRRBB reflects the current or prospective risk to both the earnings and economic value of an institution arising from adverse movements in interest rates that affect interest rate sensitive instruments, including gap (repricing) risk, basis risk and option risk.

The Society is exposed to interest rate and basis risk arising within the banking book, which results from different interest rate features, re-pricing dates and maturities of assets (mortgages and treasury investments) and liabilities (retail savings and wholesale funding).

The Society's ALCO monitors and manages this exposure. The following activities are affected by interest rate risk:

- fixed rate mortgage lending and fixed rate treasury investments
- fixed rate savings products and fixed rate wholesale treasury funding
- management of the investment of reserves and other non-interest bearing liabilities.

To manage fixed rate risk, the Society uses a combination of natural hedging (matching on balance sheet assets and liabilities with similar maturity dates) reserves hedging and interest rate swaps, reviewed at least weekly by the Treasury function.

Basis risk is the risk of divergence between several interest bases, such as SONIA and the Bank of England Base Rate. The Society manages its basis rate risk exposure mainly by setting limits against the relative exposures and carefully monitoring the positions.

The Society's interest rate related risk appetite is measured against:

- the economic impact of a variety of linear and non-linear interest rate scenarios over the life of the balance sheet
- the impact on annualised Net Interest Income (NII) of a 100bps interest rate shock on a static balance sheet over a 36m period and a 250bps shock over a 12m period.

Margin Risk

Margin risk is the risk of erosion between the interest rates charged to our mortgage borrowers and the interest rates paid to our savings account holders. The volatility in the current and future interest rate environment and the intensely competitive nature of the mortgage and savings markets have created margin pressures in 2025. This risk is managed closely by the Society, to ensure products meet Member expectations and quickly respond to market and pricing changes.

The Board considers the strategic risk of failing to generate sufficient margin and sets margin objectives within the Corporate Plan to mitigate this risk. The performance against these objectives is monitored closely by the Executive Committee and ALCO.

In 2025, the Society has continued to invest in capability, product propositions and distribution including our mortgage transformation programme. The enhanced capabilities created through this investment will ensure we are in the best position to meet Member expectations and secure a sustainable future for the Society in 2026 and beyond.

The removal of the Building Societies Sourcebook in December 2025, means the Society now has greater flexibility to manage

its product mix in a way that better reflects member needs and market conditions.

Operational Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk and the risk that operational failures, cyber incidents, third-party disruptions or other events impact the Society's ability to deliver critical services, meet regulatory obligations or protect customers.

The Society has a robust risk management framework with documented policies and Committees providing appropriate review and challenge. There are systems and controls in place to mitigate operational risks, the impact on operational resilience and the potential loss from incidents including data loss, legal, fraud and cyber events.

The Society has a Management Risk Committee (MRC) which is chaired by the Chief Risk & Compliance Officer and comprises representatives of the Society's Leadership Team and members of the Risk and Compliance function. This Committee provides oversight to all the Society's operational risks. The Board is responsible for deciding whether it accepts any residual risk that exists after the application of these controls.

The Society has continued progress throughout 2024 and 2025 in the identification and management of third party and outsourcing risks, in particular to assess and understand the impact on its operational resilience. A calendar of Disaster Recovery (DR) tests and simulations is planned to support the operational resilience of the firm through 2026.

The Society has ongoing risk management related to its digital platform, with a focus on safeguarding member's interests, and ensuring new processes' are appropriately controlled and resilient.

Process Risk

Process Risk is the risk of loss as a result of employees not adhering to appropriate procedures or processes due to errors and mistakes, a lack of training or unclear documentation. The Society has set up systems, controls and processes to ensure that any mistakes are identified and corrected to prevent a significant loss to the Society.

The Society recognises that inefficient, manual, or legacy processes can increase exposure to Process Risk, including operational inefficiency, control weaknesses, and adverse member outcomes.

To address this, in 2025 the Society introduced a new change delivery channel to complement its established change framework: a structured hackathon approach. This model is designed to accelerate the identification and resolution of clearly defined problem statements that impact the Society, its operations, or its members.

Hackathons bring together cross-functional stakeholders with relevant expertise for focused, time-bound collaboration. By removing unnecessary hand-offs and delays, this approach enables rapid decision-making and solution development within a controlled governance environment.

The initiative fosters a forward-looking and enabling culture, encouraging collaboration across teams and a shared focus on outcomes. In practice, hackathons have delivered tangible benefits, including operational efficiencies, enhanced member experience, and reduced process and control risk—often achieving all three simultaneously.

Legal and Regulatory Risk

This is the risk of fines, public censure, limitations on business or restitution costs arising from failure to understand or correctly interpret the law or regulatory rules. The legal and regulatory landscape is constantly evolving, and the Society has invested time and resource to ensure we meet the expectations of our regulators and build compliant processes to protect and support our Members.

Regulatory change in 2025 has shown a shift towards more outcome-focused and proportionate regulation which supports both consumer protection and economic growth. Outdated requirements have been streamlined and core regulation such as Consumer Duty strengthened. We remain ready to take a risk-based approach to taking advantage of the opportunities this may offer.

Adherence to regulation is continually monitored by the Compliance team and our Auditors with results reported monthly to the Executive and Board Risk Committees.

Conduct Risk

Conduct risk is defined as the risk that the Society's systems, controls, behaviours, or culture result in member detriment or unfair outcomes. A weak conduct culture also increases the risk of behaviours that are not open, transparent, or aligned to the Society's values, potentially leading to reputational harm.

The continued challenging economic environment has heightened conduct risk, driven by increased cost pressures, more complex operating conditions, and elevated levels of member vulnerability. The Society has responded by maintaining a strong focus on delivering fair outcomes for all members, including those experiencing financial difficulty. This has been supported by strengthened governance arrangements, including more frequent management oversight, enhanced management information, improvements in operational resilience, and increased fraud prevention monitoring.

The Society's commitment to fair member treatment is underpinned by its Conduct Risk Policy and adherence to the FCA's Consumer Duty requirements. Conduct risk is monitored through a suite of management information that is regularly reviewed by the Executive and the Management Risk Committee. The partnership with Generation Home emphasises the importance of robust conduct risk oversight across third-party relationships, ensuring that good customer outcomes are consistently delivered at all stages of the customer journey.

Cyber Security Risk

Cyber security risk is the risk of financial loss, service disruption, regulatory impact, or reputational damage arising from cyber-related threats, including unauthorised access, data compromise, fraud, and disruption to digital services.

The Society operates a layered cyber security framework designed to protect its systems, data, and Members across both on-premise and cloud-based environments. This framework includes preventative, detective, and responsive controls aligned to recognised industry standards and is supported by continuous monitoring, threat detection, and incident response capabilities.

In response to evolving ways of working, including hybrid and remote access models, the Society has implemented appropriate security controls to protect access to systems and data regardless of location. Independent assurance activities, including regular penetration testing and security assessments conducted by third-party specialists, provide ongoing validation of the Society's security posture.

Cyber security remains an area of ongoing focus and investment. The Society continues to enhance its technology, processes, and governance to respond to an evolving threat landscape and to ensure the confidentiality, integrity, and availability of Member data and services.

Market Environment Risk

We expect 2026 to remain a challenging environment for mortgages, retail savings and wholesale funding, driven by ongoing macro-economic uncertainty, competitive market conditions and continued sensitivity to movements in interest rates, inflation and house prices. Competition for funding is expected to remain strong and may continue to place pressure on Net Interest Margin. The Society will continue to manage its balance sheet prudently and remain prepared for further changes in the Bank of England base rate.

The geo-political environment has not had a material direct impact on the Society to date however, it continues to contribute to wider economic uncertainty, which may increase financial pressures for some Members over time. The Society remains focused on maintaining resilience while delivering good outcomes for its Members.

Climate Change Risk

The Society is aware of the important global issue of climate change, and the impact it is having around the world. Given that a substantial portion of the UK's carbon emissions come from homes, we understand that our Society, along with the rest of the industry and the Government, have an important role to play in reducing these emissions.

The Society introduced the Climate Risk Management Framework in 2021 which is used to govern the Society's exposures to climate risk and establishes the process for understanding, managing and disclosing climate induced risks.

Since 2022, the Society has strengthened its approach to climate risk and sustainability through enhanced flood risk data analysis, the launch of a refreshed ESG Strategy, and initiatives supporting the transition to a greener economy. Key actions include introducing 'Green' mortgage products, incorporating EPC ratings into affordability assessments, establishing Scope 1 & 2 emissions benchmarks, and implementing colleague and community initiatives such as Cycle to Work / EV schemes and sustainable branch design.

In 2025, the Society continued to strengthen its climate risk management and sustainability commitments by:

- Sourcing subsidence data to complement flood risk scenarios and including disclosures within ICAAP
- Obtaining EPC ratings for all branches and Head Office, with plans to improve any below 'C'
- Transitioning to renewable energy across our estate
- Rebranding and relaunching our Community days to encourage colleague engagement and community support
- Targeting 20,000 new Member email addresses to reduce our environmental footprint and reliance on paper
- Continuing to provide Members with information, support, and products to enable greener choices

Regulatory Alignment

The Society is currently self-assessing against the Prudential Regulation Authority's new expectations under Supervisory Statement 5/25, ensuring our approach to climate risk remains robust and compliant.

Scope Reporting

Our Society premises all create carbon emissions, and we remain committed to reducing our footprint across our estate and operations.

Category	Control	Source	Description
Operational Emissions			
Scope 1	Direct	Our Assets	Direct GHG emissions that originate from assets that the Society owns or control e.g. emissions from the combustion of gas in the heating of branches or diesel consumption to run our company vehicles.
Scope 2	Indirect	Purchased Electricity	Emissions from the generation of purchased electricity based on the average emissions intensity on the grids upon which consumption occurs, such as using UK Government grid-average emission factors.
Value Chain Emissions			
Scope 3	Indirect	Upstream and Downstream activities	All the emissions associated, not with our Society, but the organisation it is indirectly responsible for i.e. from activities linked to the provision of products and services (predominantly from the third-party goods and services that we purchased).

In 2024, the Society established its carbon footprint for Scope 1 and 2 emissions.

Reported emissions encompass the greenhouse gases (GHGs) defined under the Kyoto Protocol and are segmented into three main categories.

The benchmark established continues to guide our efforts to reduce Scope 1 and 2 emissions. Actions taken through our ESG strategy such as transitioning to renewable energy across our estate, improving EPC ratings for branches, and offsetting operational vehicle emissions are expected to contribute to meaningful reductions. A refreshed position, including updated emissions data, will be provided during 2026 to demonstrate progress against our environmental commitments.

Our People and Members

Recruiting and retaining high calibre people through continuous development and succession planning to help drive our business forward is critical to our long-term success.

It's equally important we continue to foster a nurturing and motivational environment that allows our people to succeed in their roles. We're continuing to invest in our people, and we've felt the benefits of this throughout the year in the commitment of our colleagues to our performance and our Members' needs.

We continue to operate hybrid working model, and have reviewed and refreshed our core values and behaviours as part of our latest people strategy which focuses around four key themes of high performance culture, reward and recognition, continuous development and organisational design to ensure our people have the right skills to serve our Members now, and in the future.

As part of our ongoing commitment to Social Responsibility, we continued to support community groups and charities close to our colleagues' hearts and those that have been adversely affected by the ongoing cost of living crisis. In 2025, we awarded £76k (£32k: 2024) in charitable donations as well as supporting Barrow Foodbank and running our Furness Community Awards Scheme. This is in addition to Community Account payments of £91k (£96k: 2024). Our Community Accounts support clubs and charities, with an annual donation being made to each by the Society based on the balances of all the savings accounts related to the affinity group.

Our colleagues are awarded two days, which can be split into hourly commitments, each year in addition to their holiday entitlements to spend with local good causes and charities close to their hearts. This year, our colleagues spent a total of 345.5 hours giving back to our local communities (2024: 342.5 hours).

You can find out more about our charity and communities effort in our digital Members' Review booklet.

The Year Ahead – Celebrating 160 Years of the Furness

Since 1865, we've remained an independent and mutual Building Society, committed to our vision of meeting the needs of our Members. We are proud of our heritage and our purpose and remain committed to our heartland and local communities.

The past few years have presented challenges of a type and scale we haven't witnessed before and we've had to adapt quickly and adjust frequently. However, as you will see through this set of Accounts, we've delivered another solid performance for our Members.

With the direction and support from our Board, the strength of our leadership team and the expertise and energy of our colleagues, we are focused on ensuring a firm future for our Members and our people, with significant investment in our digitisation and Member proposition planned for 2026 and beyond.

Key areas of focus for 2026 include:

- Enhancing our People Strategy through an evolved 'People' function which will deliver a refreshed approach to succession planning and talent management.
- Tangible improvements to Member experience and outcomes through a greater understanding of our Members, new and existing.
- Deliver a comprehensive overhaul of all facets of our Mortgage proposition to allow us to become 'Nationally Known'.
- Unlocking the functionality in our systems and building closer, more effective partnerships with our providers.
- Further raising the profile of the Society through commercial, community and brand-building activities in the Heartland.
- Leveraging and enhancing the risk capability within the Society to underpin the business strategy and actively manage emerging risks in light of changing Regulation.

We remain safe, secure and well positioned to support our Members, as well as future generations of savers and homebuyers, just as we have from the past 160 years.

A Final Note from the Chair of the Board Graham Berville

I am pleased with our performance in 2025 and the steps we have taken to put us in a strong position for next year and beyond to meet the challenges we face. During 2025 we completed the refurbishment of our branch network including the relocation of two branches to better sites. Our branches now provide a modern and welcoming environment for our Members and our colleagues. There were also a number of changes to our Executive team during the year - we thanked our CEO Chris Harrison for his tremendous contribution and welcomed his successor Simon Broadley. We also appointed a new CFO, Tom Leach, joining us from the Monmouthshire Building Society.

The macroeconomic and geopolitical environments continue to be challenging, with the volatility of interest rates looking set to continue. The new interest rate environment has intensified competition for mortgages and savings and uncertainty about whether interest rates will rise or fall makes decisions about whether to take fixed rates difficult for savers and borrowers.

Nevertheless, our strong capital position gives us confidence that we can continue to invest in our infrastructure and continue to grow our balance sheet in a controlled manner.

With this confidence and optimism, we begin our next phase of strategic investment across our core system platform, mortgage proposition and data insights to ensure we remain secure and relevant in what continues to be a highly competitive market place.

We welcomed the current Government's recognition of the importance of the mutual sector and stated objective to facilitate its continued growth. We also welcomed the Regulator's announcements about specific action to reduce the regulatory burden for the sector and positive steps to facilitate growth for which we can already see the benefits.

Shipbuilding has always been a key critical to the economy of Barrow and the surrounding area. We welcome the recognition that investment is needed in infrastructure in Barrow to support the SSN-AUKUS Submarine programme and the anticipated 7,000 additional jobs that will be created. We are determined to play our part in supporting this project and are well placed to support the development and purchasing of the residential properties that will be needed. We will also be continuing to focus on the needs of savers in our wider heartland.

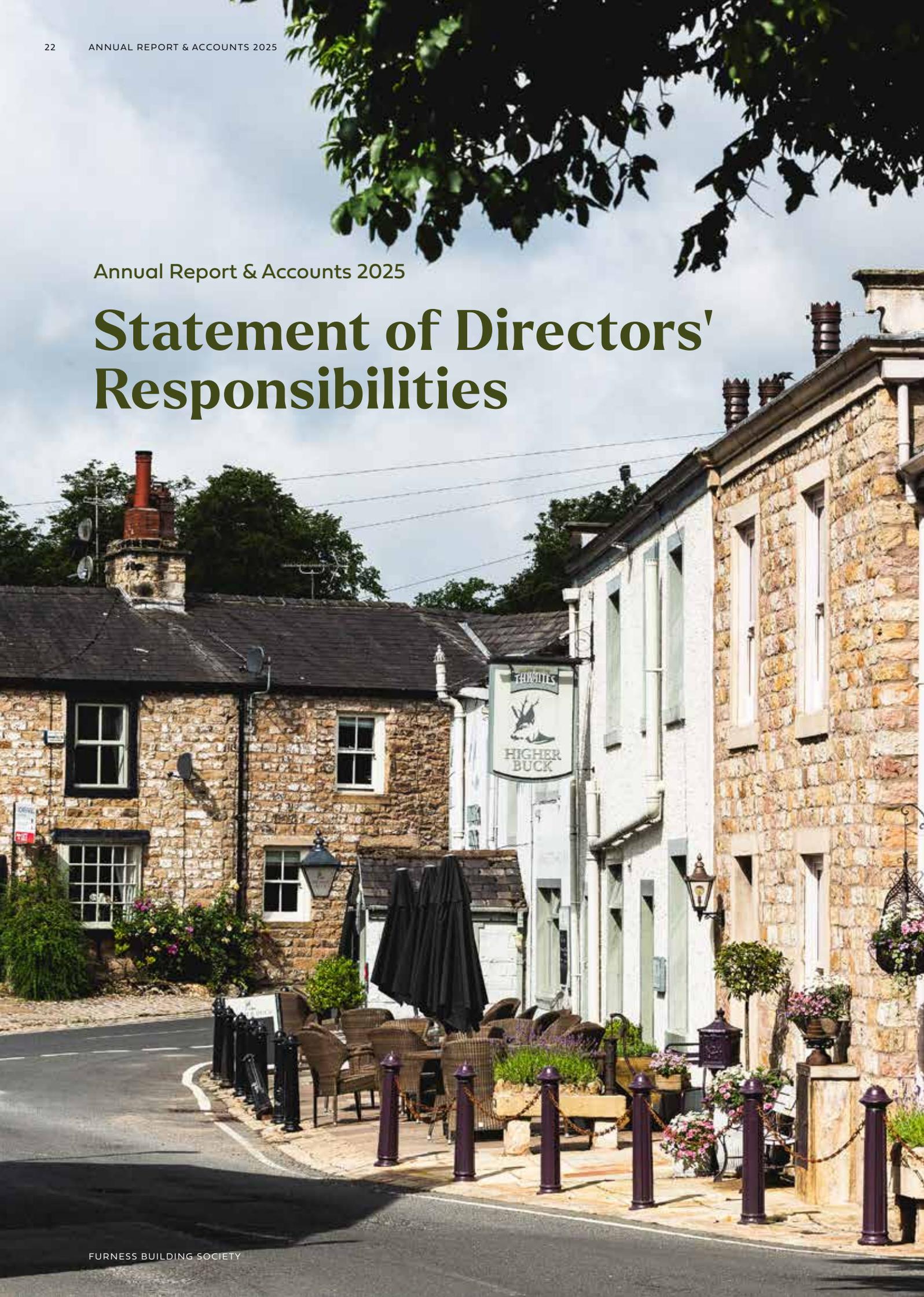
I extend my sincere thanks to our talented colleagues for their hard work and commitment during 2025 which enables us to enter 2026 and the next 160 years of our history in a strong position and prepared to face any challenge or change before us.

Last but by no means least, I wish to thank our Members for your loyalty and support through these trying times. We will continue to do our very best to provide the products and services you, your families and your communities need, now and in the future.

Approved by the Board of Directors on
20 March 2026.

Annual Report & Accounts 2025

Statement of Directors' Responsibilities



Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Directors' Report and the Annual Accounts.

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

The Building Societies Act 1986 ('the Act') requires the Directors to prepare Group and Society Annual Accounts for each financial year. Under that law they have elected to prepare the Group and Society Annual Accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

In preparing the Group and Society Annual Accounts the Directors are required to:

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Annual Accounts,
- Assess the Group and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

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

Directors' responsibilities for Accounting Records and Internal Controls.

The Directors are responsible for ensuring that the Group:

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

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of 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 of the Group and to prevent and detect fraud and other irregularities.

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



Annual Report & Accounts 2025

Corporate Governance Report

Our approach is based on the principles and provisions of the UK Corporate Governance Code as published by the Financial Reporting Council (FRC) in January 2025.

Although we are not required to comply with the Code, we recognise the importance of the practices within it and

the assurance these bring to our stakeholders. As such, our Compliance team and Company Secretary have conducted a review of the latest Code to ensure all relevant updates are considered in the context of the Society's reporting.

Please visit www.frc.co.uk for a copy of the Code.

Leadership

The leadership of our Society has continued to meet the increasing complexities of the regulatory landscape and competitive business environments, which have both changed at pace in recent years.

Our finances, operations and risks are effectively managed by our Executive Committee (ExCo), led by our Chief Executive. This Committee is also responsible for the delivery of all strategic corporate objectives approved by the Board.

Progress in these areas is subsequently reported into the Board and Board Committees by members of ExCo.

Our Board is committed to delivering the strategy through good governance, including effective and informed decision making supported by quality reporting, together with robust risk management and compliance ensuring we meet our regulatory requirements.

Board Role

Our long-term sustainability and success is determined by our Board which challenges, evaluates and approves our business strategy.

We draw on the experience and strategic insight of our Board members to ensure we continue to safeguard the interests of our Members. This has been particularly valuable as we have responded to the fluctuating circumstances of the past few years.

Our Board also values the regular reports received from across the business and regularly invites colleagues and external consultants to attend and present to the Board or committees. This ensures input from a variety of stakeholders is considered in decision-making.

Specific Board responsibilities include:

- Setting strategic aims and objectives
- Strategically directing maintenance of a sustainable business model and oversight of our operations
- Continuous development of our culture and values
- Determining our appetite for risk
- Ensuring adequate resources to achieve corporate goals
- Reviewing the effectiveness of financial and operational risk management policies
- Reviewing and oversight of the control environment and compliance
- Reviewing and oversight of the performance of the senior management team

Whilst some management activities and decisions are delegated to Committees, the Board keeps certain matters for its own approval. These are set out in the Schedule of Matters Reserved for the Board and Delegated Mandates which is reviewed at least annually.

Board Composition

Our Board remains independent and comprised six Non-Executive Directors and two Executive Directors during the year. Its structure ensures that no individual or group is able to dominate the decision-making process and there is no undue reliance placed on any one person.

In advance of our Chair of Audit Committee, Phillip McLelland, retiring from the Society at the 2026 AGM, we began recruitment for a suitable replacement led by our Nominations Committee. John Worth was identified as a strong and desirable candidate and following multiple interviews, was approved to be co-opted to the Board from January 2026. A formal handover procedure will take place on arrival before an application is made to the Prudential Regulation Authority (PRA) to take over as Chair of Audit Committee. John will be put to Member vote for election at the 2026 AGM and his biography can be found within the Summary Financial Statement.

We extend our sincere thanks to Phillip for his 9 year tenure and wish him all the best with his future endeavours.

Following the retirement of former Chief Executive Officer, Chris Harrison, Simon Broadley was formally appointed as his successor on 2 June 2025.

We welcomed a new Chief Commercial Officer following Simon's transition in Chris Wainwright. Chris comes with a wealth of industry knowledge and experience, having built his career working in the building society and mutual sector. Chris has a passion for Members and People, most recently using his talents to develop commercial and platform strategies to represent the needs of both colleagues and Members.

Following her maternity leave from the Society, former Finance Director, Laura Hamp, decided not to return to the business and resigned from the Society on 19 May 2025. The Nominations Committee led a succinct and successful recruitment process to consider a replacement for the role which was awarded to the former Interim Finance Director, Tom Leach, on approval by the Board of Directors on 4 July 2025. Tom will stand for re-election at our 2026 AGM.

After 2 years of serving on the Board, Karen Ingham has decided to step down from her position. Whilst she joined with the intention of succession to the Chair role, she has come to realise that this is not the right fit for either the Society or her personal goals. She leaves with great respect for the team and wishes the organisation nothing but success. We extend our thanks to Karen and wish her the best for her future endeavours.

The fitness, propriety and wider commitments of all members are assessed regularly by our Board Chair and Company Secretary, whilst the performance of the Board as a whole is reviewed by our Nominations Committee.

The time commitment requirement for all Non-Executive Directors is clear at appointment and reviewed in year within the annual performance reviews. Our annual training plan ensures they are kept up to date with regulatory changes and other knowledge and skill requirements identified.

In accordance with regulatory requirements, a number of our Non-Executive Directors and Executives have been allocated Prescribed Responsibilities as part of the Senior Management

and Certification Regime and have been approved to perform these functions by the Regulatory authorities.

All Directors submit themselves for re-election by Members on an annual basis at our Annual General Meeting (AGM). New Directors are co-opted to the Board when vacancies occur and they are subject to election at the subsequent AGM.

We're pleased to report that our Board and its members continue to perform effectively and impartially, providing the high level of skills and experience required to navigate the challenges ahead as demonstrated throughout this Annual Report

Board Evaluation

We're committed to providing our Members and colleagues with the best possible leadership to preserve the long-term future of our organisation.

We have conducted an annual examination of our Board's performance, a separate review of the Chair's performance and that of individual Non-Executive Directors.

Whilst reviews of the Board and Committee effectiveness are undertaken on an annual basis, in line with best practice, periodically an independent review of the Board is undertaken. Deloitte LLP completed an independent Board evaluation exercise in June 2021, and the agreed action plan completed.

Following the on-boarding of new Board members in 2024 and the appointment of a new Chief Executive and Chief Finance Officer in 2025, the Society has committed to conducting its next external evaluation in 2026. Following a successful tender process, the Society agreed to undergo its next external Board evaluation with Johnston Carmichael LLP who commenced this review in February 2026.

Board Meetings

Our Board meets on both a scheduled and on-demand basis throughout the year, reflecting the ongoing requirements of the business and the need for strategic input and guidance from our Board members.

Formal and scheduled monthly meetings took place as usual and we held a total of 13 meetings in 2025, 10 formal and 3 adhoc. All meetings were quorate and fully documented.

In the rare occurrence a Director cannot attend a meeting, they will receive the papers and provide feedback to the Chair in advance. Occasionally when an urgent decision is needed, the Board may take a decision in writing which is ratified at the next full meeting.

Risk Management

Our Board is responsible for ensuring an effective system of internal control is in place for the management of risk.

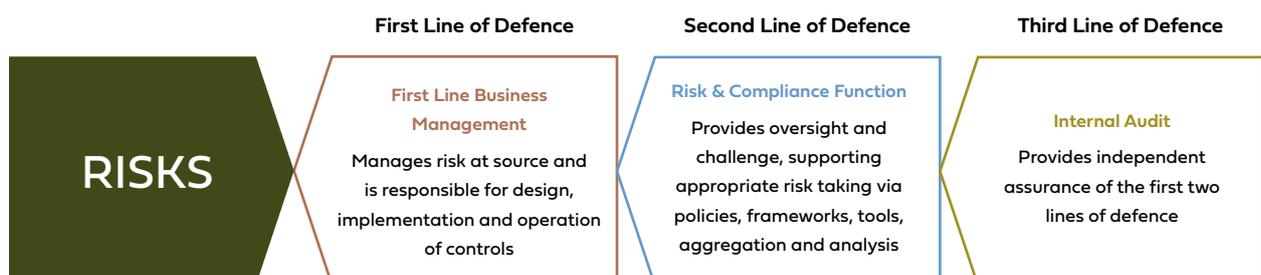
We utilise the industry standard three lines of defence model (as illustrated below) which is designed to identify, understand and monitor business risks and manage them appropriately.

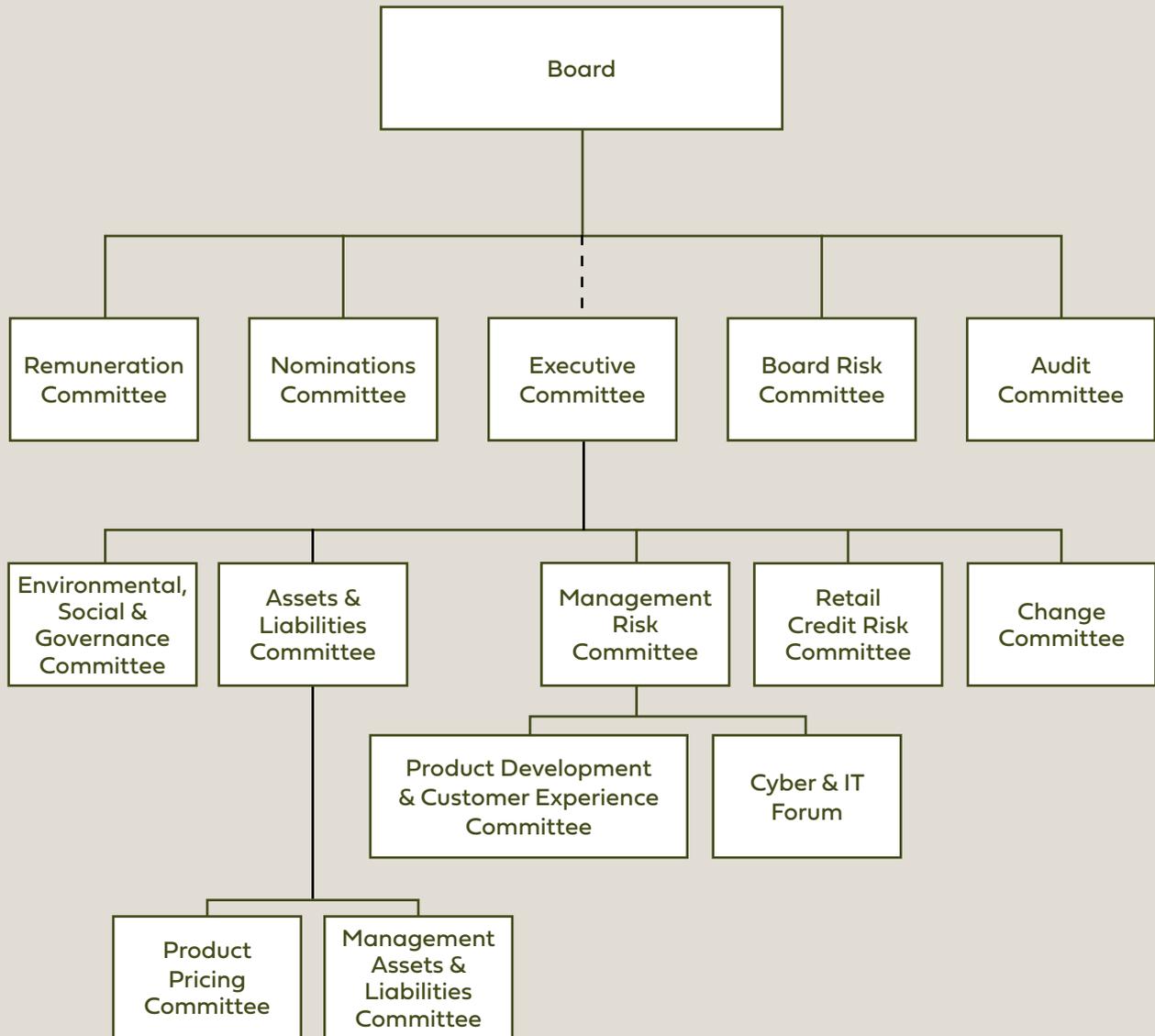
Board Review

The Board has reviewed the adequacy and effectiveness of the risk and control framework in place throughout 2025 and is satisfied that the framework of internal controls meets the business' requirements.

The review considers:

- Regular reports from the Chairs of Audit, Board Risk, Nominations and Remuneration Committees following each Committee meeting
- Reviews of all minutes from the Board's Sub-Committees
- Feedback from the annual visit from the Prudential Regulation Authority
- Detailed audit and compliance activities
- Reviews from the Internal Auditors (Deloitte)
- Monthly financial reports covering balance sheet, income statement and treasury risks
- Monthly reports from Chief Executive Officer and Chief Finance Officer as well as wider Executive Team.





Our Board and Management Committees

Management Committees

Executive Committee (ExCo)

ExCo's role is to manage all aspects of the Society with delegated authority from the Board. All the Chief Officers and Executive Team are members and the Chief Executive is Chair of the Committee.

Assets & Liability Committee (ALCO)

ALCO's role is to optimise the balance sheet and manage the risks contained within it to enable the business to deliver the Member benefits within agreed risk parameters. The Chief Executive is Chair of the Committee.

Retail Credit Risk Committee (RCRC)

Chaired by the Chief Risk and Compliance Officer, the Committee meets regularly to consider the risks associated with retail lending and to review large exposures, arrears rates and potential accounts in default.

Management Risk Committee (MRC)

The MRC meets regularly and comprises representatives of the Society's Leadership Team and the Operational Risk Manager. This Committee provides oversight to all the Society's operational risks. The Committee is chaired by the Chief Risk and Compliance Officer.

Change Committee (CC)

Chaired by the Director of Operations and Member Experience, the Committee meets regularly to manage the portfolio of Change across the business.

Environmental, Social & Governance Committee (ESGC)

The ESG Committee was formed to provide oversight and manage delivery of the associated action plan. The Committee is chaired by the Company Secretary and attended by our Board nominated ESG Champion and Chief Executive Officer as well as colleagues across all areas of the business.

Annual Self-Assessment

All Board and Sub Board Committees complete an annual self-assessment to ensure duties and responsibilities mandated by the Board have been effectively undertaken.

Board Committees

Audit Committee

Comprising only Non-Executive Directors, our Audit Committee maintains complete independence in order to assess the work of management and the assurance provided by Internal and External audit functions. The Committee invites Executive Directors together with representatives from the Internal and External Auditors to attend meetings and also regularly meets in private with the Internal and External Auditor and our Chief Risk and Compliance Officer and Head of Compliance. The Society's Head of Finance is invited to attend all meetings where the external Auditors are present.

Specific responsibilities include:

- Monitoring the integrity of the business' external financial reporting including reviewing the appropriateness of significant financial reporting judgments
- Reviewing the effectiveness of internal controls and risk management systems
- Ensuring satisfactory whistleblowing arrangements are in place and arrangements for investigation of any concerns
- Providing advice to the Board on whether the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess our position, performance, business model and strategy
- Reviewing the activities and performance of the Internal and External Auditors and the Compliance function

Audit Committee activity in 2025

External Audit:

Tracking and monitoring to completion of actions resulting from the Mazars Audit Management Letter recommendations following the 2024 year-end Audit sign off.

Internal Audit:

The Committee considered and agreed an annual plan and reviewed the individual reports and recommendations. Actions were tracked to closure. Focus was maintained to ensure actions were completed in a timely manner.

Reporting:

Receiving regular reports in respect of the Internal Audit Reviews and Compliance monitoring which provided assurance regarding the control environment. In addition, receiving regular, detailed reports from the Money Laundering Reporting Officer (MLRO) regarding AML and fraud monitoring.

Key Financial Reporting Judgements in 2025

Credit Risk – Impairment of Loans and Advances

Provisioning for loan impairment involves modelling and assumptions, together with assessment of impairment drivers which may not be fully captured by the models and therefore require adjustment outside of the modelling process (Post Model Adjustments or PMAs). Impairment models were updated in 2025 to take account of updated ONS data and customer behavioural data, and a comprehensive assessment of potential PMAs was performed by Finance and reviewed by the Committee. No PMAs were judged to be necessary in the current economic circumstances.

The Committee reviewed and challenged the assumptions that support the provisioning model and, assessed this against the forecast macroeconomic environment.

Revenue Recognition - Effective Interest Rate Accounting (EIR)

EIR accounting necessarily involves estimates and judgements. The EIR policy and expected mortgage lives assumptions have been reviewed by the Committee, considering the latest Member behavioural data and expected future market environment, and are satisfied the assumptions to maintain expect life at one month beyond product term has been robustly supported.

Defined Benefit Pension Scheme

The Defined Benefit Scheme valuation involves significant estimation judgements and assumptions which are based on professional actuarial advice. The Committee has reviewed the data and is satisfied with the approach adopted. The Society has again recognised a surplus for the year ended 31 December 2025.

Going Concern Basis of Preparation for the 2025 Annual Report and Accounts

The Audit Committee reviews and challenges reports and forecasts of business performance, including key indicators such as profitability, capital and liquidity. The assessments are subjected to stress scenarios and consideration of external factors. The Committee concluded the use of the going concern basis remains appropriate.

Fair, Balanced and Understandable

The Audit Committee provided advice to the Board which concluded the Annual Report and Accounts taken as a whole is fair, balanced and understandable and provides the information necessary for members to assess our position, performance, business model and strategy.

Assurance Framework

The Audit Committee reviewed the assurance framework and monitored the completion of audit and compliance plans. The Committee also considered the Society's financial reporting in accordance with the responsibilities set out in the Committee's Terms of Reference.

Key Areas of Focus for 2026

Control effectiveness reporting will continue to be enhanced through the review of the quarterly assurance maps, as well as overseeing the findings of second and third line reviews and subsequent deliverables.

A formal handover process will be conducted in advance of the current Committee Chair's retirement at the 2026 AGM and John Worth prepares to take over the role (subject to Regulatory approval and Member appointment). More details on John can be found within the Directors biographies section of the Summary Financial Statement on page 5.

Board Risk Committee

The Board Risk Committee comprises a majority of Non-Executive Directors including the Chair of Audit Committee, as well as our Chief Finance Officer and Chief Risk and Compliance Officer and advises our Board on risk appetite, risk exposure and future risk strategy.

Specific responsibilities include:

- Recommending to the Board the amount of risk the business is willing to take in pursuit of strategic objectives
- Assessing the principal risks we face as a business
- Monitoring the effectiveness of the risk framework
- Ensuring the risk function is adequately resourced
- Providing technical reviews of key policies and documents
- Oversight of the ICAAP capital and ILAAP liquidity position and forecasts

Board Risk Committee Activity in 2025

Health and Safety:

The Committee were satisfied that our risks were well managed and the level of oversight appropriate. The risks to the health and wellbeing of our Members and people were and continue to be of paramount importance.

Operational Risk Management:

The Committee received regular reports regarding operational risks and business change. Regulatory change remained a significant risk in 2025 due to a number of key changes becoming effective during the period. Resource and specialist knowledge was required to ensure the changes were delivered.

New Prudential Regulation:

The Committee considered the potential risks and opportunities following the PRA's proposal to remove the Building Societies Sourcebook (SS20/15) which sought to modernise the Regulatory framework for Building Societies and respond to the evolving risk landscape whilst enhancing the competitiveness of the Mutuals sector.

The Committee continued to monitor updates on Basel 3.1 standards ahead of its implementation date as well as the PRA's 'Small Domestic Deposit Taker' (SDDT) Regime which

would provide material changes across capital, liquidity and disclosure requirements. Aimed at simplifying regulation, it would allow eligible firms such as the Society to take a more proportionate approach to prudential regulation.

Risk Appetite:

A detailed annual review of the Society's Risk Appetite is driven by the Second Line and owned by the Board. This calculates the potential stressed losses across all material risk types and informs Risk Appetite Statements and defined Risk Appetite Metrics to ensure that the Society operates in a controlled manner. Early Warning Indicators (EWIs) and Management Triggers are also used to ensure early escalation and remediation where risks are trending towards a breach, with monthly Management Information provided to the Board.

Credit Risk:

The Committee was engaged in and monitored the levels of Members who held 'Interest Only' mortgages including the development of a new dedicated Policy and reporting to ensure greater focus on expired term accounts and those due to expire to support these Members in realising their financial objectives. The Society engaged with the Building Societies Association to understand how its peer group were approaching Interest Only mortgages.

Key areas of focus for 2026

In 2026 we will continue to monitor the credit risk position as the Society grows its lending book to help more people own a home. As the Society has entered a new Forward Flow lending partnership with Generation Homes, we will also monitor progress and learnings as the loan book grows. The Committee will review the aggregate position of the Society's strategic change portfolio throughout the year and ensure the expected benefits are being realised. The Committee will consider new product propositions which may require risk appetite or policy changes and will remain vigilant to the ever changing regulatory landscape to ensure that the Society is prepared for new and emerging risks, especially in technology and the threats from advancing cyber security issues. Finally, we will spend time horizon scanning as we prepare the Society for the changes in Member behaviours as well as the need to remain safe but relevant in the light of increased market competition.

Nominations Committee

Our Nominations Committee comprises a majority of Non-Executive Directors as well as our Chief Executive. The Head of HR also attends. The Committee oversees the selection process of Board members, Executive appointments and Senior Management Team members as well as the allocation of Senior Management Functions.

Specific responsibilities include:

- Considering the structure, size and composition of the Board and the orderly succession plan
- Recommending the appointment and removal of Executive and Non-Executive Directors to the Board
- Overseeing the performance appraisal of Executive and Non-Executive personnel
- Review of the Society's Managers Responsibility Map

Nominations Committee Activity in 2025

Board Succession Planning:

Reviewing the requirements for Director retirements and appointments over the next five years to align with our latest five-year business strategy.

CEO and CFO recruitment:

Following an internal and external search process, Simon Broadley (the former Chief Commercial Officer) was appointed as CEO in June 2025. The Committee then oversaw the process to appoint a replacement for Simon and Chris Wainwright joined the Society in August 2025.

The Committee further oversaw and supported the recruitment process following resignation of our former Finance Director as well as the consulting of the Society's networking groups to appoint a suitable Interim Chief Risk and Compliance Officer.

Annual reviews:

Conducting annual reviews of performance, effectiveness, management responsibilities, governance requirements, Director training and Committee membership.

Key areas of focus for 2026

In 2026, we'll be continuing to focus on succession planning across all levels of the business and ensuring the new and existing members of the Board and leadership team receive the appropriate training and support to effectively carry out their duties. The Committee will also be sponsoring the external Board Effectiveness Review which commenced in February 2026.

Remuneration Committee

The Remuneration Committee is comprised solely of Non-Executive Directors and determines our overall remuneration policy as well as the remuneration packages for Executives and Board Chair. The Chief Executive and Chief Risk and Compliance Officer are invited to attend all meetings, with the exception of those in which their remuneration is due to be discussed.

Specific responsibilities include:

- Determining the terms, conditions and remuneration of our Board Chair and Executive Directors
- Approving the terms, conditions and remuneration of Board appointed roles and the Senior Management Team on the recommendation of the Chief Executive
- Approving the terms, conditions and remuneration of the Chief Executive on recommendation of the Chair

Remuneration Committee Activity in 2025

Remuneration Packages:

Approving remuneration packages for new Executive and Senior Leadership appointments, including the incoming CEO, and benchmarking our packages to ensure they remain relevant. The Committee also approved the increase to the Board Chair fee.

We continued our commitment to maintain the minimum wage threshold to more than the Real Living Wage Foundation Scheme.

Bonus schemes:

Approved the 2026 incentive structure and authorised bonus payments for 2025 performance, including the all-colleague award distributed in December 2025.

Compliance with Regulation:

To ensure the business remains compliant regarding Regulatory policy and guidance, the Committee regularly reviews Regulation which impacts on remuneration structures. Any changes required are implemented within the specified timescale.

Key Areas of Focus for 2026

We will continue to ensure we operate fair and inclusive reward instruments to support our ongoing need to employ the right skills to successfully deliver our five-year business strategy.

We will maintain remuneration packages that are fair and competitive to attract, recruit, and retain senior leadership talent and key skills in a competitive market.

We will continue to keep abreast of the changing Regulatory landscape and make the necessary adjustments to our internal Remuneration Policy and processes when required.

A detailed report on Directors' remuneration can be found on page 37

The detailed responsibilities of all our Board Committees are set in their respective Terms of Reference and are available on our website.

Membership and meeting information, including the attendance of Directors, is set out in the table below.

Board and Sub-Board Committee Membership Attendance in 2025

Director	Board	Audit	Risk	Nominations	Remuneration
G M Berville	10			8	
K Ingham	10		8	7	
D J Hosie	10	7			6
P A McLelland	9	7	8	8	
A P Haywood	10		9		6
P D Rogerson	10	7	9		6
C M Harrison	5(5)*			3(3)*	2(2)*
L S Hamp	0(1)*				
T E Leach	10		9		
S J Broadley	5(5)**			5(5)**	3(3)**
Total number of formal meetings held	10	7	9	8	6

*indicates attendance whilst the Director was employed/contracted for services at the Society.

**indicates attendance when a member of the relevant Committee.



Annual Report & Accounts 2025

Directors' Remuneration Report

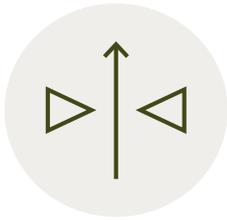


Directors' Remuneration Report

Our Remuneration Policy:

Attracting, retaining and remunerating talent.

The aim of our remuneration policy is to ensure our approach is suitably balanced. Its key principles are to:



Align to our Corporate Plan objectives for our overall growth and security.



Set total remuneration at a competitive level which rewards strong performance.



Provide a clear link to effective risk management consistent with risk appetite.



Meet regulatory standards and good corporate governance.

Attracting, retaining and motivating talented individuals whose performance contributes to the success and stability of our business is critical.

We also recognise our responsibility to protect Members' interests by spending money wisely and not paying more than necessary to attract candidates with the appropriate level of skills and experience.

Executive and Non-Executive remuneration

Executive remuneration consists of basic salary, variable bonus, pension contributions and other benefits. The Remuneration Committee reviews this annually on recommendation of the Chief Executive - and in the case of the Chief Executive, on recommendation of the Chair of the Board. Summaries of the 2025 remuneration elements and packages are shown on page 41.

Element	Link to Strategy	Operation	Performance Measures	Minimum and Maximum Payable
Basic Salary	Reflects level of accountability. Provides ability to attract and retain individuals through competitive but affordable rates of pay	Once set, future increases are linked to personal performance and peer group benchmarking.	Personal performance against the requirements of the role and the delivery of business and personal objectives.	Individuals developing in a role may be paid below market rate until they are fully performing. Adjustments may be made if a role changes significantly or moves out of line with the market.
Bonus	Linked to the delivery of annual business plan targets including shared strategic objectives.	Challenging, but achievable objectives are aligned with the Corporate Plan. The Chief Risk & Compliance Officer provides assurance that the scheme design does not incentivise inappropriate behaviours.	Corporate measures for 2025 are: <ul style="list-style-type: none"> • Profit, • Cost Management, • Balance Sheet Growth • Risk & Control • Culture • People • Member engagement • Shared Strategic Objectives. Personal objectives are set by the Chief Executive and reviewed by the Remuneration Committee.	The bonus amount varies between 0% and 40% depending on performance against a number of specific measures, agreed by the Remuneration Committee. Payment of 50% of the award is deferred for three years. Deferred bonus payments may be withdrawn or adjusted in the following circumstances: a) participated in or was responsible for conduct which resulted in significant losses or regulatory consequences for the Society or relevant business unit or there is reasonable evidence of fraud, serious dishonesty or other wrongdoing on the part of the Bonus Recipient which would have resulted in the bonus not being paid had the Society known about it at the time the relevant award was declared; or b) failed to meet appropriate standards of fitness and propriety and/or engaged in any financial and/or non-financial misconduct. Or where the Society has: c) suffered a material failure of risk management; or d) been required to restate its accounts to a material extent. If, as at the Initial Payment Date or the Deferred Payment Date, the Bonus Recipient is no longer employed by the Society, or either the Bonus Recipient or the Society have given notice to terminate the Bonus Recipient's employment, or the Bonus Recipient has taken a long-term career break there shall be no right to a bonus unless the leaver reason is by means of retirement or other leaver reasons such as death and redundancy.
Pension	Provides market competitive remuneration.	Pension contributions are on membership of the Society's Defined Contribution Scheme. Cash equivalent may be offered if requested.	Not applicable.	Matched contributions up to 10% of basic salary.
Benefits	To align Executive total remuneration broadly with the market.	The principal benefits are: <ul style="list-style-type: none"> • Life assurance, • Private medical insurance, • Company car allowance, • 6 month notice period, • Other benefits e.g. relocation assistance may be provided based on individual circumstances. 	Not applicable.	Not applicable.

Non-Executive Directors are paid a fixed fee and there is an additional payment for the Chair of the Board and Committee Chairs. The level of the fee is based on external market data. The time commitment required in order to deliver their responsibilities within a regulated business environment is also considered. No bonus or variable pay is paid to the Non-Executive Directors.

Executive and Senior Leadership Bonus Scheme for 2026

Serving as an incentive to the achievement of corporate goals, our Senior Managers' bonus scheme is aligned to the business strategy. There are nine key components and measures including 'financials', 'risk and control environment', 'broker and Member', 'people and culture' and 'delivery of key strategic projects'.

The financial measures contained in the bonus structure are:

- Profit
- Cost Management
- Balance Sheet Growth

Consulting our Members

We consider it best practice to hold an advisory vote on the recommendations contained within the Directors' Remuneration Report, although we are not required to do so. An appropriate resolution of this year's report will therefore be put to Members at our Annual General Meeting.

In 2025, 3932 (2024: 3901) of Members voted, of which 3521 did so in favour of the Directors' Remuneration Report.



Summary of Directors' Remuneration 2025

Executive Directors' Fees – 2025

2025	Salary	Bonus / PILON	Taxable Benefits	Sub Total	Defined Contribution Scheme	Total
	£	£	£	£	£	£
S. J. Broadley ¹	130,000	41,600	8,062	179,662	26,000	205,662
T. E. Leach	170,000	54,400	21,976	246,376	15,300	261,676
C. M. Harrison ²	114,357	149,189	12,662	276,208	-	276,208
L. S. Hamp ³	22,105	118,857	3,862	144,824	21,065	165,889
Total	436,462	364,046	46,562	847,070	62,365	909,435

¹ Simon Broadley was appointed to CEO on 2 June 2025 following Chris Harrison's departure

² Chris Harrison departed the Society on 2 June 2025. Included within Bonus/PILON is £149,189 PILON

³ Laura Hamp departed the Society on 19 May 2025. Included within Bonus/PILON is £88,857 PILON

Executive Directors' Fees – 2024

2024	Salary	Bonus / PILON	Taxable Benefits	Sub Total	Defined Contribution Scheme	Total
	£	£	£	£	£	£
C. M. Harrison	263,901	95,004	30,178	389,083	-	389,083
T. E. Leach ¹	41,212	-	4,875	46,087	3,884	49,971
L. S. Hamp	138,075	48,963	18,014	205,052	26,614	231,666
Total	443,188	143,967	53,067	640,222	30,498	670,720

¹ During the year, Tom Leach was appointed by the Society as Interim Finance Director and co-opted to the Board in October 2024.

Non-Executive Directors' Fees

	2025	2024
	£	£
G. M. Berville	59,649	58,734
A. P. Haywood	41,617	39,906
P. A. McLelland	40,001	39,414
P. D. Rogerson	41,575	37,940
K. Ingham	39,475	26,434
D. J. Hosie	33,224	21,727
K. L. Rebecchi	-	13,289
N. J. Gower	-	11,610
Total	255,540	249,054

P Rogerson took Chair of Board Risk Committee during 2024. The increase in fees between current and prior year is due to 2024 fees not being reflective of a full year.

Both K Ingham & D Hosie commenced their roles as Directors during 2024. The increase in fees between current and prior year is due to 2024 fees not being reflective of a full year.

Non-Executive Directors' fees include taxable travel expenses paid to attend the Society's Head Office, but do not include any reimbursement of other out of pocket expenses incurred whilst conducting the Society's business.

A. P. Haywood
Chair of the Remuneration Committee

20 March 2026



Annual Report & Accounts 2025

Independent Auditor's Report

Independent Auditor's Report

Independent auditor's report to the members of Furness Building Society

Opinion

We have audited the annual accounts of Furness Building Society (the 'Society') and its subsidiaries (the 'Group') for the year ended 31 December 2025 which comprise the Group and Society Statement of Comprehensive Income, Group and Society Statement of Changes in Equity, Group and Society Statement of Financial Position, Group Cash Flow Statement, 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's and Society's ability to continue as a going concern;
- 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's and Society's future financial performance;
- Assessing the reasonableness of the Group's and Society's twelve month forecast and ensuring consistency with the 5-year Corporate Plan, Internal Capital Adequacy Assessment Process and Internal Liquidity Adequacy Assessment Process documentation, which include management's stress testing, and form the base of their going concern assessment;
- Critically assessing the reasonableness of the sensitivity analysis performed by management and the various stress scenarios including reverse stress testing on the capital and liquidity position of the Group and Society;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Considering the consistency of the directors' forecasts with other areas of the annual accounts and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the annual accounts on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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 matter is a matter that, in our professional judgement, was 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. This matter was 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 this matter.

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

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

Key Audit Matter	How our scope addressed this matter
<p>Impairment losses on loans and advances to customers</p> <p>Group and Society £1,123k (2024: £1,168k)</p> <p><i>Refer to note 1.12 for the associated accounting policy, note 1.23 for management's critical judgements and estimates in applying the accounting policy, and note 14 of the annual accounts.</i></p> <p>Credit risk and the calculation of the associated impairment provision is an inherently judgemental area due to the use of subjective assumptions and a high degree of management estimation. The total impairment provision of the Group and Society consists of individual provisions on loans with default indicators and a collective provision on the performing portfolio.</p> <p>The collective impairment is derived by management from a model that uses a combination of the Group's and Society's historical experience and, due to the limited volume of historical loss cases external data, adjusted for current conditions and resultant management estimates. In particular, the impairment assessment is most sensitive to movements in the forced sale discounts ('FSD') applied to collateral values and the probability of default ('PD') of the loans.</p> <p>In addition, management judgement is applied in determining any further adjustment to the provisioning model to reflect the anticipated reduction in expected cash proceeds on repossession and realisation of collateral.</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 Group and Society in relation to the credit processes (loan origination and approval, loan redemptions, arrears monitoring); – Critically assessing how management has performed the accounting estimate, including reviewing the reasonableness and appropriateness of external and internal data used. This included testing of assumption data (e.g. PD, FSD) used in the model; – Engaging our Quantitative Solutions experts to review the SAS code against incurred loss model requirements; – Assessing the relevance of external data used in the provisioning model based on our understanding of the Group's and Society's portfolio; – Comparing the Group's and Society's key assumptions (PD, HPI and FSD) with similar lenders or other market players and loan portfolios with similar characteristics and considering whether these assumptions are consistent with industry benchmarks; – Developing an auditor's range estimate of the collective provision using reasonable alternative assumptions relevant to the Group's and Society's portfolio; – Testing the completeness and accuracy of loans that are assessed by the management for individual provisions, including recalculating the provision charge; – Engaging our internal property valuation experts to challenge the reasonableness of valuations for a selection of properties held as collateral against loans, as well as to review and assess the group's FSD assumption; and – Assessing the adequacy of Group's 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</p> <p>Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision as at 31 December 2025 to be reasonable and in compliance with the requirements of IAS 39.</p>

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

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

Overall materiality	Group :£903,000 (2024: £882,000) Society: £903,000 (2024: £878,000)
How we determined it	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 the Group £632,200 (2024: £617,000) and Society £632,200 (2024: £615,000) was applied in the audit based on 70% (2024: 70%) of overall materiality. In determining the 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 Group £27,000 (2024: £26,000) and Society £27,000 (2024: £26,000) 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 the Group and Society and its two trading subsidiaries.

	2025	2024
Number of reporting entities subject to full audit scope	1	3
% of group revenue	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.

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 22, 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 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 the structure of the Group, and considering the risk of acts by the Group and 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 are in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, including the PRA and FCA during the year and up until the date of the approval of the financial statements;
- Reviewing minutes of directors' meetings held during the year and up until the date of approval of the financial statements;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience and through discussions with the Chief Risk Officer, from inspection of the Society's regulatory and legal correspondence.

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

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the annual accounts, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to provision for impairment losses on loan and advances.

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.
- Being skeptical to the potential of management bias through judgements and assumptions in significant accounting estimates, in particular in relation to provision for impairment losses on loans and advances, and performing the procedures described in the "Key audit matter" section of our report.

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

The 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 audit committee, we were appointed by the on 9 September 2020 to audit the annual accounts for the year ended 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2020 to 31 December 2025. In accordance with the applicable rotation requirements, there has been a change in RI for the year-ended 31 December 2025 audit of annual accounts.

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 Audit committee.

Use of the audit report

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

**Martin Orme (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP**

Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

20 March 2026



Annual Report & Accounts 2025

Furness Building Society Annual Accounts

Furness Building Society

Annual Accounts

Income Statement & Statement of Comprehensive Income

For the year ended 31 December 2025

	Notes	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Interest receivable and similar income	2	67,902	67,860	66,795	66,631
Interest payable and similar charges	3	(44,814)	(44,814)	(44,868)	(44,868)
Net interest income		23,088	23,046	21,927	21,763

Fee and commissions receivable		23	23	46	46
Fees and commissions payable		(141)	(141)	(151)	(151)
Other operating income		289	289	457	457
Net (loss)/gain from financial instruments at fair value through profit and loss	4	(103)	(103)	779	779
Total net income		23,156	23,114	23,058	22,894

Administrative expenses	5	(20,150)	(20,145)	(18,577)	(18,550)
Depreciation and amortisation	16/17	(502)	(502)	(537)	(537)
Operating profit before impairment losses and provisions		2,504	2,467	3,944	3,807

Provisions for liabilities	24	40	40	4	4
Impairment credit/(charge) on loans and advances	14	51	49	(277)	(277)
Dividend income from subsidiary	15	-	2,680	-	-
Profit before tax		2,595	5,236	3,671	3,534

Tax expense	8	(579)	(569)	(889)	(852)
Profit for the financial year		2,016	4,667	2,782	2,682

	Notes	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Profit for the financial year		2,016	4,667	2,782	2,682

Changes in fair value of debt securities and treasury bills - valuation gains/(losses) taken to equity		312	312	(297)	(297)
Actuarial (loss)/gain recognised on the pension scheme	28	(121)	(121)	464	464
Taxation credit/(charge) on Other Comprehensive Income	8	26	26	(116)	(116)

Total Comprehensive Income for the year		2,233	4,884	2,833	2,733
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The Notes on pages 57 to 61 form an integral part of these Accounts.

Statement of Changes in Equity

Group 2024	Notes	General reserves £000	Available-for-sale reserves £000	Total £000
Balance as at 1 January 2024		84,893	301	85,194
Profit after tax for the year		2,782	-	2,782

Other Comprehensive Income for the year:

Actuarial gain recognised on the Pension Scheme	28	464	-	464
Movement in deferred tax relating to the Pension Scheme		(116)	-	(116)

Changes in fair value of debt securities:

Taken through Other Comprehensive Income		-	(297)	(297)
Other Comprehensive Income for the year		348	(297)	51
Total Comprehensive Income for the year		3,130	(297)	2,833

Balance as at 31 December 2024		88,023	4	88,027
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Group 2025

Balance as at 1 January 2025		88,023	4	88,027
Profit after tax for the year		2,016	-	2,016

Other Comprehensive Income for the year:

Actuarial loss recognised on the Pension Scheme	28	(121)	-	(121)
Movement in deferred tax relating to the Pension Scheme		26	-	26

Changes in fair value of debt securities:

Taken through Other Comprehensive Income		-	312	312
Other Comprehensive Income for the year		(95)	312	217
Total Comprehensive Income for the year		1,921	312	2,233

Balance as at 31 December 2025		89,944	316	90,260
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The Notes on pages 57 to 61 form an integral part of these Accounts.

Statement of Changes in Equity (continued)

Society 2024

	Notes	General reserves £000	Available-for-sale reserves £000	Total £000
Balance as at 1 January 2024		82,346	301	82,647
Profit after tax for the year		2,682	-	2,682

Other Comprehensive Income for the year:

Actuarial gain recognised on the Pension Scheme	28	464	-	464
Movement in deferred tax relating to the Pension Scheme		(116)	-	(116)

Changes in fair value of debt securities:

Taken through Other Comprehensive Income		-	(297)	(297)
Other Comprehensive Income for the year		348	(297)	51
Total Comprehensive Income for the year		3,030	(297)	2,733

Balance as at 31 December 2024		85,376	4	85,380
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Society 2025

Balance as at 1 January 2025		85,376	4	85,380
Profit after tax for the year		4,667	-	4,667

Other Comprehensive Income for the year:

Actuarial loss recognised on the Pension Scheme	28	(121)	-	(121)
Movement in deferred tax relating to the Pension Scheme		26	-	26

Changes in fair value of debt securities:

Taken through Other Comprehensive Income		-	312	312
Other Comprehensive Income for the year		(95)	312	217
Total Comprehensive Income for the year		4,572	312	4,884

Balance as at 31 December 2025		89,948	316	90,264
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The Notes on pages 57 to 61 form an integral part of these Accounts.

Statement of Financial Position

For the year ended 31 December 2025

Assets	Notes	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Liquid assets:					
Cash in hand and balances with the Bank of England	10	48,527	48,527	127,998	127,998
Treasury bills & gilts	9	62,483	62,483	32,444	32,444
Loans and advances to credit institutions	10	70,405	70,405	46,572	45,781
Debt securities	11	109,185	109,185	81,259	81,259
Derivative financial instrument assets	12	2,912	2,912	6,928	6,928
Loans and advances to customers:					
Loans fully secured on residential property	13	1,176,411	1,176,411	1,090,841	1,089,014
Loans fully secured on land	13	1,525	1,525	1,641	1,641
Investments in subsidiary undertakings	15	-	4	-	4
Other assets	18	37	37	283	209
Intangible fixed assets	16	144	144	324	324
Tangible fixed assets	17	4,634	4,634	2,191	2,191
Prepayments and accrued income	19	3,884	3,884	4,301	4,301
Retirement benefit asset	28	2,538	2,538	2,498	2,498
Total assets		1,482,685	1,482,689	1,397,280	1,394,592

Liabilities

Shares	20	1,193,169	1,193,169	1,121,350	1,121,350
Amounts owed to credit institutions		6,805	6,805	13,744	13,744
Amounts owed to other customers	21	184,432	184,432	167,601	167,601
Derivative financial instrument liabilities	12	3,044	3,044	1,749	1,749
Other liabilities	22	2,737	2,737	2,649	2,618
Accruals and deferred income	23	2,068	2,068	1,950	1,940
Provisions for liabilities	24	170	170	210	210
Total liabilities		1,392,425	1,392,425	1,309,253	1,309,212

Reserves

General reserves		89,944	89,948	88,023	85,376
Available-for-sale reserves		316	316	4	4
Total reserves attributable to Members of the Society		90,260	90,264	88,027	85,380
Total reserves and liabilities		1,482,685	1,482,689	1,397,280	1,394,592

The Notes on pages 57 to 61 form an integral part of these Accounts.

The Accounts were approved by the Board of Directors
on 20 March 2026 and were signed on its behalf by:

G. M. Berville
Chair

Group Cash Flow Statement

	Notes	Group 2025 £000	Group 2024 £000
Cash flows from operating activities			
Profit before tax		2,595	3,671
Adjustments for:			
Depreciation and amortisation	16/17	695	537
Profit on disposal of tangible fixed assets	17	(195)	(255)
(Decrease)/increase in impairment of loans and advances	14	(51)	277
Movement in premium and accrued interest on debt securities and treasury bills		(258)	(2,020)
Movement in other financial instruments at fair value and accrued interest on derivatives		591	(779)
Defined benefit pension interest income	28	(134)	(80)
Total		3,243	1,351
Changes in operating assets and liabilities			
Decrease/(increase) in prepayments, accrued income and other assets		663	(2,599)
Increase in accruals, deferred income and other liabilities excl. tax charge for the year		315	140
Increase in loans and advances to customers		(80,441)	(21,348)
Increase in shares		71,532	90,315
Increase in amounts owed to credit institutions and other customers		9,892	5,607
(Increase)/decrease in loans and advances to credit institutions		(24,879)	11,900
Increase in retirement benefit asset	28	(27)	(384)
Taxation paid		(658)	(708)
Net cash (used in)/generated by operating activities		(23,603)	82,923
Cash flows from investing activities			
Purchase of debt securities and treasury bills	9/11	(152,074)	(114,107)
Disposal of debt securities and treasury bills	9/11	94,680	92,624
Purchase of tangible fixed assets	17	(2,991)	(1,119)
Disposal of tangible fixed assets	17	228	288
Net cash used in investing activities		(60,157)	(22,314)
Net (decrease)/increase in cash and cash equivalents		(80,517)	61,960
Cash and cash equivalents at 1 January		128,517	66,557
Cash and cash equivalents at 31 December	10	48,000	128,517

The Notes on pages 57 to 61 form an integral part of these Accounts.

Annual Report & Accounts 2025

Notes to the Accounts



01. Principal Accounting Policies

1.1 General information

Furness Building Society is incorporated in the United Kingdom under the Building Societies Act 1986. The address of its registered office is Emlyn Hughes House, Abbey Road, Barrow-in-Furness, Cumbria LA14 5PQ.

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

1.2 Basis of preparation

Annual Accounts have been prepared in accordance with Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the UK and Northern Ireland' (FRS 102), and in accordance with the Building Societies Act 1986 and the Building Societies (Accounts and Related Provisions) Regulations 1998. The Society has also chosen to apply the recognition and measurement provisions of IAS 39, 'Financial Instruments: Recognition and Measurement'.

The Society is included in the consolidated Annual Accounts, and is considered to be a qualifying entity under FRS 102 paragraphs 1.9 to 1.13. The following exemptions available under FRS 102 in respect of certain disclosures for the parent Society Annual Accounts have been applied:

- No separate Society Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included.

Annual Accounts have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and financial instruments classified at fair value through the profit or loss (FVTPL) or available for-sale.

Reclassification of prior year presentation

When presentation or classification is changed comparative amounts shall be reclassified unless impracticable. When amounts are reclassified the entity shall disclose (a) the nature of the reclassification; (b) the amount of each item or class of items that is reclassified; and (c) the reason for the reclassification. If reclassification is impracticable the entity shall disclose the reason why.

1.3 Going concern

Annual Accounts have been prepared on a going concern basis. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date when the financial statements are authorised for issue.

The Board has considered a number of stress scenarios, with the macroeconomic factors being based as a minimum on the Bank of England Annual Cyclical scenario variables, and the impact they would have on the Society's liquidity, capital and operational resilience. The Board have concluded the assumptions in the assessment are relevant and the Society has sufficient capital and liquidity to continue as a going concern.

1.4 Basis of consolidation

The accounting policies below and the Statement of Comprehensive Income and Statement of Financial Position incorporate the Society and its subsidiary undertakings (collectively referred to as the Group) all of which have year-ends of 31 December. Uniform accounting policies are used throughout the Group and are consistent with the prior year. Investments in subsidiary undertakings are stated at cost less any provision for impairment.

1.5 Interest

Interest income and expense are recognised in profit or loss using the effective interest rate (EIR) method. The EIR is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows

considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees, including Early Redemption Charges (ERCs), which are an integral part of the Effective Interest Rate (EIR). Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The EIR policy remains consistent with prior years. An annual review of the assumptions has taken place and management have elected to maintain principle assumptions in-line with the previous year.

1.6 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see 1.5).

Other fees receivable are recognised on the accruals basis when all contractual obligations have been fulfilled. Other fees payable are recognised on an accruals basis when the service has been provided or on the completion of an act to which the fee relates, and are inclusive of VAT where applicable.

1.7 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income.

Current taxation

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 Statement of Financial Position date, and any adjustment to tax payable in respect of previous years. Corporation tax is charged on the profit on ordinary activities for the year as adjusted for taxation purposes.

Deferred taxation

Provision for deferred tax is made on a non-discounted basis in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date. Timing differences represent differences between gains and losses recognised for tax purposes in periods different from those in which they are recognised in Annual Accounts. No deferred tax is recognised on permanent differences between the Group's taxable gains and losses and its results as stated in the Annual Accounts. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

1.8 Financial assets

At initial recognition the Group classifies non-derivative financial assets either as loans and receivables or as available-for-sale assets. No assets have been classified as held to maturity.

Qualitative and quantitative risk disclosures required by FRS 102 Sections 11, 12 and 34 (financial institutions) are provided in Note 27, including credit/liquidity/market risk, fair value, maturity and collateral information.

a) Loans and receivables

'Loans and receivables' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. Loans and receivables are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest rate method. The Group's cash in hand and balances with the Bank of England, as well as loans and advances to credit institutions and customers are classified as loans and receivables.

b) Available-for-sale financial assets

'Available-for-sale' investments are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise treasury bills, gilts and debt securities. All available-for-sale investments are measured at fair value after initial recognition. Gains or losses on available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses, until the financial asset is derecognised. At that time the cumulative gain or loss previously recognised in other comprehensive income shall be reclassified from equity to profit or loss.

Interest income is recognised in profit or loss using the effective interest rate method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Impairment losses are recognised in profit or loss.

c) Financial assets at fair value through profit or loss

The Group uses derivative financial instruments only for risk management purposes, and not for trading purposes. Derivatives are recognised at fair value in the Statement of Financial Position with the gain or loss on remeasurement recognised immediately in profit or loss. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Where possible, the Group designates derivatives held for risk management purposes as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument and hedged items, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value of the respective hedged items during the period for which the hedge is designated, and whether the actual effectiveness of each hedge is within a range of 80–125%.

These hedging relationships are discussed in d) below.

d) Fair Value Hedges

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability, all changes in the fair value of the derivative are recognised immediately in the Statement of Comprehensive Income. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the Statement of Comprehensive Income. If hedge accounting is discontinued and the hedged financial asset has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss on a straight-line basis over the remaining life of the previously hedged item.

The Group applies fair value hedge accounting to hedge exposure to movements in benchmark interest rates on certain fixed rate savings liabilities and fixed rate mortgage assets. Interest rate swaps are used as the hedging instruments. Hedge ineffectiveness may arise due to differences between the contractual terms of the hedged items and hedging instruments (including timing and repricing profiles), changes in prepayment or behavioural expectations, or other market factors affecting fair value measurement.

The Group enters into credit support agreements, which protect against counterparty default in respect of hedging instruments by means of collateral transactions. Collateral balances are included within 'liquid assets' or 'amounts owed to credit institutions' as appropriate and interest receivable or payable reflected in the Statement of Comprehensive Income within 'net interest income'.

1.9 Term Funding Scheme (TFS), Term Funding Scheme with additional incentives for SMEs (TFSME) and Sterling Monetary Framework (SMF)

Loans and advances over which the Group transfers its rights to the collateral thereon to the Bank of England under the TFSME/SMF are not derecognised from the Statement of Financial Position, as the Group retains substantially all the risks and rewards of ownership, including all cash flows arising from the loans and advances and exposure to credit risk. TFSME/SMF borrowings are recognised in 'Amounts owed to other customers'.

1.10 Financial liabilities

All financial liabilities are initially recognised at cost plus directly attributable transaction costs. Subsequent measurement of financial liabilities is at amortised cost using the effective interest rate method, except for those financial liabilities measured at fair value through Profit or Loss.

1.11 Derecognition of financial assets and liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the net consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in Other Comprehensive Income is recognised in profit and loss.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires. The difference between the carrying amount of a financial liability extinguished, or transferred to another party, and the consideration paid shall be recognised in the profit and loss.

1.12 Impairment of financial assets

a) Assets carried at amortised cost

Individual assessments are made of all loans and advances against properties and land which are in possession, greater than 3 months in arrears, are subject to forbearance activities or other significant cases of concern. Individual impairment allowances are made against those loans and advances where there is objective evidence of impairment, which 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.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial 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.

In addition the Group assesses at least quarterly whether there is objective evidence to suggest a financial asset or group of financial assets is likely to be impaired. Where a collective assessment is made, each category or class of financial asset is split into groups of assets with similar credit risk characteristics. The Group measures the amount of impairment loss by applying estimated loss factors based on the Group's experience of default, loss emergence periods, the effect of movements in house prices and any adjustment for the expected forced sales value. Where certain impairment characteristics are considered significant but not adequately assessed as part of the impairment model calculation, then management may elect to apply an overlay to the impairment allowance.

The amount of impairment loss is recognised immediately through the Statement of Comprehensive Income and a corresponding reduction in the value of the financial asset is recognised.

b) Available-for-sale assets

The Group assesses at each Statement of Financial Position date whether there is objective evidence that an available-for-sale asset or group of available-for-sale assets is impaired.

Available-for-sale assets are impaired and impairment losses incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of those assets. Loss events may include default of a counterparty or disappearance of an active market for the assets.

Where objective evidence exists, that the asset has been impaired, the cumulative loss that had been recognised in Other Comprehensive Income shall be reclassified from equity to profit or loss. Impairment is measured as the difference between the current amortised cost and the current fair value, less any impairment loss on that asset previously recognised.

1.13 Offsetting

Financial assets and liabilities are offset and the net amounts presented in the Annual Accounts only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.14 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and balances with the Bank of England. Cash pledged with credit institutions as collateral in respect of derivative contracts is not included in these balances.

1.15 Tangible fixed assets

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

The Group capitalises the cost of additions and major alterations to office premises and equipment. In the case of leasehold premises with a term remaining in excess of 50 years, depreciation of the original cost of these is charged to the Statement of Comprehensive Income over the lower of 50 years and their estimated useful life.

The cost of other fixed assets is written off on a straight line basis over the estimated useful lives as follows:

- Equipment, fixtures, fittings and vehicles are written off over periods between 2 and 10 years
- Leasehold premises are written off over the lower of 50 years and the unexpired period of the lease
- Freehold property is written off over the lower of 50 years and their estimated useful life.

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

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Statement of Comprehensive Income and included in 'Other operating income/(charge)'.

1.16 Intangible assets

Intangible assets consists of externally acquired and internally developed computer software. Internally developed computer software is capitalised as an intangible asset where the software is an identifiable asset controlled by the Group 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 accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over the estimated useful lives of the software, which are between 3 and 5 years.

Amortisation is charged to depreciation and amortisation in the Statement of Comprehensive Income. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances. The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Other development expenditures that do

not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

1.17 Software-as-a-Service (SaaS) costs

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

1.18 Leasing

The leases entered into by the Group are operating leases. All payments under operating lease contracts are charged to the Statement of Comprehensive Income on a straight line basis over the life of the lease.

1.19 Liquid assets

Debt securities are initially measured at fair value, which is normally the transaction price to the Group. Such assets are subsequently carried at fair value and the changes in fair value are recognised through the available-for-sale reserve. Provision is made for any potential impairment in value if necessary. Where there is a permanent impairment of a liquid asset, provision is made to write down the carrying value of the asset to its recoverable amount.

1.20 Employee benefits

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

a) Short-term benefits

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

b) Pension costs

i. Defined Benefit Pension Plan

The Group operates a defined benefit pension scheme and the assets are held in a separate trustee administered fund. Included within the Statement of Financial Position is the Group's net surplus calculated as the present value of the defined benefit obligation less the fair value of plan assets.

The Society has implemented Section 28 of FRS 102 'Employee Benefits' which covers the accounting and disclosure requirements for employee pensions. In the absence of clear guidance under FRS102, IFRIC14 has been followed regarding the recognition of the defined benefit pension surplus. The Society has determined that recognition of the surplus is acceptable under IFRIC14.

Any remeasurement of the net pension surplus is recognised in the Statement of Comprehensive Income. Actuarial gains or losses are recognised in Other Comprehensive Income.

Any past service costs or interest costs, which reflect the increase in the defined obligation which arises as benefits are one period closer to settlement, are recognised in operating profit.

See Note 29 for further information regarding the Defined Benefit Pension Plan.

ii. Defined Contribution Scheme

The Group also operates a contributory defined contribution pension scheme, the assets of which are held separately from those of the Group. For this scheme, the cost is charged to the Statement of Comprehensive Income as contributions become due. The amount charged represents the contributions payable to the scheme in respect of the accounting period.

1.21 Provisions

A provision is recognised in the Statement of Financial Position when the entity has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.22 Dividends

On occasions the Society's wholly owned subsidiaries may make dividend payments to their parent. Such dividends are decided at the discretion of the subsidiaries' Boards of Directors and are reflected in the Annual Accounts of the respective entities when this occurs. Dividends are only recognised by the Society when approved and paid.

Due to the closure of the Furness Mortgage Services Limited subsidiary in the year ending 31 December 2025, dividend income received by the Society resulting from this closure has been included within the Statement of Comprehensive Income. Further information on this is detailed within Note 15.

1.23 Critical accounting judgements and key sources of estimation

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

a) Impairment losses on loans and advances to customers

The Group reviews its mortgage advances portfolio at least on a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded, the Group is required to exercise a degree of judgement. Impairment allowances are calculated using historical arrears experience, modelled credit risk characteristics and expected cash flows. Estimates are applied to determine prevailing market conditions (e.g. interest rates, house prices and forced sale discount), customer behaviour (for example, default rates) and the length of time expected to complete the sale of properties in possession. Impairment allowances are therefore affected by changes to these assumptions.

A key assumption is the expected level of defaults in each category of impairment – the probability of default. The Group has calculated collective default rates from its experience over recent years. During that period the Group has had a low number of possessions, and in addition the default rates may have been depressed by the Group's forbearance policy. As a result management has applied an uplift to the actual default rates experienced in its collective impairment assumptions.

The Group has applied a sensitivity analysis to its key assumptions. A movement to the Society's existing probability of default assumption of 0.1 percentage points would change the collective impairment provision on loans and advances to customers by +/- £0.02m. A movement to the existing forced sale discount of 1.0 percentage points would result in a change to the total provision requirement of +/- £0.04m.

b) Effective Interest Rate (EIR)

The calculation of an Effective Interest Rate (EIR) requires the Society to undertake an assessment of the expected lives of mortgages and mortgage related fees to be spread over the lives of products. The EIR policy remains consistent with the prior year.

i. Expected Mortgage Lives

In determining the average expected lives of mortgage assets, the Group uses historical and forecast redemption and product switch data as well as management judgement. The expected lives of mortgage assets are periodically reassessed for reasonableness as any variation in the average expected lives will change the Effective Interest Rate (EIR) carrying value in the Statement of Financial Position and the timing of the recognition of interest income.

A movement of 0.25 months to the average expected life of mortgages would change the EIR carrying value by +/- £0.30m.

ii. Mortgage Related Fee

The methodology for calculating the movement in EIR during the year for both interest, mortgage fees and early repayment charges remains unchanged. Further detail is set out in Note 1.5.

c) Defined Benefit Pension Scheme Valuation

The Group operates a defined benefit pension scheme and recognise any surplus as described in 1.20. Significant judgements have to be exercised in estimating the value of the liabilities of the scheme, and hence of its surplus. The assumptions are outlined in Note 29.

Of these assumptions, changes in the discount rate and inflation have the most material impact on the net pension obligation. A movement in the discount rate of +0.50% increases the pension surplus by £1.4m. A movement in the inflation rate of +0.50% decreases the pension surplus by £0.7m.

d) Fair value of derivatives and financial assets

The Group makes the following considerations in determining the fair value of its derivatives and financial assets:

- Derivative financial instruments – calculated by discounted cash flow models using yield curves that are based on observable market data. Cash flows for swap derivatives are calculated taking into consideration known characteristics of the swap (maturity date, nominal value, and interest rates for fixed and variable rate). Cash flows are subsequently discounted using the swaps designated interest rate SONIA. Variable leg cash flows are calculated using the latest yield curve data.

1.24 Country by Country Reporting

The Capital Requirements Regulations require the Group to disclose the information below as part of 'Country by Country Reporting': – Nature of activities and geographical location: The principal activities of the Group are set out in the Director's Report. The Group operates entirely in the UK and so no further Country by Country information has been presented.

- Average number of employees: information is disclosed in Note 5.
- Turnover is equivalent to operating income items disclosed in the Group Statement of Comprehensive Income, comprising net interest income, fees and commissions receivable and payable and other operating (charge)/income.
- Pre-tax profit or loss represents the Group profit or loss before tax, as reported in the Group Statement of Comprehensive Income.
- Corporation tax paid: as disclosed in the Group Cash Flow Statement.
- Public subsidies received: none received.

02. Interest Receivable and Similar Income

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
On loans fully secured on residential property net of income/expense on derivatives	55,258	55,216	54,981	54,817
On other loans				
Fully secured on land	112	112	141	141
To subsidiary undertakings	-	-	-	-
On debt securities				
Interest and other income	5,004	5,004	3,142	3,142
On treasury bills and gilts				
Interest and other income	1,495	1,495	1,898	1,898
On other liquid assets				
Interest and other income	6,033	6,033	6,633	6,633
Total	67,902	67,860	66,795	66,631

03. Interest Payable and Similar Charges

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
On shares held by individuals	37,570	37,570	37,827	37,827
On other shares	14	14	15	15
On subordinated liabilities	-	-	-	-
On deposits and other borrowings	7,230	7,230	7,026	7,026
Total	44,814	44,814	44,868	44,868

04. Net (loss)/gain from other Financial Instruments at Fair Value Through Profit and Loss

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Derivatives in designated fair value hedge relationships	(4,652)	(4,652)	1,776	1,776
Adjustments to hedged items in fair value hedge accounting relationships	4,721	4,721	(1,014)	(1,014)
Derivatives not in designated fair value hedge relationships	(172)	(172)	17	17
Total	(103)	(103)	779	779

05. Administrative Expenses

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Staff costs (Note 6)	11,585	11,585	11,153	11,153
Other expenses	8,565	8,560	7,424	7,396
Total	20,150	20,145	18,577	18,550

Other expenses include

Fees payable to the Group's auditor for statutory auditors/services (excluding VAT)	219	200	210	194
Fees payable to the Group's auditor for other assurance services (excluding VAT)	3	3	9	9
Amounts payable under operating leases	322	322	263	263

Other expenses comprise professional and regulatory costs, IT and systems expenditure, premises and occupancy costs, marketing and member communication costs, operational support costs and corporate engagement expenditure.

06. Staff Numbers and Costs

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

Full Time	Group 2025	Society 2025	Group 2024	Society 2024
Principal office and administration centre	118	118	114	114
Branch offices	35	35	40	40
Total	153	153	154	154

Part Time

Principal office and administration centre	26	26	32	32
Branch offices	14	14	14	14
Total	40	40	46	46

The aggregated costs of these persons were as follows	£000	£000	£000	£000
Wages and salaries	9,089	9,089	8,878	8,878
Social security costs	1,131	1,131	898	898
Other pension costs	1,365	1,365	1,377	1,377
Total	11,585	11,585	11,153	11,153

Total employer contributions to the pension Defined Contribution Scheme (including amounts sacrificed from salary) total £1,109k (£1,035k: 2024).

07. Emoluments of and Transactions with Directors

Total Directors' emoluments amounted to £1,165k (£920k: 2024). Full details are given in the Directors' Remuneration Report on pages 37 to 41.

Under the Society rules, all Directors are required to hold a savings balance of at least £1,000. Savings balances were £283k as at 31 December 2025 (£184k: 2024) and are held on normal commercial terms.

At 31 December 2025 there were no (no: 2024) outstanding loans granted in the ordinary course of business to Directors. A register is maintained at the Head Office of the Society which shows details of all loans, transactions and arrangements with connected persons. A statement for the current financial year of the appropriate details contained in the register will be available for inspection at the Head Office for a period of 15 days up to and including the day of the Annual General Meeting. The Directors of the Society are considered to be the only key management personnel, as defined by FRS 102.

08. Tax on profit on ordinary activities

Current Tax	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Current tax on income for the period	564	558	762	725
Adjustments in respect of prior periods	19	15	(26)	(26)
Total current tax	583	573	736	699

Deferred tax

Origination/(reversal) of timing differences	20	20	243	243
Adjustment in respect of previous years	(50)	(50)	26	26
Total deferred tax	(30)	(30)	269	269
Total Tax	553	543	1,005	968

8.1 Tax recognised in Statement of Comprehensive Income

Group	2025			2024		
	Current tax £000	Deferred tax £000	Total tax £000	Current tax £000	Deferred tax £000	Total tax £000
Recognised in Profit and Loss	579	-	579	736	153	889
Recognised in Other Comprehensive Income	4	(30)	(26)	-	116	116
Total tax	583	(30)	553	736	269	1,005

Society

Recognised in Profit and Loss	569	-	569	699	153	852
Recognised in Other Comprehensive Income	4	(30)	(26)	-	116	116
Total tax	573	(30)	543	699	269	968

8.2 Factors affecting tax charge for the year

The tax assessed for the year differs to the standard rate of Corporation tax in the UK of 25% (25%: 2024).

Total tax reconciliation	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Profit on ordinary activities before tax	2,595	5,236	3,671	3,534
Corporation tax at 25%	649	1,309	918	884

Effects of:

Non taxable income	-	(670)	-	-
Adjustment to tax charge in respect of previous periods	(35)	(35)	-	-
Profit on disposal in excess of capital gain	(48)	(48)	(67)	(67)
Expenses not deductible	13	13	8	8
Other	-	-	30	27
Tax Recognised in Profit & Loss	579	569	889	852

The Group expects its effective tax rate in future years to be broadly in line with the standard rate of corporation tax in the UK.

The Corporation Tax rate for the year ended 31 December 2025 was 25%. For the year ended 31 December 2024 deferred tax was provided at a rate of 25% being the rate substantively enacted at the balance sheet date. The movements in deferred taxation are disclosed in Note 25.

09. Treasury Bills and Gilts

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Gilts	28,690	28,690	32,444	32,444
Treasury Bills	33,793	33,793	-	-
Total	62,483	62,483	32,444	32,444

Movements during the year of debt are analysed as follows:

At 1 January	32,444	32,444	40,154	40,154
Additions	77,204	77,204	68,914	68,914
Disposals and maturities	(47,409)	(47,409)	(78,124)	(78,124)
Movement in premium and accrued interest	209	209	1,748	1,748
Net gain/(loss) from changes in fair value recognised in Other Comprehensive Income	35	35	(248)	(248)
Total At 31 December	62,483	62,483	32,444	32,444

10. Loans and Advances to Credit Institutions

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Repayable on demand	(527)	(527)	519	(271)
Cash pledged as collateral against derivative contracts	6,078	6,078	3,789	3,789
Other loans and advances	64,854	64,854	42,264	42,263
Total	70,405	70,405	46,572	45,781

The credit balance under repayable on demand relates to timing differences between the accounting ledger and the Society's current bank accounts.

10.1 Cash and cash equivalents

The totals for cash and cash equivalents included in the cash flow statements for each year comprise the following balances:

	Group 2025 £000	Group 2024 £000
Cash in hand and balances with the Bank of England	48,527	127,998

Loans and advances to credit institutions:

Repayable on demand	(527)	519
Total	48,000	128,517

11. Debt Securities

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Issued by UK banks and building societies	63,411	63,411	53,502	53,502
Issued by multilateral development banks	45,774	45,774	27,757	27,757
Total	109,185	109,185	81,259	81,259

Transferable Debt Securities Comprise

Listed on a recognised investment exchange	109,185	109,185	81,259	81,259
Transferable securities held as financial fixed assets at fair value	109,185	109,185	81,259	81,259

11.1 Movements during the year of debt securities

Movements during the year of debt securities held as financial fixed assets are analysed as follows:	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
At 1 January	81,259	81,259	50,337	50,337
Additions	74,870	74,870	45,193	45,193
Disposals and maturities	(47,271)	(47,271)	(14,500)	(14,500)
Movement in premium and accrued interest	49	49	272	272
Net gain/(loss) from changes in fair value recognised in Other Comprehensive Income	278	278	(43)	(43)
At 31 December	109,185	109,185	81,259	81,259

12. Derivative Financial Instruments

Group and Society

	Contractual amount £M	Fair value assets £000	Fair value liabilities £000
At 31 December 2025			
Unmatched derivatives - interest rate swaps	59	47	(177)
Derivatives designated as fair value hedges - interest rate swaps	440	2,865	(2,867)
Total	499	2,912	(3,044)

At 31 December 2024

Unmatched derivatives - interest rate swaps	14	44	(1)
Derivatives designated as fair value hedges - interest rate swaps	344	6,884	(1,748)
Total	358	6,928	(1,749)

13. Loans & Advances to Customers

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Loans fully secured on residential property	1,176,411	1,176,411	1,090,841	1,089,014
Loans fully secured on land	1,525	1,525	1,641	1,641
Total loans	1,177,936	1,177,936	1,092,482	1,090,655

Total loans before adjustments	1,174,830	1,174,830	1,094,389	1,092,560
Effective interest rate adjustment	3,146	3,146	3,186	3,186
Provision for impairment losses on loans and advances	(1,123)	(1,123)	(1,168)	(1,166)
Fair value adjustment for hedged risk	1,083	1,083	(3,925)	(3,925)
Total loans	1,177,936	1,177,936	1,092,482	1,090,655

The Society has pledged as collateral £290.7m (£193.6m: 2024) of mortgages to the Bank of England to support contingent liquidity drawdowns if required.

14. Allowance for Impairment

Movements during 2025	Loans fully secured on residential property		Loans fully secured on land		Sub-total		Total £000
	Individual £000	Collective £000	Individual £000	Collective £000	Individual £000	Collective £000	
Group							
At 1 January 2025	637	479	52	-	689	479	1,168
Net write-offs and recoveries	(1)	7	-	-	(1)	7	6
Balance	636	486	52	-	688	486	1,174
Impairment allowance	(190)	169	(30)	-	(220)	169	(51)
At 31 December 2025	446	655	22	-	468	655	1,123

Society

At 1 January 2025	636	478	52	-	688	478	1,166
Net write-offs and recoveries	(1)	7	-	-	(1)	7	6
Balance	635	485	52	-	687	485	1,172
Impairment allowance	(189)	170	(30)	-	(219)	170	(49)
At 31 December 2025	446	655	22	-	468	655	1,123

Movements during 2024	Loans fully secured on residential property		Loans fully secured on land		Sub-total		Total £000
	Individual £000	Collective £000	Individual £000	Collective £000	Individual £000	Collective £000	
Group							
At 1 January 2024	243	610	46	-	289	610	899
Net write-offs and recoveries	(8)	-	-	-	(8)	-	(8)
Balance	235	610	46	-	281	610	891
Impairment allowance	402	(131)	6	-	408	(131)	277
At 31 December 2024	637	479	52	-	689	479	1,168

Society

At 1 January 2024	242	609	46	-	288	609	897
Net write-offs and recoveries	(8)	-	-	-	(8)	-	(8)
Balance	234	609	46	-	280	609	889
Impairment allowance	402	(131)	6	-	408	(131)	277
At 31 December 2024	636	478	52	-	688	478	1,166

These provisions have been deducted from the appropriate loans in the Statement of Financial Position.

15. Investment In Subsidiary Undertakings

	Society 2025 £000	Society 2024 £000
Loan to subsidiary undertaking	4	4

Movements at cost in the above loan during the year are as follows:

At 1 January	4	4
Repayments	-	-
Total at 31 December	4	4

The loan to subsidiary undertaking is entirely to Furness Financial Advisers.

During the financial year ended 31 December 2025, the Society closed its wholly owned subsidiary, Furness Mortgage Services Limited, as a result of which £2.68m of dividend income is included in the Society's profit for the financial year. The dividend income comprises the net assets of the subsidiary.

The Society has the following subsidiary undertakings in which it directly holds all of the issued shares at a total cost of £6. Each is a company within the meaning of the Companies Act 2006 and is incorporated in the United Kingdom.

15.1 Subsidiary Undertakings

Company name	Class of Share Held	Society's Interest	Cost
Shares			
Furness Mortgage Services Limited	Ordinary	100%	£1
Furness Independent Financial Advisers Limited	Ordinary	100%	£1
Furness Authorised Financial Advisers Limited	Ordinary	100%	£1
Furness Financial Advisers Limited	Ordinary	100%	£1
Furness Financial Services Limited	Ordinary	100%	£1
Ultimate Mortgages Limited	Ordinary	100%	£1

With the exception of Furness Mortgage Services Limited, none of the subsidiary undertakings carried on business during the year. The principal activity of Furness Mortgage Services Limited is management of secondary mortgage portfolios in the United Kingdom. All of the Society's subsidiary companies share the same registered address as the Society.

16. Intangible Assets – Group and Society

Cost	Software £000
At 1 January 2025	5,178
Additions	-
Total at 31 December 2025	5,178

Depreciation

At 1 January 2025	4,854
Charges in year	180
Total at 31 December 2025	5,034

Net book value

Total at 31 December 2025	144
Total at 31 December 2024	324

17. Tangible Fixed Assets – Group and Society

Cost	Land £000	Buildings £000	Equipment, fixtures & fittings £000	Total £000
At 1 January 2025	59	1,368	9,112	10,539
Additions	-	-	2,991	2,991
Disposals	(13)	(50)	(196)	(259)
Total at 31 December 2025	46	1,318	11,907	13,271

Depreciation

At 1 January 2025	-	1,276	7,072	8,348
Charges in year	-	6	509	515
Disposals	-	(34)	(192)	(226)
Total at 31 December 2025	-	1,248	7,389	8,637

Net Book Value

Total at 31 December 2025	46	70	4,518	4,634
Total at 31 December 2024	59	92	2,040	2,191

The profit on disposal of tangible fixed assets (£193k) has been included within depreciation within the Statement of Comprehensive Income. Disposals in the above note are shown at net book value.

17.1 Net book value of land and buildings comprises:

	Group 2025 £000	Group 2024 £000
Freehold	70	92

All freehold land and buildings are being used by the Society for its own activities.

18. Other Assets

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Due within one year	37	37	283	209
Total	37	37	283	209

19. Prepayments and Accrued Income

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Rent and rates paid in advance	51	51	64	64
Fees and subscriptions paid in advance	342	342	323	323
IT & software costs paid in advance	3,347	3,347	3,789	3,789
Other	144	144	125	125
Total	3,884	3,884	4,301	4,301

20. Shares Held

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Held by individuals	1,192,734	1,192,734	1,120,950	1,120,950
Other shares	435	435	400	400
Total	1,193,169	1,193,169	1,121,350	1,121,350

21. Amounts Owed to Other Customers

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Amounts owed to other customers	184,432	184,432	167,601	167,601

Included in the amounts above for 2025 is nil (£20m: 2024) borrowed from the Bank of England under the Term Funding Scheme with additional incentives for SMEs (TFSME).

22. Other Liabilities

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Creditors	2,737	2,737	2,649	2,618

Of which tax related:

Corporation tax	306	306	385	352
Deferred tax liability (Note 25)	475	475	505	505

23. Accruals and Deferred Income

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Staff related costs	1,314	1,314	1,359	1,359
Other administrative and operating costs	705	705	521	511
Other	49	49	70	70
Total	2,068	2,068	1,950	1,940

24. Provisions For Liabilities – Group and Society

	Regulatory £000	Dilapidations £000	Total £000
At 1 January 2025	40	170	210
Amounts charged in the year	(40)	-	(40)
At 31 December 2025	-	170	170

Regulatory

This provision related to compensation payable as a result of previous business activity.

Dilapidations

The Society has obligations under certain lease contracts for dilapidation costs.

25. Deferred Taxation Liability

The elements of deferred taxation are as follows:	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Difference between accumulated depreciation and amortisation and capital allowances	(6)	(6)	(14)	(14)
Deferred tax liability relating to payroll and pension asset	(469)	(469)	(491)	(491)
At 31 December	(475)	(475)	(505)	(505)

25.1 Deferred taxation movement in the year

The elements of deferred taxation are as follows:	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
At 1 January	(505)	(505)	(236)	(236)
Amount released to Statement of Comprehensive Income ¹	30	30	(269)	(269)
At 31 December	(475)	(475)	(505)	(505)

The deferred tax liability as at 31 December 2025 has been calculated using the rates substantively enacted for the expected periods of utilisation of 25.00% (25.00%: 2024).

¹ See Note 8.1 for further details.

26. Financial Commitments

Future minimum lease payments under non-cancellable operating leases	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Amounts payable within 1 year	266	266	210	210
Amounts payable within 1 to 5 years	706	706	781	781
Total	972	972	991	991

27. Financial Instruments

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

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

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

27.1 Derivatives

Derivatives used by the Group are exclusively interest rate swaps used to hedge Group balance sheet exposures arising from fixed rate mortgage lending and savings products. The Board of Directors has authorised the use of derivatives in accordance with the Building Societies Act 1986. Derivatives are not used in trading activity or for speculative purposes and all derivatives are therefore designated as hedging instruments. The Accounting Policies for hedging contracts are described in the accounting policies in Note 1. An interest rate swap is a contract to exchange one set of interest rate cash flows for another. Such swaps result in the economic exchange of interest rates. No exchange of principal takes place. Instead interest payments are based on notional principal amounts agreed at inception of the swap. The duration of the interest rate swap is generally short to medium term and their maturity profile reflects the nature of the exposures arising from the underlying business activities.

The recognition and measurement of financial instruments is set out in the Accounting Policies (Note 1). The table below shows the assets and liabilities of the Group assigned to the categories by which they are recognised and measured. The differences between Group and Society are immaterial.

At 31 December 2025	Measured at amortised cost		Measured at fair value			Total
	Loans and receivables £000	Assets and liabilities at amortised cost £000	Available for sale £000	Derivatives designated as FVTPL hedges £000	Unmatched derivatives £000	
Financial assets						
Cash in hand	-	48,527	-	-	-	48,527
Treasury bills and gilts	-	-	62,483	-	-	62,483
Loans and advances to credit institutions	70,405	-	-	-	-	70,405
Debt securities	-	-	109,185	-	-	109,185
Derivative financial instruments	-	-	-	2,865	47	2,912
Loans and advances to customers	1,177,936	-	-	-	-	1,177,936
Total financial assets	1,248,341	48,527	171,668	2,865	47	1,471,448
Non-financial assets						11,237
Total assets	1,248,341	48,527	171,668	2,865	47	1,482,685

Financial liabilities

Shares	-	1,193,169	-	-	-	1,193,169
Amounts owed to credit institutions	-	6,805	-	-	-	6,805
Amounts owed to other customers	-	184,432	-	-	-	184,432
Derivative financial instruments	-	-	-	2,867	177	3,044
Total financial liabilities	-	1,384,406	-	2,867	177	1,387,450
Non-financial liabilities						4,975
Total liabilities	-	1,384,406	-	2,867	177	1,392,425

At 31 December 2024	Measured at amortised cost		Measured at fair value			Total
	Loans and receivables £000	Assets and liabilities at amortised cost £000	Available for sale £000	Derivatives designated as FVTPL hedges £000	Unmatched derivatives £000	
Financial assets						
Cash in hand	-	127,998	-	-	-	127,998
Treasury bills and gilts	-	-	32,444	-	-	32,444
Loans and advances to credit institutions	46,572	-	-	-	-	46,572
Debt securities	-	-	81,259	-	-	81,259
Derivative financial instruments	-	-	-	6,884	44	6,928
Loans and advances to customers	1,092,482	-	-	-	-	1,092,482
Total financial assets	1,139,054	127,998	113,703	6,884	44	1,387,683
Non-financial assets						9,597
Total assets	1,139,054	127,998	113,703	6,884	44	1,397,280

Financial liabilities

Shares	-	1,121,350	-	-	-	1,121,350
Amounts owed to credit institutions	-	13,744	-	-	-	13,744
Amounts owed to other customers	-	167,601	-	-	-	167,601
Derivative financial instruments	-	-	-	1,748	1	1,749
Total financial liabilities	-	1,302,695	-	1,748	1	1,304,444
Non-financial liabilities						4,809
Total liabilities	-	1,302,695	-	1,748	1	1,309,253

27.2 Valuation of financial instruments carried at fair value

The Group holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy as outlined below. Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1

The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Group's Level 1 portfolio consists principally of debt securities and treasury bills for which traded prices are readily available.

Level 2

These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists and quoted prices are available for similar instruments in active markets. We have evaluated these using estimated credit losses, interest rates and discount rates. The Group's Level 2 portfolio consists of interest rate swaps for which traded prices are readily available.

Level 3

These are valuation techniques for which one or more significant input is not based on observable market data. Valuation techniques include net present value by way of discounted cash flow models. We have no assets or liabilities of this type.

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

At 31 December 2025				
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Available-for-sale				
Debt securities	109,185	-	-	109,185
Treasury bills & gilts	62,483	-	-	62,483
Fair value through profit and loss				
Derivative financial instrument assets	-	2,912	-	2,912
Total	171,668	2,912	-	174,580
Financial liabilities				
Fair value through profit and loss				
Derivative financial instrument liabilities	-	3,044	-	3,044
Total	-	3,044	-	3,044

At 31 December 2024

At 31 December 2024				
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Available-for-sale				
Debt securities	81,259	-	-	81,259
Treasury bills & gilts	32,444	-	-	32,444
Fair value through profit and loss				
Derivative financial instrument assets	-	6,928	-	6,928
Total	113,703	6,928	-	120,631
Financial liabilities				
Fair value through profit and loss				
Derivative financial instrument liabilities	-	1,749	-	1,749
Total	-	1,749	-	1,749

27.3 Financial assets pledged as collateral

The total financial assets recognised in the Statement of Financial Position that had been pledged as collateral for liabilities at 31 December 2025 and 2024 is shown in the following table.

	Group 2025 £000	Group 2024 £000
Loans and advances to credit institutions	6,078	3,789
Loans and advances to customers	290,735	193,611
Total	296,813	197,400

Financial assets are pledged as collateral to the Bank of England to support contingent liquidity drawdowns if required. Mortgage loans of £290.7m were pledged to the Bank of England as at 31 December 2025. In addition the Society places collateral with a central clearing provider to support initial margin and mark to market movements under derivative contracts used to manage interest rate risk.

27.4 Credit risk

'Credit risk' is the risk that a borrower or counterparty of the Group will cause a financial loss to the Group by failing to discharge an obligation.

All loan applications are assessed with reference to the Group's Lending policy. Changes to policy are approved by the Board and the approval of loan applications is mandated. The Board is responsible for approving treasury counterparties.

The Group enters into credit support agreements, which protect against counterparty default in respect to hedging instruments by means of collateral transactions. Collateral balances are included within 'liquid assets' or 'amounts owed to credit institutions' as appropriate and interest receivable or payable reflected in the Statement of Comprehensive Income within 'net interest receivable'.

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

	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Cash in hand and balances with Bank of England	48,527	48,527	127,998	127,998
Treasury bills and gilts	62,483	62,483	32,444	32,444
Loans and advances to credit institutions	70,405	70,405	46,572	45,781
Debt securities	109,185	109,185	81,259	81,259
Derivative financial instruments	2,912	2,912	6,928	6,928
Loans and advances to customers	1,174,830	1,174,830	1,094,389	1,092,560
Loans to subsidiaries	-	4	-	4
Total Statement of Financial Position exposure	1,468,342	1,468,346	1,389,590	1,386,974
Off balance sheet exposure – mortgage commitments	124,152	124,152	102,475	102,475
Total	1,592,494	1,592,498	1,492,065	1,489,449

Balances on loans and advances to customers for 2024 have been restated to reflect gross loans and advances to customers, previously net value.

27.5 Credit quality analysis of loans and advances to customers

The tables below set out information about the credit quality of financial assets and the provision for impairment/ loss held by the Group against those assets.

	2025		2024	
	Loans fully secured on residential property £000	Loans fully secured on land £000	Loans fully secured on residential property £000	Loans fully secured on land £000
Neither past due nor impaired	1,145,175	1,026	1,060,923	545

Past due but not impaired

0-60 days	9,102	-	8,854	-
60-90 days	383	-	1,551	-
90-180 days	526	-	337	-
180 days+	1,060	-	975	-

Impaired

Not past due	13,383	222	15,155	818
0-60 days	2,122	277	2,752	-
60-90 days	526	-	499	278
90-180 days	-	-	725	-
180 days+	1,028	-	725	-
Possession	-	-	252	-
Total	1,173,305	1,525	1,092,748	1,641

Allowance for impairment

Individual	446	22	637	52
Collective	655	-	479	-
Total allowance for impairment	1,101	22	1,116	52

The status 'past due but not impaired' includes any asset where a payment due is received late or missed but no individual impairment has been made against that asset. The amount included is the entire loan amount and not just the overdue amount.

27.6 Assets obtained by taking possession of collateral

There were 0 (2: 2024) financial assets obtained during the year by taking possession of collateral held as security against loans and advances and held at year-end. This represents a total mortgage balance of £nil (£252k: 2024).

The Group's policy is to pursue timely realisation of the collateral in an orderly manner. The Group does not generally use the non-cash collateral for its own operations.

27.7 Collateral held and other credit enhancements

Average loan to value of loans and advances to customers:

Group 2025	Society 2025	Group 2024	Society 2024	Principal type of collateral held
46.1%	46.1%	43.0%	43.0%	Property

LTV ratio	Group 2025 £000	Society 2025 £000	Group 2024 £000	Society 2024 £000
Less than 50%	358,823	358,823	396,401	394,572
50-70%	316,990	316,990	341,244	341,244
71-90%	426,585	426,585	316,532	316,532
91-100%	69,525	69,525	36,127	36,127
More than 100%	2,907	2,907	4,085	4,085
Total	1,174,830	1,174,830	1,094,389	1,092,560

27.8 Forbearance

A range of forbearance options are available to support customers who are in financial difficulty. The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. The main options offered by the Group include reduced monthly payment, an arrangement to clear outstanding arrears, capitalisation of arrears or extension of the mortgage term.

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

	Group 2025 Number	Group 2024 Number
Arrangement	21	2
Interest Only	12	13
Extension of Term	-	-
Others	2	4
Total	35	19

The cases above represent total mortgage balances of £6.5m (£6.8m: 2024).

Impairment provisions of £12k (£96k: 2024) are held in respect of these mortgages.

The Group and Society holds security against its mortgage loans and advances in the form of property collateral in order to mitigate credit risk.

The table opposite analyses the average loan to value of underlying collateral for our loans and advances to customers, based on the indexed valuation. The Society uses the HM Land Registry to revalue property collateral held against individual mortgage loans in order to calculate indexed valuations.

The tables opposite further stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the indexed valuation.

27.9 Liquidity risk

Liquidity risk is the risk that the Group will not have sufficient financial resources available to meet its obligations as they fall due under either normal business conditions or a stressed environment.

It is the Group's policy that a significant amount of its total assets are carried in the form of cash and other readily realisable assets in order to:

1. meet day-to-day business needs;
2. meet any unexpected cash needs;
3. maintain public confidence; and
4. ensure maturity mismatches are provided for.

Monitoring of liquidity, in line with the Group's prudent policy framework, is performed daily. Compliance with these policies is reported regularly to the Board Risk Committee. The Group's Liquidity policy is designed to ensure the Group has sufficient liquid resources to withstand a range of stressed scenarios. A series of liquidity stress tests has been developed as part of the Individual Liquidity Adequacy Assessment (ILAA) process. They include scenarios that fulfil the specific requirements of the Prudential Regulation Authority (PRA) and scenarios identified by the Group which are specific to its business model. The stress tests are performed monthly to confirm that liquidity policy remains appropriate.

27.10 Maturity analysis

Discounted financial assets and financial liabilities

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

Group at 31 December 2025

Financial assets	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but no more than five years £000	More than five years £000	Total £000
Cash in hand & balances with Bank of England	48,527	-	-	-	-	48,527
Treasury bills and gilts	-	28,875	9,981	23,627	-	62,483
Loans and advances to credit institutions	(527)	17,723	42,084	11,126	-	70,405
Debt securities	-	-	-	109,185	-	109,185
Derivative financial instruments	-	113	1,062	1,737	-	2,912
Loans and advances to customers	-	3,954	26,661	69,845	1,077,476	1,177,936
Total financial assets	48,000	50,664	79,788	215,520	1,077,476	1,471,448

Financial liabilities

Shares	1,034,260	19,778	94,094	41,783	3,254	1,193,169
Amounts owed to credit institutions	-	3,781	3,024	-	-	6,805
Amounts owed to other customers	67,340	36,389	35,601	45,102	-	184,432
Derivative financial instruments	-	-	281	2,729	34	3,044
Off balance sheet exposure	124,152	-	-	-	-	124,152
Total financial liabilities	1,225,752	59,948	133,000	89,614	3,288	1,511,602

Group at 31 December 2024

Financial assets	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but no more than five years £000	More than five years £000	Total £000
Cash in hand & balances with Bank of England	127,998	-	-	-	-	127,998
Treasury bills and gilts	-	4,988	27,456	-	-	32,444
Loans and advances to credit institutions	519	-	42,264	3,789	-	46,572
Debt securities	-	12,079	9,591	59,589	-	81,259
Derivative financial instruments	-	-	114	6,784	30	6,928
Loans and advances to customers	-	1,767	18,848	75,420	996,447	1,092,482
Total financial assets	128,517	18,834	98,273	145,582	996,477	1,387,683

Financial liabilities

Shares	969,211	13,821	79,846	55,129	3,343	1,121,350
Amounts owed to credit institutions	-	7,575	1,012	5,157	-	13,744
Amounts owed to other customers	54,809	42,008	33,153	37,631	-	167,601
Derivative financial instruments	-	114	535	1,100	-	1,749
Off balance sheet exposure	102,475	-	-	-	-	102,475
Total financial liabilities	1,126,495	63,518	114,546	99,017	3,343	1,406,919

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

Undiscounted financial liabilities

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

Group at 31 December 2025

Financial liabilities	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but no more than five years £000	More than five years £000	Total £000
Shares	1,034,259	19,857	95,975	45,792	3,566	1,199,449
Amounts owed to credit institutions	-	3,801	3,039	-	-	6,839
Amounts owed to other customers	68,456	36,584	36,556	49,926	-	191,522
Derivative financial instruments	-	-	281	2,729	34	3,044
Total financial liabilities	1,102,715	60,242	135,851	98,447	3,600	1,400,855
Other liabilities						4,975
Total liabilities	1,102,715	60,242	135,851	98,447	3,600	1,405,830

Group at 31 December 2024

Financial liabilities	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but no more than five years £000	More than five years £000	Total £000
Shares	969,211	13,880	81,550	60,777	3,685	1,129,103
Amounts owed to credit institutions	-	7,575	1,011	5,157	-	13,743
Amounts owed to other customers	85,534	22,122	34,012	41,515	-	183,183
Derivative financial instruments	-	114	535	1,100	-	1,749
Total financial liabilities	1,054,745	43,691	117,108	108,549	3,685	1,327,778
Other liabilities						4,809
Total liabilities	1,054,745	43,691	117,108	108,549	3,685	1,332,587

27.11 Market risk

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

The management of interest rate risk is based on a full Statement of Financial Position gap analysis. In addition management review interest rate basis risk. Both sets of results are measured against the risk appetite for market risk. These are in turn reviewed monthly and reported to the Board Risk Committee.

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

The following is an analysis of the sensitivity of the Group's equity reserves to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

Market Risk Group 31 December 2025	200bps parallel increase £000	200bps parallel decrease £000
Sensitivity to profit and reserves	9	(8)

31 December 2024

Sensitivity to profit and reserves	(2,458)	2,671
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27.12 Capital

The Society's policy is to maintain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The Society's actual and expected capital position is reviewed against stated risk appetite which aims to maintain capital at a specific level above its Total Capital Requirement. The Board manages the Society's capital and risk exposures to maintain capital in line with regulatory requirements which also includes monitoring of:

Lending and business decisions

The Society does not use an application scorecard and all cases are individually underwritten using credit reference data and a number of sources of evidence regarding the status of the borrower. A detailed Lending policy sets out the Society's lending criteria for different types of lending supported by ongoing monitoring within the business to ensure the loans are affordable and all lending is responsible. The Credit Risk Committee meets regularly to monitor and control the risks associated with the mortgage lending portfolio and to ensure activity remains within policy and approved limits.

Concentration risk

The Society is exposed to concentration risk principally because its activities are highly concentrated in residential lending and/or associated products and services funded predominantly by retail deposits. Concentration risk is concerned with the risk that in extreme scenarios, the lack of diversification may mean the losses resulting from such concentrations may be sufficient to impact the solvency of the Group. The following types of concentration risk are monitored to ensure that lending is not more than is appropriate for the Group in relation to its position/size; Geographic, Funding, Large Exposures and Product Type.

Counterparty risk

The Society is exposed to the risk that market counterparties will fail to meet their obligations as they fall due and subsequently default resulting in losses. Counterparty risk principally arises from the Society investing in liquid assets as part of its Treasury operations. The Society controls the risk arising from liquid assets via a Board approved policy which restricts investments principally to cash held with the Bank of England, UK Government issued debt instruments and liquid regulatory compliant AAA rated debt securities. The Society's liquid asset investments are monitored by the Society's Assets and Liabilities Committee (ALCO) to ensure activity remains within policy and approved limits.

Pricing risk

Product pricing models are utilised for both new mortgage product launches and to assess ongoing pricing changes to the existing product portfolio in order to manage acceptable levels of net interest income margin and returns to support planned profitability and capital levels. All pricing decisions are reviewed and approved through the Product Pricing Committee.

28. Society Pensions

The Society previously operated a Defined Benefit Pension Scheme, now closed to new entrants and further accrual, on which it recognises gains and losses in each period in the Statement of Comprehensive Income. The Defined Benefit Pension Accounting policy is set out in Note 1.19.

The Society's Defined Benefit Pension Scheme was closed to new entrants in September 2000 and to further accrual in January 2017. Under current arrangements eligible employees can join a defined contribution pension arrangement known as Group Personal Pension Scheme, under which the Society assists with contributions. In 2025, the Society contributed £554k to this scheme (£507k: 2024).

The Defined Benefit pension scheme is funded by the Society. Funding of the scheme is based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions below. The last actuarial valuation of the scheme was undertaken as at 6 April 2023. The Society's cash contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The scheme is currently fully funded in relation to pension liabilities, with assets sufficient to meet the obligations to its pension scheme members, and so no additional contributions towards scheme liabilities are deemed necessary at this time. Pension contributions in 2025 were £240k (includes £213k scheme administration expenses).

The fair value of the Defined Benefit Pension Scheme assets was £21.43m at 31 December 2025 (£21.94m: 2024). The Scheme's assets include no assets from the Society's own financial instruments and do not include any property occupied by, or other assets used by, the Society.

Disclosures under FRS102 may be volatile from year-to-year. This is because the liabilities are measured by reference to corporate bond yields whereas the majority of the Society's assets are invested across a variety of asset classes that may not move in the same direction.

The post retirement mortality assumptions are based on the mortality table known as S3PXA with reference to members' years of birth. Allowances have been made for improvements in mortality in the recent past and currently expected in the future.

The assumptions are equivalent to expecting a 62-year old to live for a number of years as follows:

- Current pensioner aged 62: 24.0 years male, 26.6 years female.
- Future retiree upon reaching 62: 25.1 years male, 27.7 years female.

28.1 Pension breakdown

Net pension surplus	2025 £000	2024 £000
Defined benefit obligation	(18,895)	(19,443)
Plan assets	21,433	21,941
Surplus in the Scheme	2,538	2,498

Movement in surplus during the Year

Surplus in the Scheme at beginning of year	2,498	1,570
Interest credit	134	80
Actuarial (loss)/gain	(121)	464
Employer contributions paid (gross of charges)	27	384
Surplus in the Scheme at end of year	2,538	2,498

The fair value of the Scheme's assets, which are not intended to be realised in the short-term and may be subject to significant change before they are realised, and the present value of the Scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, are shown in the following tables:

Changes in the fair value of scheme assets:	2025 £000	2024 £000
Opening fair value of Scheme assets	21,941	22,960
Interest on assets	1,138	1,019
Loss on asset return	(310)	(1,377)
Contributions by employer	27	384
Benefits paid	(1,363)	(1,045)
Closing fair value of Scheme assets	21,433	21,941

Changes in the present value of the defined benefit obligation

Opening defined benefit obligation	19,443	21,390
Interest cost	1,004	939
Gain on changes in assumptions/from experience	(189)	(1,841)
Benefits paid	(1,363)	(1,045)
Closing defined benefit obligation	18,895	19,443

The pension costs for the Defined Benefit Pension Scheme in 2025 were as follows:

Analysis of other pension costs charged in arriving at operating profit:	2025 £000	2024 £000
Interest on Pension Scheme liabilities	134	80
Net credit to operating profit	134	80

Analysis of amount credited through other comprehensive Income:

Loss on assets	(310)	(1,377)
Changes in assumptions	189	1,841
Net (charge)/credit through Other Comprehensive Income	(121)	464

Principal actuarial assumptions (expressed as weighted averages) at the year-end:

	2025	2024
Discount rate	5.40%	5.35%
Inflation - RPI	3.05%	3.40%
Inflation - CPI	2.60%	2.90%

The loss on the scheme's invested assets over the year was 1.41%, equivalent to £0.31m in monetary terms.

The total actuarial loss recognised in Other Comprehensive Income in 2025 was £0.121m (£0.464m gain: 2024).

The fair value of the plan assets were as follows:

	2025 Fair Value £000	2024 Fair Value £000
Bonds	-	12,617
Other*	21,433	9,324
Total	21,433	21,941

*Includes £2.217m in diversified growth fund that allocates funds across a broad range of asset classes including equities.

Following the High Court ruling on 26 October 2018 regarding the equalisation of Guaranteed Minimum Pension ('GMP') benefit within the Lloyds pension scheme, the Society included an allowance for the impact of GMP equalisation within its 2018 accounting figures, where an uplift of 0.3% was applied to the FRS102 liabilities. The liabilities as at 31 December 2025 are based on these figures and therefore allow for this adjustment. However, this remains an estimated figure with no further adjustment to this estimate to date. Once detailed calculations have been undertaken by the Scheme Trustee, the difference between this estimate and the actual cost of equalisation will be treated as an actuarial gain/loss in the Other Comprehensive Income.

On 20 November 2020 the High Court issued a supplementary ruling in the Lloyds bank GMP equalisation case with respect to members that have transferred out of their scheme prior to the ruling. The Society has estimated the impact of this ruling to be immaterial and has therefore excluded the impact from its 2025 accounting figures.

In June 2023, the High Court handed down a decision in the case of Virgin Media Ltd versus NTL Pension Trustees II Ltd. This judgment considered the implications of Section 37 of the Pension Schemes Act 1993, which required that the rules of a salary-related contracted-out pension scheme cannot be altered, in relation to post April 1997 service, unless the actuary confirmed that the scheme would continue to satisfy the statutory standards.

The High Court found that, where the required actuarial confirmation was not supplied, the effect of Section 37 was to render void the relevant amendment to any contracted-out right. This decision was appealed by Virgin Media Ltd to the Court of Appeal and, in July 2024, the Court of Appeal upheld the decision of the High Court.

The Group is monitoring the position in conjunction with the Trustee and pension advisers, and will consider the possible implications for the scheme. At the date of signing the financial statements it is not possible to estimate the potential impact, if any, on the scheme. Draft legislation has been issued but the Bill is likely to be amended before receiving Royal Assent (likely to be in 2026).

29. Related Party Transactions

The Group has taken exemption as provided in section 33.1A of FRS 102 and does not disclose transactions with members of the same Group that are wholly owned. The Group would disclose transactions with related parties which are not wholly owned with the same Group; however, during the year under consideration, there have been no such related party transaction which needs to be disclosed.

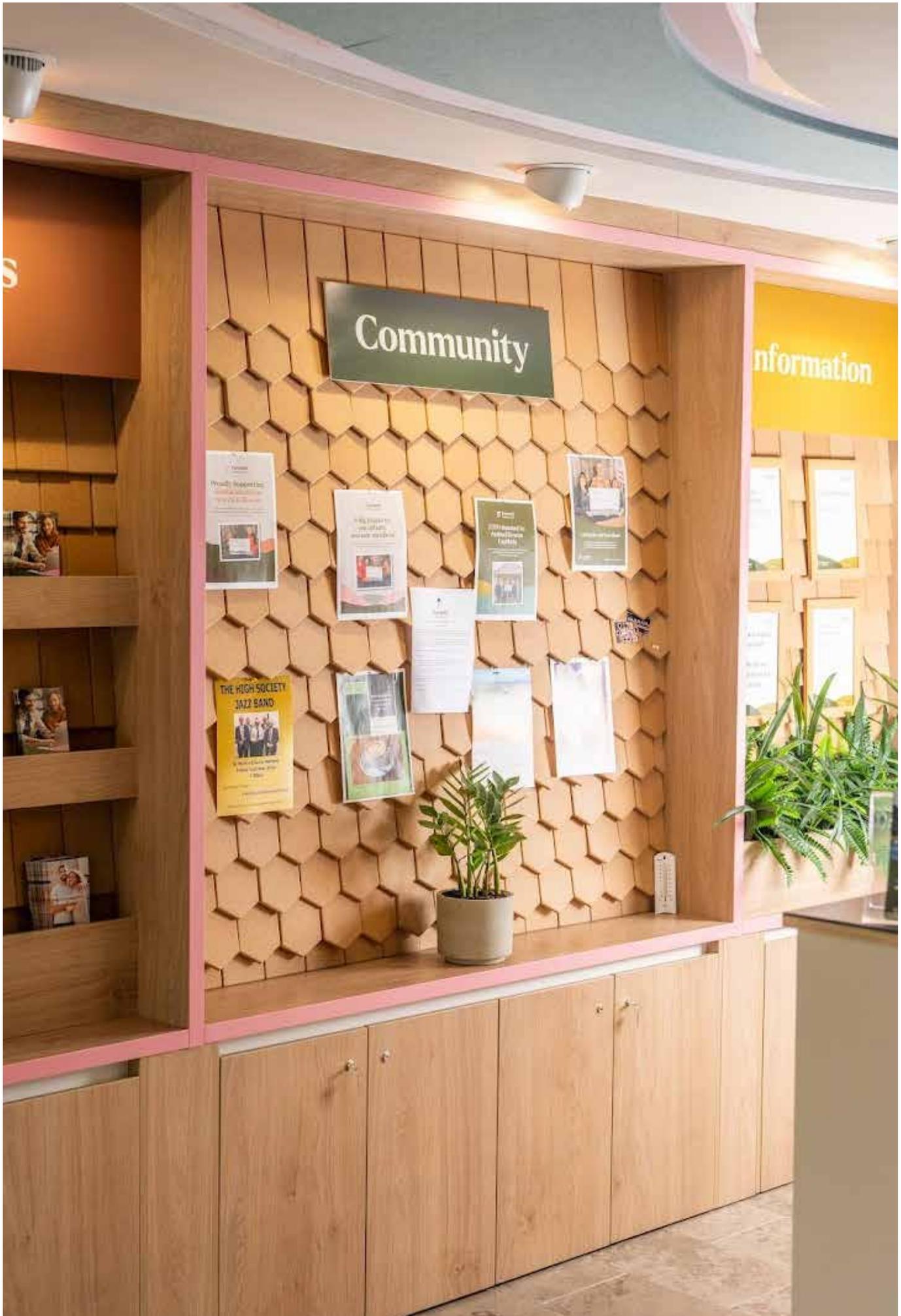
See Note 7 for disclosure of Directors' emoluments and details of transactions with Directors.

30. Post Balance Sheet Events

Subsequent to the year end, the Society entered into a forward flow mortgage purchase arrangement with Imagine Mortgages Limited (trading as Generation Home). Under the terms of the arrangement, Generation Home will originate residential mortgage loans which, following completion and subject to agreed eligibility criteria, will be sold and transferred to the Society.

The arrangement is intended to support the Society's strategic objective of growing high-quality residential mortgage assets through diversified origination channels. The Society will fund eligible loans in accordance with agreed limits and pricing parameters.

As this arrangement was entered into after the reporting date, it has not been recognised in the financial statements for the year ended 2025. The Directors consider this to be a non-adjusting post balance sheet event.

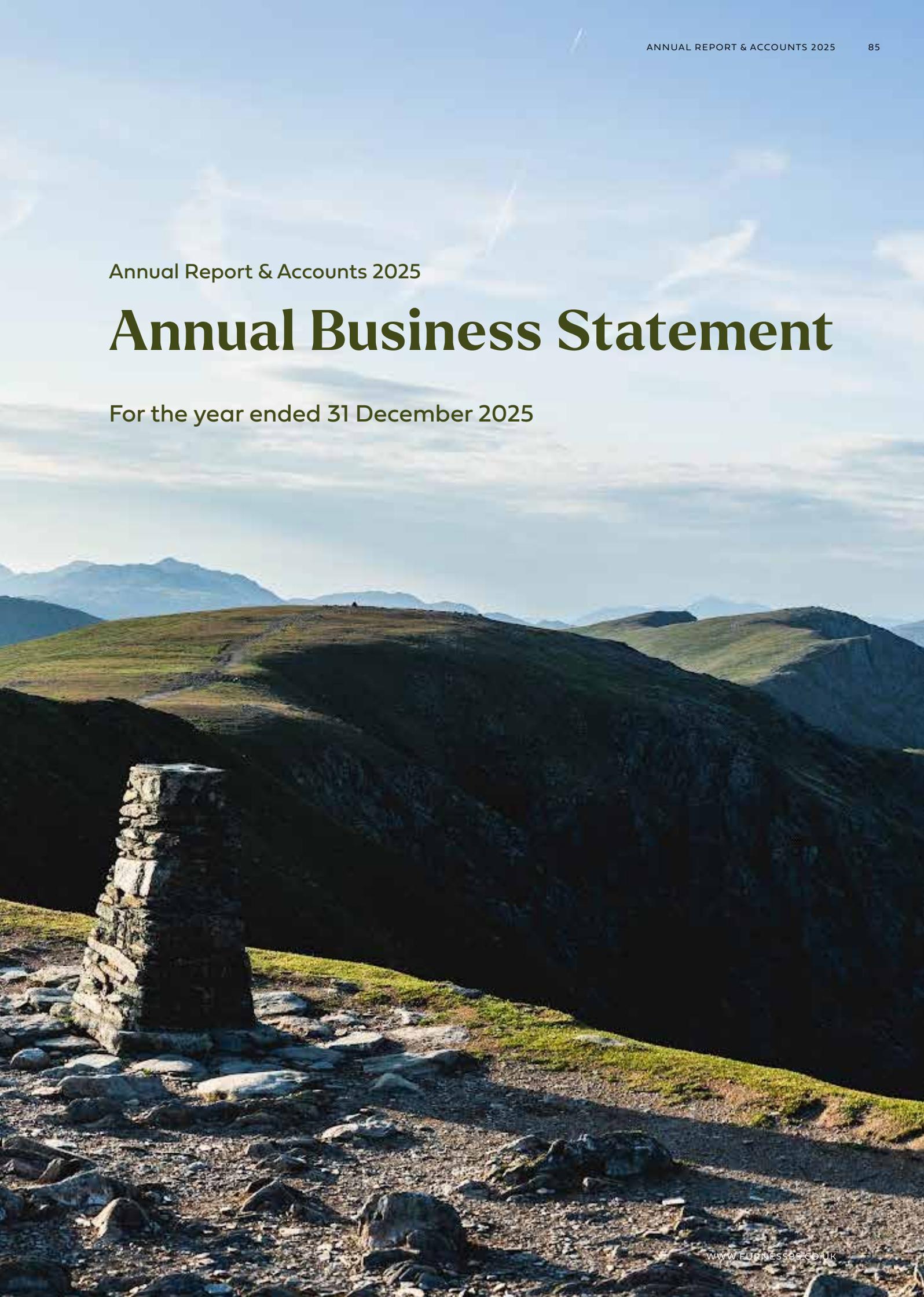




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Annual Business Statement

For the year ended 31 December 2025



Statutory Percentages

Statutory Percentages	At 31.12.2025	At 31.12.2024	Statutory limit
Proportion of business assets not in the form of loans fully secured on residential property (the 'lending limit')	0.92%	1.42%	25%
Proportion of shares and borrowings not in the form of shares held by individuals (the 'funding limit')	13.85%	13.95%	50%

The above percentages have been prepared from the Group's Annual Accounts.

The percentages are calculated in accordance with, and the statutory limits are those prescribed by, sections 6 and 7 of the Building Societies Act 1986.

Business assets are the total assets of the Group as shown in the Statement of Financial Position plus impairment allowance on loans and advances to customers, less fixed assets and liquid assets.

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

Other Percentages

Summary of Key Financial Ratios	2025 (%)	2024 (%)
Gross capital as a percentage of shares and borrowings	6.52	6.76
Free capital as a percentage of shares and borrowings	6.22	6.60
Liquid assets as a percentage of shares and borrowings	20.99	22.13
Profit for the year as a percentage of mean total assets	0.14	0.21
Management expenses as a percentage of mean total assets	1.43	1.42

The above percentages have been prepared from the Group's Annual Accounts.

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

'Gross capital' represents aggregated reserves and subordinated liabilities as shown in the Group Statement of Financial Position.

'Free capital' is gross capital plus collective impairment on loans and advances less tangible and intangible fixed assets in the Group Statement of Financial Position.

'Mean total assets' represent the average of total assets at the beginning and end of the financial year for the Group.

'Liquid assets' represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions, debt securities and treasury bills.

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

Directors as at 31 December 2025

Name	D.O.B	Date of Appointment	Business Occupation	Other Directorships
Mr P McLelland	1966	26/10/2016	Company Director Senior Risk Advisor	Non-Executive Director and Chair of Risk Committee - Pure Retirement Non-Executive Director and Chair of Audit Committee - Gatehouse Bank
Mr A Haywood	1963	25/04/2018	Owner and Managing Director	Gustec Advisory Ltd
Mr G M Berville	1956	31/10/2018	Company Director	The Chair of Health Shield Friendly Society
Mr P D Rogerson	1964	29/10/2019	Company Director	Friends of Wansbeck Road Shops CIC
Mr S J Bradley	1978	01/12/2022 02/06/2025 (CEO)	Chief Executive Officer (02/06/2025)	FBS Subsidiaries (from June 2025) Voluntary Non-Executive Director at Barrow BID Voluntary Trustee at SAFA
Mr T E Leach	1981	04/07/2025	Chief Financial Officer	FBS Subsidiaries (from October 2024)
Mrs K Ingham	1965	23/04/2024	Company Director	Non-Executive Director and Chair of the Remuneration Committee - Ramsden Financial Ltd
Mrs D J Hosie	1965	23/04/2024	Company Director	Chair of Legal & General Unit Trust Managers Morgan Stanley Fund Management (Ireland) Limited Morgan Stanley Sponsored Luxemburg Investment Funds

Documents may be served on the above named Directors at the following address:
Furness Building Society, Emlyn Hughes House, Abbey Road, Barrow-in-Furness, Cumbria LA14 5PQ.

Other Directors Who Served In 2025

Name	D.O.B	Date of Appointment	Business Occupation	Other Directorships
Mr C M Harrison	1961	06/04/2017	Chief Executive (until June 2025)	FBS Subsidiaries (until June 2025)

Particulars of Directors' Remuneration and Expenses

Details of Directors' remuneration and expenses can be found in the Directors' Remuneration Report on pages 37 to 41.



Furness[®]

Building Society

**For more information talk to us
on 0800 781 4311 or visit furnessbs.co.uk**

Furness Building Society Reg No. 221 B; Registered Office: Emlyn Hughes House, Abbey Road, Barrow-in-Furness, Cumbria LA14 5PQ.

Authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority and entered in the Financial Services Register under number 159624.

Auditor: Forvis Mazars LLP, 1 St Peter's Square, Manchester, M2 3DE.

Bankers: National Westminster Bank plc & The Royal Bank of Scotland plc.

The Society is covered by the Financial Ombudsman Service and has a complaints handling procedure. A copy of the complaints handling procedure is available on request. Complaints we cannot settle may be referred to the Financial Ombudsman Service.

Your call may be monitored or recorded to maintain a quality service. Reference: FBS_AR&A_03_26.

Registered Office. Emlyn Hughes House, Abbey Rd, Barrow-in-Furness, LA14 5PQ. T. 0800 781 4311 E. furness-direct@furness-bs.co.uk www.furnessbs.co.uk

Furness Building Society (FBS) is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. FBS is on the Financial Services Register under registration number 159624.