PROGRESSIVE
BUILDING SOCIETY

Annual Report and Accounts 2024

www.theprogressive.com

Our Purpose

We are passionate about helping local people to save and champion homeownership through our personal, caring and responsible approach.

Our Values

- We value the energy, drive and enthusiasm of our people.
- We build and strengthen relationships through trust, mutual respect and courtesy.
- We always work with honesty, fairness and integrity.
- We are passionate about supporting our community and our economy.
- We care about the impact we have on the environment.

Mutuality

Anyone who opens a savings account or becomes a mortgage holder with Progressive Building Society becomes a Member, which means that they can have a say in how the Society is run.

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Strategic Report

Chair's Welcome Statement

It is with great pleasure that I present the Annual Report and Accounts for 2024.

This has been a year of significant achievement for Progressive Building Society, in which we have delivered strong growth, exceeding £2 billion in total assets, and producing solid profitability. These results are a testament to the resilience of our Society, the dedication of our team, and the continued trust and loyalty of our Members.

Despite the economic challenges that have impacted many, we have remained focused on our long-term strategy of balanced growth, financial stability, and Member-centric service. Our performance this year has been underpinned by our prudent approach to business, while also investing in the future of our Society.

One of the key highlights of this year has been our continued investment in both our physical branch network and our digital infrastructure. We recognise that for many of our Members, face-to-face interaction remains important, which is why we have embarked on a programme of enhancing and modernising our branches to ensure they continue to meet the evolving needs of our Members and communities. At the same time, we have made significant strides in digitalising our procedures and customer platforms, making it easier and more convenient for Members to manage their finances online.

These investments are not just about improving service; they are about ensuring that we are well-equipped for the future and capable of offering a seamless, high-quality experience across all channels, whether digital or in person. We are committed to providing accessible, innovative solutions that support our Members' financial goals and help them navigate a rapidly changing landscape.

As we look ahead, we remain focused on building a Society that is both financially strong and well-positioned for future growth. The £2 billion asset milestone is a proud moment for us, but it is just the beginning. Our priority will continue to be maintaining the trust and satisfaction of our Members, driving innovation, and ensuring that our Society remains a stable and secure place for you to save and borrow.

Governance

I have been very keen to promote a dynamic and diverse Board and accordingly I am delighted with three new non-executive Directors appointed in 2024.

Wendy Galbraith joined in May. She is an experienced senior executive leader specialising in finance, governance and the delivery of complex projects. She has proven strategic expertise having held board, director and Chief Operating Officer level positions for a world-leading university and the largest Healthcare Trust in Northern Ireland. Wendy is also a council member of Chartered Accountants Ireland and an independent member of the Bus Eireann Audit and Risk Committee. She has a record of commercial success in setting strategic direction, organisational transformation, innovation and leading multi-million-pound capital investments.

In August Noyona Chundur and John Healy joined the Board. Noyona has been Chief Executive of the Consumer Council for Northern Ireland since January 2021, having previously served on the board, and was awarded Public Sector Director of the Year at the 2023 Institute of Director Awards. She is a Chartered Director through the Institute of Directors, a board member of the Arts Council of Ireland, a council member for the Northern Ireland Chamber of Commerce and Industry and the outgoing Chair of the Cathedral Quarter Arts Festival.

John is a highly experienced senior executive with 30 years of experience in the technology sector, mostly gained in the financial service industry. He has extensive experience in leading global teams, developing strategy and delivering solutions to address business and technology issues. John is Chair of Invest Northern Ireland, he is a member of the Council of Ulster University and is a recent Chair of the Fellowship Advisory Board at the Centre for Democracy and Peace Building, Chair of Software NI and board member of Business in the Community.

The Future

We anticipate many of the headwinds that existed last year to continue in 2025. We expect to continue to feel the impact of macroeconomic and geopolitical uncertainty. Interest rates are expected to continue to fall in 2025 which will support activity in the local housing and mortgage markets.

We anticipate increased competition in the savings' market, having observed some of these pressures and disruptive pricing strategies in 2024. These challenges are likely to continue into 2025 as financial institutions are required to refinance government funding ahead of its contractual maturity in the latter part of the year.

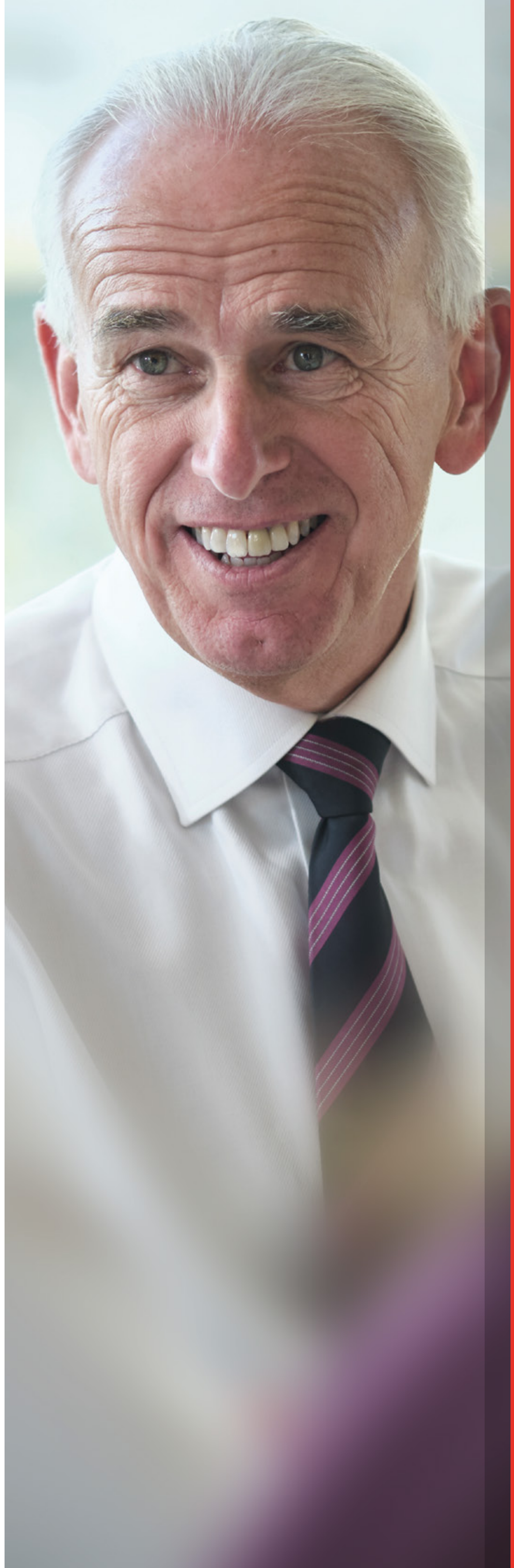
We will continue to manage our cost base responsibly, ensuring value for money products for Members and enhanced investment in branches and online platforms. Above all, we will continue to deliver on our core purpose as a mutual building society, which is to help people to buy their own homes and to provide a safe and secure home for your savings.

Thank you

Our Chief Executive Michael Boyd has had a very successful first full year in post and I would like to take the opportunity to thank him, the rest of his management team and the staff of the Society without whom the achievements of the year would not have been possible.

I would also like to express my sincere thanks to all our Members for their continued support. It is your loyalty that enables us to build a stronger future, and we look forward to continuing this journey together.

Keith Jess
Chair
25th February 2025



Chief Executive's Highlights

As we reflect on 2024, I am proud to share the achievements and progress that have marked another successful year for Progressive Building Society.

Despite a backdrop of economic uncertainty, we have remained steadfast in our commitment to supporting our Members, delivering on our core purpose, and driving growth across all areas of our business. This year has been defined by positive developments across our services, significant investments in our branch network and digital platforms, and a continued focus on our Members and communities.

Financial Sustainability

Financial results in 2024 were again strong, supporting our financial position and long term sustainability. Profitability and balance sheet growth exceeded budgets through record lending levels, margin management and cost control, while enabling Members to benefit from the value of products priced consistently at or near the top of local best buy tables.

Supporting Our Members & Delivering On Our Purpose

At the heart of everything we do is our unwavering commitment to the financial wellbeing of our Members. This year, we have continued to deliver on our purpose: helping Members achieve their financial goals and making a positive impact on their lives. Whether it's supporting first-time buyers with affordable mortgages, helping savers secure better returns in a challenging environment, or offering guidance through financial uncertainty, we have remained focused on providing value and peace of mind for our Members.

The benefits of being a Member of Progressive Building Society include the access to local expertise with a personal touch through our branches. Our Members tell us that they value this support particularly around more complex situations when they want to deal with our staff face-to-face. These supportive levels of service extend beyond our Members to the mortgage brokers who benefit from the ability to speak directly to our mortgage teams for a quick decision.

Growth Highlights

2024 has been a year of strong growth for Progressive Building Society. We have exceeded £2 billion in total assets — a significant milestone that reflects both the trust our Members place in us and the soundness of our financial management. Our continued growth is a result of our diverse range of products, our dedicated customer service, and our ability to adapt to the changing needs of our Members.

We achieved £310 million of new advances in the year, resulting in gross mortgage assets of £1.7 billion, an increase of £118 million.

At the same time we maintained competitive savings rates for our Members throughout the year. The average savings rate for the year was 3.84% (2023: 2.62%) and we consistently remained at, or near the top of the local best buy tables. During the summer we launched online savings products across the GB market which encouraged new Members from both Northern Ireland and GB to save with us, helping to increase the savings balances held by Members and businesses by £127 million in the year.

New Mortgage & Savings Initiatives

Similar to recent years the house prices in Northern Ireland continued to be supported by the ongoing demand and supply of properties coming onto the market. The Ulster University House Price Index highlights that house prices locally averaged £214,500 at the end of December 2024. We have introduced a number of exciting initiatives this year to improve the products and services we offer. On the mortgage front, we've launched several competitive products tailored to the needs of first-time buyers, growing families, and those looking to remortgage. This includes new flexible options with lower rates, as well as green retrofit products to enhance energy-efficiency in homes, reflecting our commitment to supporting sustainable living.

For savers, we have introduced a range of new savings and deposit accounts, including double access ISAs and digital savings solutions designed to offer our Members competitive returns and more control and flexibility over their financial portfolios. Our goal is to ensure that both our mortgage and savings products provide tangible value to our Members, meeting their evolving needs while maintaining our strong financial position.

Awards & Recognition

2024 has been a year of external recognition for Progressive. The Society was awarded Best Digital Transformation at the Irish News Workplace & Employment Awards. Also at the same awards, Progressive was a finalist in the Team of the Year category. At the Women in Tech Awards, our Head of IT was highly commended in the Digital Transformation Leader of the Year and our IT team was a finalist in the IT Team of the Year category.

Progressive was also a finalist at the Business in the Community's Responsible Business Awards for our collaborative action through our long-running partnership with Disability Sport NI. These accolades are a testament to the hard work and dedication of our staff, and reinforce our reputation as a trusted and forward-thinking building society.

Investing in Branches & Online Platforms

As part of our long-term strategy to offer our Members the best of both worlds — personal service and digital convenience — we have continued to invest in both our branch network and online platforms. In 2024, we have modernised our branch in Newtownards and are well down the line with refurbishment plans for several other branches (Bangor, Lisburn and Portadown), ensuring they are modern and welcoming, equipped to meet the needs of our Members in an increasingly digital world. We will continue the refurbishment of our branch network beyond 2025.

Additionally, we have made significant enhancements to our online banking platforms, offering improved functionality, security, and accessibility, allowing Members to manage their accounts more easily and efficiently, and we will soon be announcing the launch of new app functionality to further enhance our reach and accessibility to existing and new Members.

Managing Increased Costs

As with many businesses, 2024 has presented challenges in the form of increased operational costs, driven mainly by inflation and ongoing investments in our technology, branches and service offerings. We have worked hard to manage these rising costs in a way that protects our Members and maintains our strong financial position. While these pressures have required careful planning, we remain committed to ensuring that our products remain competitive, and our Members continue to receive the value they expect from us.

Positive Staff Engagement

Our colleagues are at the heart of our success, and we are delighted to report a continued positive response in our annual staff survey. Staff engagement is a key indicator of our culture and success, and this year, we saw a continued strong level of satisfaction and motivation across the organisation. Our staff's commitment to delivering exceptional service and supporting our Members has been outstanding, and we remain focused on fostering a supportive and rewarding workplace for all.

Sharing Our Success

We believe that our success is not just about financial growth — it's about sharing that success with our Members, our colleagues, and the wider community. In 2024, we have continued to assist local projects, supporting charitable causes, and making a positive difference. This year, we donated over £133,000 to local charities and community projects, providing support for homelessness, autism, cancer sufferers and the wider disabled community with access to sport and activities. Additionally, we've provided resources for initiatives aimed at tackling social isolation and improving mental health.

We are committed to serving the community with a broader social purpose than just financially. We supported local agricultural shows across Northern Ireland by attending and meeting the public to raise awareness of the importance and benefits of saving and borrowing responsibly. We further spread these messages through pop-up events at local shopping centres.

Our support of communities also included delivering Christmas hampers, running financial and scam awareness sessions, funding soft play areas, donating books to primary schools, sponsoring community events, and many more volunteering opportunities.

Green Initiatives

As part of our commitment to sustainability, we have rolled out several green initiatives, both within our operations and in the products we offer. This year, we introduced a range of green retrofit mortgage products for energy-efficient homes, supporting our Members in reducing their carbon footprints. We have also continued to improve our environmental practices, with a focus on reducing our operational impact. We are committed to embedding sustainability in everything we do.

Looking Ahead

As we look to the future, we remain focused on delivering value for our Members, driving responsible growth, and investing in the innovation that will help us better serve you in the years ahead. The foundations we have laid this year, combined with our continued commitment to our purpose, position us well for future success. We look forward to continuing this journey with you, and we thank you for your ongoing trust and support.

We will continue to support our Members in their financial ambitions and respond quickly and efficiently to the changing market conditions as Members' wants and needs evolve.

Michael Boyd
Chief Executive
25th February 2025

Business Review

For the year ended 31st December 2024

The Directors have pleasure in presenting the Annual Report and Accounts of Progressive Building Society for the year ended 31st December 2024.

Your Society Explained

Anyone who opens a savings account or becomes a mortgage holder with Progressive Building Society becomes a Member, which means that they can have a say in how the Society is run.

Savings

Where the money comes from

We raise the majority of our funding from Members entrusting us with their personal savings.

First time buyer · Home mover · Self build

What we use it for

We lend that funding out in the form of mortgages to help local people buy their own homes.

Interest & fees on mortgages - Interest on Members' savings & other funding = Income

How we generate income

The difference between the interest and fees charged for mortgages and the interest paid on Members' savings and other funding.

People costs · Technology costs · Property & operating costs

What we incur costs on

We incur costs on paying our people, systems and technology, property and operating costs.

Capital strength · Improved services · Charitable giving

What we use our profits for

Any surplus profit is used to support our current and future Members through maintaining our capital strength, investment in delivering improved products and services, and serving our local communities through charitable giving.

Business Overview

As a Member-owned mutual building society we have no external shareholders, so there is no requirement for us to pay dividends. This enables us to make longer term decisions in the best interests of our Members.

Progressive Building Society has maintained its core values for over one hundred years by providing value-for-money products enabling Members' savings to fund local home ownership in Northern Ireland. The Society has relied on a prudent and balanced business model offering a strong customer focus and excellent service standards.

The Society's values drive everything we do. We value the energy, drive and enthusiasm of our people. We build and strengthen relationships through trust, mutual respect and courtesy. We always work with honesty, fairness and integrity. We are passionate about supporting our community and our economy. We care about the impact we have on the environment.

In 2024, the Society strengthened its capital base following another profitable year, thereby further protecting Members' interests.

Business Model

The Society offers savings and mortgage products through its network of branches across Northern Ireland and its improved online functionality. The branch network is supplemented by a network of agents in key locations throughout Northern Ireland transacting savings business on behalf of the Society. The Society borrows from savers through its branches and agents as well as its online savings platform. Most of the funding for mortgage lending is derived from Members' savings. Our savers benefit from competitive products which offer long-term value when compared to similar products in the local savings market.

Wholesale money provides a secondary source of funding to the Society and includes funding from other financial institutions, corporates and local authorities. The Society drew down £50 million in February 2018 from the Bank of England's Term Funding Scheme and rolled the funds into the latest version, Term Funding Scheme with additional incentives for SMEs (TFSME), in October 2021. TFSME provides funding to banks and building societies at close to Bank of England base rate. This funding is due to be repaid in late 2025 and the Society has considered this in its five-year Strategic Plan. During 2024 the Society repaid £10 million as part of its TFSME repayment strategy.

Mortgage loans are predominantly secured against prime residential property in Northern Ireland having been sourced through a network of approved mortgage brokers, as well as directly through the branch network. The Society lends principally to first time buyers, home movers, self-builders and re-mortgagors.

To ensure we can meet all our obligations to savers, and to meet the commitments we have made to lend to home buyers, we maintain some of the funds from savers in the form of liquid assets. These liquid assets are invested with strong financial institutions, primarily the Bank of England in the Society's Reserve Account, and in UK government backed securities including Gilts and Treasury Bills. Security of, and accessibility to, liquidity is of key importance to the Society.

We aim to generate sufficient profit through management of the net interest margin (the difference between interest earned from borrowers and interest paid to savers) and costs to maintain a strong capital position. As a result, we can continue to invest in the Society for the benefit of our Membership as a whole – for example, by improving customer experience, building digital capability, maintaining branches and enhancing the colleague working environment.

Mortgage rates were historically low in recent years to support the economy from the effects of the pandemic. However, the Bank of England increased the official bank rate throughout 2022 and 2023 due to inflationary concerns. The official bank rate started 2024 at 5.25%, with interest rates being reduced at two meetings of the Bank of England's Monetary Policy Committee during the year. This has resulted in a rate at the end of the year of 4.75%. This changing interest rate environment has meant that we have had to actively manage the competing needs of borrowers and savers and our products have consistently remained at the top end of the local best buy tables. We will continue to offer competitive mortgage and savings rates.

Longer term, while we believe that our core product lines are sustainable into the future, we expect the markets we operate in to remain highly competitive, and we will need to adapt accordingly in the best interests of our Members. Despite the challenging external environment, we have continued to utilise technology in our mortgage systems to improve efficiency, speed up processing times and improve customer experience for Members and mortgage brokers alike. This will help us to face challenges from a more digital marketplace, with more diverse customer requirements, both in terms of channel preferences and product needs. Our digital platform allowed us to open our savings products across the UK in 2024, provide additional funding for our mortgage lending and increase our Membership base. We continue to review opportunities to better meet existing and new Members' needs, including the development of our products and distribution channels.

As a mutual organisation, Progressive does not have external shareholders or pay dividends, rather the ownership and governance model of the Society ensures strategic and operational decisions are taken focusing on the needs of our Members. This means that the Society can operate on lower levels of profit than would be required under other ownership models, thus providing better value products to Members. Progressive makes a profit by generating a margin on the difference between the rates paid on savings and the rates charged on mortgages. This margin, or net interest receivable, covers the cost of running and administering the business, including mortgage bad debts. The surplus then increases the Society's reserves, building capital strength and allowing the delivery of value-for-money products to new and existing Members.

The Society is financially stable with strong reserves, having been profitable every year of its existence. It is important that the Society returns sufficient profits to sustain and build its capital base to provide security for Members' funds and gives us capacity to lend to new homeowners.

We continue to develop the products and services that our new and existing Members require to fulfil their financial needs. We listen to understand what products will meet the savings and mortgage needs of our Members – that's what make us different from our competitors. We encourage contact through any of our channels, face-to-face with our branch staff, on the telephone or digitally through our online platforms. Our staff can assist with every step of the saving or borrowing process. Business in Northern Ireland is largely driven by personal recommendations and the broker market, so quality of service is key to the Society's success. At Progressive we ensure our Members and potential Members have direct access to well-trained and competent staff through each of our channels.

Lending decisions can be made quickly due to our in-depth knowledge of the local housing market. During 2024 we have continued working through a programme of improvements to streamline and focus our processes to provide a faster and more efficient service. We have local people making local decisions. Feedback from Members indicates high levels of satisfaction with the services provided by Progressive staff.

We continue to invest to ensure that we have the right people and skills, systems and infrastructure to be able to continue to serve our existing and new Members' financial needs.

Strategy

The Society has developed a strategy to encourage more people to save and become homeowners with us. This strategy focused on the following areas during the year:

- Remaining consistently at, or near, the top of local best buy tables.
- Refocusing resources on more efficient processes.
- Continuing to develop the IT infrastructure and resilience.
- Improving internal and external communications.
- Maintaining a positive 'one team' culture amongst staff.
- Developing multi-skilled support teams to help customers in achieving their long-term financial goals.
- Attracting and retaining talent.
- Reviewing product offerings ensuring they meet customers' needs.

Business Objectives

The principal purpose and objective of Progressive Building Society remains encouraging local people to save and become homeowners, through our personal, caring and common-sense approach, nurturing financial wellbeing through the generations. The Board strongly believes that this purpose is best served providing a range of competitive savings and mortgage products tailored to the needs of both new and existing Members, by increasing the strength of our capital base and by continuing the Society's commitment to improve quality of service and value to Members.

The Directors believe that being an independent mutual building society provides the right environment and structure for the achievement of the Society's objectives.

> **"The Directors are pleased to report that the Society made significant progress during 2024 and remains on target for the achievement of its Strategic Plan objectives."**

Key Performance Highlights at a Glance

£168.8m Total Reserves

£1,717m Gross Mortgage Assets

£7.1m Profit After Tax

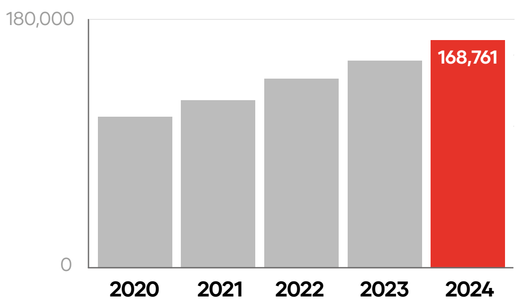
£133k Charitable Donations

£1,911m Savings & Deposit Balances

Key Performance Indicators

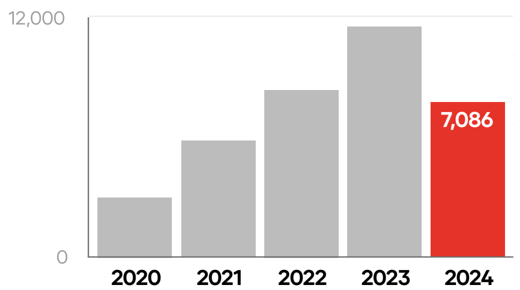
The following graphs set out a number of key indicators which the Directors use to monitor the development, performance and position of the Society on an ongoing basis. These are included to give Members a more comprehensive understanding of the Society's progress.

Total Reserves £000



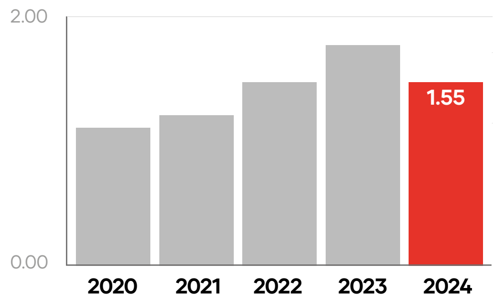
Reserves are held to enable the Society to invest in systems, technology, premises and people and to provide protection against losses from lending. The Society generates reserves from profit made from normal business activities and this provides long term security for the Society and its Members, while meeting regulatory capital requirements. The Society's reserves increased in the year due to profits after tax of £7.1 million.

Profit After Tax £000



Profit after tax is the primary source of building reserves for the Society. As a mutually owned building society the aim is to produce sufficient profit. Profit after tax of £7.1 million enabled the Society to increase reserves and provide value-for-money products for savers and borrowers.

Net Interest Margin as a % of Mean Total Assets

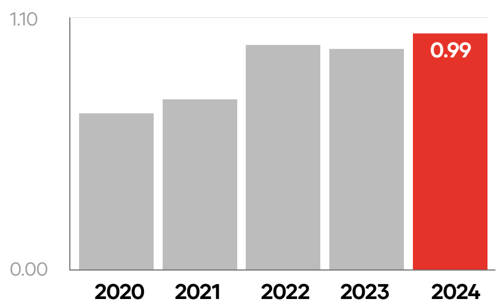


Net interest margin is interest receivable less interest payable, expressed as a percentage of the simple average of the Society's total assets at the beginning and end of the financial year.

The mortgage market remained highly competitive throughout the year and the Society kept pace with the competition as evidenced by increased lending in the year. The average mortgage rate charged to borrowers was 4.71%.

Savings rates were monitored throughout 2024 to ensure that the Society was able to control the flows of new savings balances whilst maintaining the balances already on our books. The Bank of England's base rate decreased throughout the year from 5.25% at the beginning of the year to 4.75% at year end. We actively passed these rate changes onto savers as the savings market adjusted. We remained at, or near, the top of the local best buy tables throughout the year. The average savings rate offered by the Society was 3.84%. The Society's savings' products remained competitive particularly ISAs, regular savers accounts, instant access and fixed rate bonds.

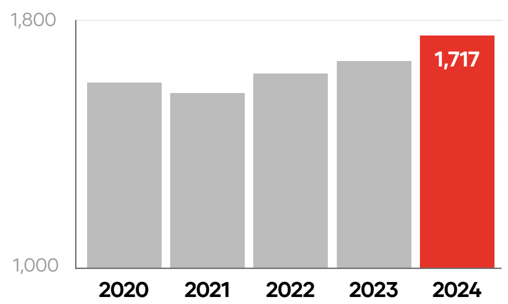
Management Expenses as a % of Mean Total Assets



Management expenses are the Society's administrative expenses and represent the ordinary costs of running the organisation. They comprise mainly the costs of employing staff and maintaining the branch network, back-office functions, and the Society's IT infrastructure. The management expenses ratio measures the proportion that these expenses bear to the simple average of total assets at the beginning and end of the financial year.

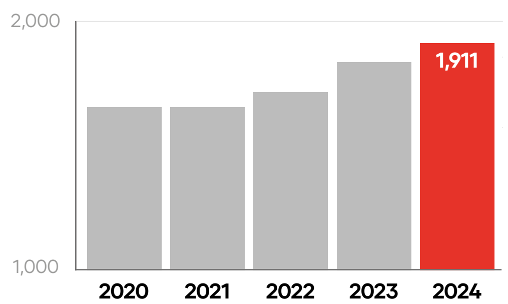
The management expenses ratio is one simple measure of the efficiency with which the Society is run. The Board seeks to control this ratio while at the same time ensuring the Society has sufficient resources to operate effectively in a competitive and heavily regulated market. The management expenses ratio increased in 2024 to 0.99% primarily due to inflationary pressures and ongoing investment in our technology, branches and service offerings.

Mortgage Balances £m



This shows the movement in the Society's mortgage book in the year. Gross mortgage balances increased during 2024 due to the Society's competitive mortgage offerings backed by its prudent lending approach.

Savings and Deposit Balances £m



This shows the movement in savings and deposit balances held by the Society. Shares and deposit balances increased during 2024 due to the Society's competitive product offerings, backed by its strong branch, agent and online network.

Financial Performance

Performance Overview

Progressive Building Society delivered a strong performance in 2024, with total assets exceeding £2 billion for the first time and profit after tax of £7.1 million (2023: £11.8 million).

The Society has grown both savings and mortgage balances in a competitive environment, through a combination of value-for-money products and excellent customer service. This has resulted in the Society's asset base increasing by £122 million.

Income Statement

Profit before tax amounted to £9.3 million (2023: £15.6 million). The profitability was ahead of budget, resulting from improved interest income due to higher than anticipated market rates and increased lending volumes.

Net Interest Income

Net interest income of £31.4 million (2023: £35.9 million) remained robust whilst the Society's net interest margin decreased to 1.55% (2023: 1.86%). This was driven by movements in market interest rates.

The Bank of England base rate decreased on two of the occasions the Bank's Monetary Policy Committee met in 2024, with the rate decreasing from 5.25% to 4.75%. This changing interest rate environment meant that the Society had to assess interest rates on products in line with its competitors and with those in the wider markets.

We retained a high proportion of borrowers when they came to the end of their initial mortgage deals despite competition for mortgage business being intense during the year. Our determination to offer our Members excellent deals continued throughout the year with new and existing Members benefiting from some of the most competitive rates in the market.

The Society's savings rates remained at, or near, the top of the best buy tables throughout the year. The savings balances increased throughout the year, demonstrating value-for-money products for our savers.

Fees and Commissions

Fees and commissions mainly relate to mortgage fees and commission receivable on insurance introductions by the Society.

Fees and commissions receivable remained relatively stable at £0.9 million (2023: £0.8 million) as the Society continued to offer fee-free mortgage products during the year. Fees and commissions payable amounted to £2.3 million (2023: £2.2 million) reflecting increased lending volumes.

Other Fair Value Movements

Fair value movements are changes in the value of certain assets and liabilities, mainly derivatives (interest rate swaps) to reflect their current market value. The movements are primarily due to timing differences, which will trend to zero as the asset or liability reaches maturity. Fair value changes in 2024 resulted in a gain of £0.1 million (2023: £0.2 million loss).

Management Expenses

The Society continues to maintain a low-cost base relative to other building societies. However, management expenses (administration costs and depreciation) increased to £20.1 million (2023: £17.8 million) due to inflationary increases throughout the year. The Society continued to invest in people and technology while keeping a focus on cost control.

The management expenses ratio increased to 0.99% (2023: 0.92%) primarily due to inflationary pressures and ongoing investment in our technology, branches and service offerings. The Society's management expenses ratio remains amongst the lowest in the building society sector.

The Society continues to develop systems and processes to support future growth, to develop its people, to further enhance the customer experience and to ensure regulatory compliance. This will inevitably lead to further rises in our cost base in the future, particularly in this high inflation environment.

Provision for Bad and Doubtful Debts

Provisions for bad debts saw a reduced net charge of £0.4 million during the year (2023: £0.9 million) assisted by strong support offered to Members by our arrears management team.

The job market statistics and local house prices have remained remarkably stable during the year. However, we anticipate that 2025 will see further pressures on affordability and house prices.

The Society will act responsibly and help borrowers who are struggling with affordability to manage their positions, depending on their individual circumstances.

Assets

Total assets of £2,085 million (2023: £1,963 million) increased by £122 million during the year largely due to increased mortgage balances.

Loans and Advances to Customers

The Society's new mortgage lending amounted to £310 million in 2024 (2023: £280 million).

This was achieved through focus on growing the loan book in a very competitive mortgage market, by utilising our recently developed technology system capabilities and process transformations.

Progressive's mortgage proposition leads with a personal service, quality advice and responsible lending. Again, this proved popular with individual borrowers and brokers alike.

Our total gross mortgage assets amounted to £1,717 million at the year end (2023: £1,599 million). The Board remains committed to the owner-occupied nature of its loan portfolio which is located in Northern Ireland, a residential property market which the Society knows well, enabling sensible lending decisions to continue to be made.

Forbearance and Arrears Management

The Society applies a prudent lending policy combined with a sympathetic and efficient arrears procedure to ensure that arrears are kept to a minimum.

However, despite our prudent and responsible lending policy, individual borrower's circumstances can change which occasionally leads to difficulties in meeting their normal monthly mortgage payments. This becomes more apparent in times of high inflation which puts increased pressure on household finances. The Society reviews each case individually where borrowers are experiencing difficulties and offers forbearance measures where it is appropriate for the borrower. The aim of such forbearance measures is to reduce the risk of the borrower ultimately losing their home.

The main forbearance measures provided by the Society are as follows:

- Arrangements, where monthly payments are maintained, and the arrears are repaid over a period of time.
- Concessions, where it is agreed to accept reduced monthly payments for a short period of time.
- Mortgage term extensions to reduce the amount of the monthly payment may be considered as part of a longer-term solution, provided that payments will be sustainable over the life of the mortgage.
- Change of the mortgage type to interest only subject to a suitable repayment strategy.
- Payment deferrals, where it is agreed to accept no monthly payments for a short period of time.

Thirty-one (2023: twenty-seven) mortgage accounts (including possessions) were twelve months or more in arrears at the year end. The total amount outstanding on these accounts was £5.2 million (2023: £4.3 million) including arrears of £0.9 million (2023: £0.8 million). There were thirteen (2023: eleven) properties in possession at 31st December 2024.

In light of the uncertain economic conditions, we have continued to adopt a conservative approach to mortgage provisioning. The provision for losses on all loans and advances to customers at 31st December 2024 was £5.8 million (2023: £5.8 million), which represented 0.34% (2023: 0.36%) of the total mortgage book. This provision resulted from some borrowers experiencing difficulties keeping up with their mortgage payments and a cohort of borrowers who have recently drawn down on their mortgage but had limited surplus net income under stressed conditions.

Liquid Assets

The Society maintains a prudent level of liquid assets and continues to hold liquidity balances well in excess of regulatory requirements, primarily in a Bank of England Reserve Account, which is instantly accessible, and in UK Government Securities (Gilts and Treasury Bills), which are readily convertible to cash. This provides a buffer in the event of any major funding issues arising and provides comfort that the Society will be able to meet its financial obligations under both normal and stressed scenarios. Although the Society has not experienced any difficulties in obtaining funding in the challenging market conditions that have existed in recent years, we fully recognise the importance of maintaining a strong liquidity position

As part of the Capital Requirements Directive IV (CRD IV) package of regulatory reforms, two measures of liquidity were introduced by the Prudential Regulation Authority. The Liquidity Coverage Ratio is a measure of short-term liquidity and the Net Stable Funding Ratio is a measure of liquidity over a longer timescale. The Society maintained liquidity well in excess of these regulatory requirements in terms of both quality and quantity throughout the year.

Retail Savings and Funding

The Society continues to be predominantly funded by retail shares, which increased to £1,738 million (2023: £1,682 million). Savings balances from individuals accounted for 87.5% (2023: 86.4%) of our total funding.

Through careful monitoring of rates and cashflows the Society was able to offer value-for-money rates, which were consistently at or near the top of local best buy tables, on bonds, regular savers, instant access and ISA products throughout the year.

The Society availed of £50 million of Term Funding Scheme money in February 2018. In October 2021, the Society rolled this funding for a further four-year period into the Term Funding Scheme with additional incentives for SMEs. Under these schemes the Bank of England provides funding to banks and building societies at close to Bank of England base rate to encourage lending. The Society repaid £10 million of this funding during 2024.

Capital

The Society's capital strength grew during 2024. All capital ratios were significantly in excess of regulatory requirements throughout the year.

One of the key measures that the Board monitors on a monthly basis is the Common Equity Tier 1 (CET1) ratio which includes only the strongest and most robust form of capital. This ratio reflects accumulated profits compared to the Society's risk weighted assets. At 31st December 2024 the CET1 ratio was 20.86% (2023: 22.28%).

Systems

IT continues to play an important part in supporting the Society's growth strategy through modernisation and upgrades of the technology stack and implementation of new processes throughout the Society. Transformation in 2024 enabled Members to interact with the Society in a variety of ways and reduced the use of paper by providing more opportunities to receive documents digitally.

Transformation supported our operational resilience framework and ensures that we can recover from an IT incident or business continuity request whilst maintaining our core business activities with minimal impact to Members and colleagues. The Society continues to invest in cyber security across our systems and processes.

Our online channels continue to be updated regularly with new functionality rolled out to meet operational needs.

Charitable Donations

The total of our charitable donations in the year was £133,000 (2023: £147,000). The Supporting Our Members, Communities and the Environment report provides additional information on our charitable donations and work in the community.

No contributions were made for political purposes.

Outlook

The Northern Ireland economy has performed better than expected by many commentators. Locally, unemployment was 1.7% at the end of November 2024 following another strong year in the employment market. Looking forward, the economic outlook is for steady, but unspectacular output growth. We expect output in Northern Ireland to continue along this pathway in 2025. We are also expecting the relatively low levels of unemployment for Northern Ireland to be maintained into the near future.

The outlook at the time of writing looks more positive than twelve months ago. With Bank of England base rate and cost pressures continuing to ease, the outlook for 2025 is for a gradual improvement in mortgage affordability, feeding into market growth. As interest rates tick down, we expect arrears to continue to fall, with tailored forbearance helping those who need it. The Northern Ireland housing market heads into 2025 with renewed momentum. An ongoing lack of housing supply in Northern Ireland driven by infrastructure constraints has assisted in supporting prices. While these supply challenges persist, the outlook is for modest growth, increased buyer opportunities, and a market that continues to improve. The Board remains confident that the robust lending criteria that the Society has operated for many years will mean that the Society is well placed for any future challenges. Competition, particularly in the mortgage market, is likely to remain intense, but we have started the new year as we finished last year with strong business volumes through targeted pricing and underpinned by robust underwriting processes.

With the Bank of England predicted to cut base rate in 2025, it's likely that savers will see their rates cut as a result as the market adjusts to reflect these new positions. We will manage these changes in a way to ensure that our savers are provided with the best possible options and products. The avenues for offering savings accounts from the Society are expanding and diverging, providing more options for savers. This expansion will continue into 2025 with greater digital options being developed.

Staff costs will inevitably increase due to market pressures as will the increasing costs of managing and supporting the new digital channel for mortgages and savings, including the costs of ensuring the security of your personal data.

Our strong capital and liquidity bases mean that the impact on the Society's financial stability is lessened, enabling the Board to focus on the strategic developments of our digital programme to improve our relevance to Members' needs.

We will continue to invest in our systems and processes to improve efficiencies which will further enhance the customer experience of being a Member of the Society. We will deliver this by investing in our people, our infrastructure, and our technology. We will continue with our prudent business model, offering our Members the products they need along with high levels of customer service.

Country-by-Country Reporting

In compliance with the Regulations of Article 89 of the CRD IV Country-by-Country Reporting we disclose the following information:

a) Name, nature of activities and geographical location

Progressive Building Society is an independent building society and not part of a group. The principal activities of the Society are outlined in the Strategic Report. The Society operates in the United Kingdom only.

b) Average number of employees

The average number of employees is disclosed in Note 7.

c) Annual turnover

Total income is set out in the Income Statement.

d) Pre-tax profit or loss

Pre-tax profit is set out in the Income Statement.

e) Corporation tax paid

Corporation tax paid is set out in the Cash Flow Statement.

f) Public subsidies received

No public subsidies were received in 2024.

Community Engagement

Belfast Mela

Community Rescue Service Donation


Newtownards Branch Refurbishment


Self-Build Live

DSNI AGM & Awards


DSNI Sports Hall Athletics

Alzheimer's Society Charity Partner

Disability Sport NI (DSNI) Partnership

£133,000

In Charitable Donations


Country Comes To Town

Supporting Our Members, Communities and the Environment

At Progressive, we pride ourselves on taking the time to really understand what our Members need and expect from us, and what role we can play in their lives and that of our staff.

As a mutual building society, we work within our communities to bring positive outcomes for our fellow citizens and to do our bit in protecting our planet's precious resources. We stand for fairness, transparency and, above all, doing business in an empathetic and ethical way.

In this report we have highlighted four key areas where we have made positive impacts in 2024.

Supporting Our Members

We are passionate about helping local people to save and champion homeownership through our personal, caring and responsible approach, and in 2024 this was more important than ever.

We understand that the cost-of-living crisis has been difficult for many of our Members, and we have made every effort to support them through this challenging time. We have never been prouder of our teams who have worked tirelessly to find the best possible solutions for Members affected by financial hardship.

Our Vulnerable Customer Group has continued to engage with charities and other organisations to ensure that we have built upon an already strong foundation of knowledge, understanding and empathy in how we support Members most affected by financial worries.

With shrinking access to cash and banking services in our main towns and cities, we recognise just how important our presence on local high streets is to our Members. Our branch network offers something a bit different, and with a mortgage advisor and investment expert in every branch across key locations, our friendly staff are on hand to exceed Member service expectations.

During 2024 we refurbished our Newtownards branch to provide a more modern environment for Members and staff. Newtownards represents the first phase of refurbishments across the Society's branch network, with more to follow in 2025.

As a modern and vibrant building society, we believe in offering choice through our enhanced digital mortgage and savings platforms which augment our province-wide branch network. Whichever channel our Members choose, we can guarantee that they can speak directly to one of our highly skilled staff members who are on hand to respond to customer queries in real time.

2024 Highlights

- 2024 was the third year of an ambitious and exciting growth phase for the Society. We continued to develop our Online Member Portal enabling digital account opening.
- Launched new and innovative products including:
  - Flexible Bond allowing the saver 20% access during the term.
  - 100% Co-Ownership mortgage to assist First Time Buyers in conjunction with Northern Ireland Co-Ownership.
  - 0% Energy Efficient Additional Borrowing product to help Members making home improvements.
  - Double Access ISA product supporting Members in building long-term financial security whilst also providing flexibility.
  - Rainy Day Saver, paying a market leading 7% for much of 2024 ensuring that monies are tucked away to deal with life's emergencies.
  - Business savings accounts launched in 2024 to enhance the savings culture with local businesses.
- Our Member Mortgage Referral Scheme was launched in 2024, encouraging Members of the Society to refer friends or family to us for a new mortgage.
- Continued to review our mortgage application process to support our central underwriters.
- The Society also re-certified with the Cyber Essentials Plus Accreditation to provide assurance that our cyber controls are state of the art and protect Members' funds and data at all times.
- The embedding of an online appointment booking system to augment face-to-face mortgage appointments and video appointments has once again provided our Members with the choice of meeting in person or remotely with our experienced mortgage advisors across our branch network.
- Continued investment in branch specialist training, supported by our renewed engagement with NOW, the social enterprise behind the 'Just a Minute' initiative, enhances our ability to tailor our approach to specific Member needs.
- The publication and promotion of the Northern Ireland Quarterly House Price Index in partnership with Ulster University and the NI Housing Executive which provided our Members, potential customers and the business community with ongoing insights into the local housing market.
- All our agency locations are now live with our digital offering to support Members and provide multiple connectivity solutions.

Supporting Our Communities

At Progressive we are strongly committed to being part of, and supportive of, the local community.

Social responsibility is important to our business. As a local organisation, we have a responsibility towards our community and its economy. In addition to our charitable donations and community involvement, our staff are involved with local organisations, sports clubs and voluntary projects outside of work.

2024 Highlights

- We are delighted to continue our partnership with Disability Sport NI. We have been working closely with Disability Sport NI since 2019, supporting their leaders and volunteers to deliver a range of activities. To date our partnership has helped more than 10,000 local disabled people access a range of sports and recreational opportunities across Northern Ireland. Many athletes have used DSNI activities as a stepping stone to higher tier sports.
- As part of the Society's Savings Week initiative in September 2024, we partnered with the Building Societies Association to provide access to useful tips and advice on saving during challenging times.
- Throughout 2024, the Society made charitable donations of £133,000, including sponsorship of key community partners as well as donations to Alzheimer's Society, Autism NI, Women's Aid, NI Hospice and Wooden Spoon initiatives.
- Our branch teams have been working hard in their local community throughout 2024 and were delighted to support a number of charities and community organisations in their local areas such as: Age North Down & Ards, Atlas, Ballymena Primary School, Ballynure and District Friendship Club, Camphill Community Trust, Cullybackey Men's Shed, Downtown Centre, Enniskillen Macular Support Group, Foyle Down Syndrome Trust, Good Morning Ballymena, Malvern Writers Group, Omagh Bridge Club, RBAI, Trendsetters and Trillick Senior Citizens.
- Our branch teams have been present in local shopping centres across the province to raise awareness of the Society and speak to local people about the importance of saving, as well at numerous trade shows such as Self Build Live, Clogher Valley Show and Country Comes to Town.

- Staff from the Society supported the Simon Community's Cares at Christmas campaign, donating essential items.

Supporting Our People

As an Investors in People recognised employer, we are committed to providing our staff with the support and development they need to ensure that a consistently high standard of customer service is extended to all of our Members. We recognise how important it is to have engaged and competent staff to provide our Members with the supportive service they deserve and have come to expect.

We embrace diversity and inclusion and place high importance on ensuring that staff feel passionate about what they do and how they serve our Members every day. Maintaining equality and being transparent as we continue on our digital journey have been central to ensuring staff buy in at this exciting time of change for the Society. We look for opportunities to enrich careers and build competency in our caring and committed staff who take great pride in representing our values when engaging with Members.

We encourage our staff to exercise self-care and we take steps to protect them from harm with staff safety and wellbeing forming a key part of our People Strategy.

Cultivating an inclusive working environment where everyone feels their contribution matters and individual differences are valued is important to us. We value one another and believe in treating each other with respect as we work together.

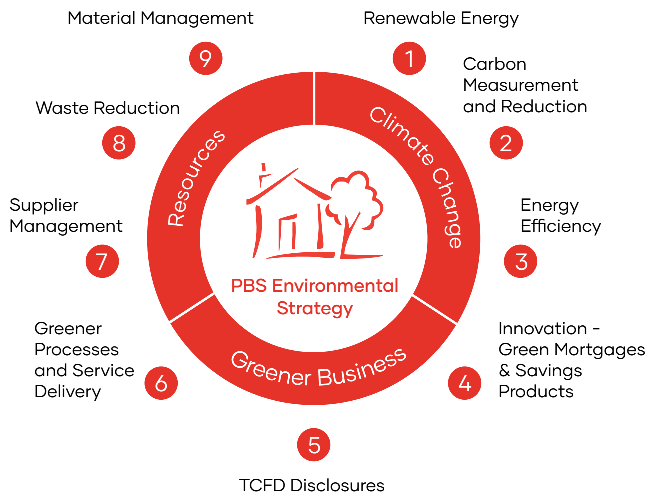
2024 Highlights

- We continued to support jobs growth in Northern Ireland with the addition of multiple new roles in the year. This included staff in the branch network, IT Team, Customer and Broker Support Team, Underwriting Team, Mortgage Support Services and the appointment of a Business Relationship Manager to drive sales in business savings accounts.
- Community Engagement Framework established to support branch managers with their community engagement work.
- We continued to promote training opportunities for our staff. This training ensured staff were up to date with the regulatory and legal requirements of their roles and also helped to reinforce wider skills in supporting Members.
- 2024 saw our inaugural Townhall event for all staff. This provided an opportunity for staff from all locations across the province to get together and discuss strategy and Member wellbeing.
- We launched a 'Bright Ideas' staff innovation scheme which encouraged staff to submit ideas which may create operational efficiencies, improve business processes and services, enhance customer experience, grow the business or improve green credentials.
- We successfully underwent an external review of our people processes through the re-accreditation of our Investors in People Gold standard, with results demonstrating an open and transparent culture and high levels of trust in our leadership. These results mirror those of our annual employee opinion survey.

Supporting the Environment

We are committed to improving our environmental footprint and offering products which align to our environmental strategic goal. We continue to deliver on our Board-approved Environmental Strategy through our Environmental Working Group comprised of dedicated staff from across the Society.

Our Environmental Strategy provides a framework for the Society to improve its environmental performance across three core areas which have been segmented into nine workstreams. The three core areas are: Fighting Climate Change, Doing Greener Business, and Managing Resources In A Sustainable Way. These areas are interlinked, highlighting the importance of having a holistic approach to implementing change.



We recognise that we have a responsibility to lead within our communities in tackling climate change, working together to play our part in protecting earth's precious resources. We are conscious of taking a sustainable approach to reducing our carbon footprint and this is high on our agenda with our Board placing significant importance on this area for the future of the Society and our Members.

We believe in the importance of being a 'green' employer with strong environmental credentials that we share with our staff from day one as we take steps to encourage responsible behaviour in all areas of Society life.

We recognise that a significant proportion of Northern Ireland's total carbon emissions are produced by our homes. As we transition to a low carbon economy, it is likely that homeowners will be required to enhance the energy efficiency of their properties to meet new standards. While these standards are yet to be fully defined by regulation, the Society considers that it has a responsibility to support our Members in making this transition, through our product proposition and communications.

During 2024, we successfully embedded our green finance products to encourage the retrofit of more energy-efficient homes and enable Members to reduce their carbon output and lower energy costs. We intend to develop our proposition further in 2025 in response to growing customer demand for green products. We launched a 0% Retrofit mortgage product in 2024. This product allows existing customers to borrow up to £15,000 interest free to improve the carbon efficiency of their home.

The Society is committed to reducing the climate change impacts from its own operations and is working towards alignment to a 2050 net zero emissions pathway. In this context, the Society established a target to be net carbon neutral by 2030. We will continue to review the scope of our carbon reporting so that we can best analyse and improve on our actions.

The Society has put in place an Environmental Working Group to raise awareness of climate change issues and help to deliver the Board's Environmental Strategy. This Working Group is chaired by the Finance Director who has Senior Management responsibility in this area.

During 2024, this Working Group developed key actions to help reduce the Society's carbon output, to deliver the Society's Environmental Strategy and to assist in achieving environmental improvements in the Society's core market.

2024 Highlights

- Worked towards attaining a Gold SKA accreditation as part of our Newtownards branch refurbishment. The SKA rating is an environmental assessment tool for sustainable fit-outs. It benchmarks the environmental performance of a project measuring sustainability across factors like energy and water use, CO^2 emissions, materials, waste and pollution. The learnings from this process will inform and shape our refurbishment programme going forward.
- Further investment in our technology and processes throughout the year. This included a transition to cloud infrastructure and implementation of multiple paperless processes.
- Continued refreshing and updating our Environmental and Waste Management Policies.
- Instigated a cycle to work scheme across all locations to support staff in the purchase of bikes for their commute to work and therefore reduce their carbon footprint.
- Sourced electricity supply from 'green' source providers where possible. The Society also generates its own electricity via solar panels where appropriate.
- Re-engineered many processes which provided a significant reduction in the use of paper and printing in daily operations.

Summary of Progress Against TCFD Recommendations

Below is the Society's set of disclosures under the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD). The TCFD framework is structured around four key pillars and aims to provide consistent climate-related financial risk disclosures and information on the Society's exposure to, and management of, climate risks and opportunities.

The Society tracked its progress against TCFD requirements during 2024 and is committed to implementing the recommendations in full in line with the principles of mutual business strategy and requirements under the Prudential Regulation Authority's (PRA's) Supervisory Statement 3/19 (SS3/19) – Enhancing banks' and insurers' approaches to managing the financial risks from climate change. Good progress has been made during the year against the eleven TCFD recommendations, with several important activities completed to enhance our understanding of climate risks and opportunities and further develop our strategic targets and response plans. We recognise that this is just the start of the journey and further work is planned in 2025, and beyond, to support the orderly transition to a greener, net zero economy.

TCFD Pillar	TCFD Recommendation	Key progress areas in 2024	Future Plans
Strategy	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Society wide view of climate risks and opportunities, and their potential impacts have been documented in the Society Environmental Risk Register. This was discussed at Board Risk Committee.	Invest in capabilities to enable development of decarbonisation plans and targets aligned with the net zero pathway.
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	Defined our initial climate strategic aims and targets as part of our purpose-led responsible business strategy. Development and roll-out of our Green Mortgage offerings has continued with five products available in our market.	Refinement of our assessment of climate risks and opportunities, including further development of our scenario testing capabilities.
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C scenario.	Stress testing of our potential climate risk exposures completed in line with regulatory requirements.	Wider stakeholder engagement across our value-chain and within the Northern Ireland mortgage market.
Governance	Describe the Board's oversight of climate-related risks and opportunities.	Responsibilities defined and embedded into our established governance structure.	Review and approval of net zero plans and targets.
	Describe management's role in assessing and managing climate-related risks and opportunities.	Revised Target Operating Model for the management of climate risks and opportunities agreed. Environmental Working Group in place to deliver the Board Environmental Strategy.	Embedding of the new climate operating model and alignment of climate objectives with defined accountabilities. Climate risk training to be delivered to all relevant Society Directors and staff.

TCFD Pillar	TCFD Recommendation	Key progress areas in 2024	Future Plans
Risk Management	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Initial climate-related Key Risk Indicators (KRIs) and Management Information (MI) defined and implemented in internal reporting and the Society's Balanced Scorecard.	Further development and refinement of climate-related internal MI and KRIs, and external disclosures within the Society's Annual Report and Accounts.
	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Management Information designed to reduce the carbon output of the Society and measure and reduce waste to landfill.	Development and agreement of decarbonisation targets aligned with the net zero pathway.
	Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas (GHG) emissions, and the related risks.	20% reduction in our carbon footprint since 2019. Scope 1, 2 and 3 has been measured by an external consultant to provide a 2024 baseline.	Continue to work towards verification as carbon neutral (scope 1, 2 and 3) and external disclosures within the Society's Annual Report and Accounts.

Note: The production of these disclosures is governed by a policy standard which covers adequacy, verification, frequency and medium of publication of the disclosures. There is currently no external audit requirement in relation to these disclosures.

Risk Management Report

This Risk Management Report explains the principal risks that the Society is currently exposed to and provides information on how these risks are managed.

The purpose of the Risk Committee is to provide oversight and advice to the Board on all risk-related matters, including advising on risk in strategy setting, monitoring the risk profile, horizon scanning future risks, supporting adherence to regulations, and ensuring the appropriate level and capability of risk resources.

It supports the Board sign-off of the following key documents:

Enterprise Risk Management Framework

The formal framework for identifying and managing risks throughout the business.

Risk Appetite

To support and monitor the delivery of the Strategic Plan, ensuring an appropriate level of risk is taken.

Risk Policy Framework

Ensuring the adherence to documented minimum standards.

Oversight and Challenge

The Society's top risks and the controls in place to manage those risks, including transformation and routine review of Financial and Credit Risk.

Delegation of Authority

Sign off of key policies under authority from the Board.

Annual Reporting

Oversight of key annual reports including the Money Laundering Reporting Officer's Annual Report.

The Society's Enterprise Risk Management objectives are to:

- Identify risks to the Strategic Plan and to the Society's objectives.
- Assess risk exposures by impact and likelihood.
- Respond to risks by evaluating them against the Society's risk appetite, formulating associated management responses and monitoring progress against agreed management action plans.

Risks are identified, assessed, managed and monitored, escalated and reported in accordance with the requirements of the Enterprise Risk Management Framework (ERMF). Management information captures risk metric information against risk indicators, triggers and limits as appropriate. Where a trigger or limit is breached, an escalation process exists to ensure it is escalated, reported and managed effectively, through the appropriate channels.

Risk Governance

To assist the Board in the discharge of its responsibilities a mature governance structure is established including the Management Risk Committee, Asset and Liability Committee (ALCO), Board Risk Committee and the Board all review performance and adherence to Board risk appetite limits.

The Board delegates to the Risk Committee oversight of the Society's risk management arrangements. The Chief Risk Officer (CRO) has an independent reporting line directly to the Chair of the Risk Committee, in addition to reporting to the Chief Executive. The Internal Audit function provides independent and objective assurance and the Head of Internal Audit has an independent reporting line to the Chair of the Audit Committee. The Corporate Governance Report provides further details about all Board Committees.

The Board approves the policies which set out how the principal risks are managed. The Risk Committee's Terms of Reference detail which policies are reviewed before recommendation to the Board for approval. These policies relating to credit risk, liquidity risk and financial risk management are reviewed and approved by the Board at least annually.

The key activities of the Risk Committee in parallel with its responsibilities are noted below:

Key Responsibilities	Key Activities
The Risk Committee:	**The Committee considered the following key matters during the year:**
• Advise the Board on the Society's overall risk appetite, tolerance and strategy and the risks the Society is willing to take in order to achieve its long-term strategic objectives. This includes the oversight of both conduct and prudential risk appetites and the Society's approach to operational resilience and climate risk. • Advise the Board on the likelihood and impact of risks materialising, and the management and mitigation of those risks to reduce the likelihood of their incidence or their impact. • Advise the Board on the risk aspects of proposed changes to strategy and strategic transactions, including the impact of any such decisions on the Society's risk appetite. • Identify, assess and monitor emerging risks to the Society. • Ensure the risk management structure is adequately resourced and effective. • Review and recommend to the Board the Society's ERMF and monitor its effectiveness.	• Review of the Society's risk management approach and performance, including review of the Society's risk appetite statements across all primary risks. • Monitoring of the Society's capital and liquidity position, including the approach to stress testing and recovery planning. • Oversight of the Society's information technology and cyber risks. • Oversight of the Society's financial crime risks, including controls to mitigate the risk of money laundering. • Review and challenge of key risk policies including lending, operational and treasury risk. • Review of the Society's approach to change management and ongoing engagement in respect of transformation risks. • Review of the Society's approach to data protection, conduct and complaint management. • Oversight and ongoing monitoring of the Society's programme of activities related to the implementation of changes necessary to comply with Consumer Duty Regulation. • Oversight of risk management in relation to strategic projects and change activities, including migration of on-premise data centre to Amazon Web Services (AWS) and a number of systems to the cloud, work towards implementation of a customer and broker application, and the implementation of new APP Fraud rules.

Three Lines of Defence

The Society operates within a 'three lines of defence' model, recognised as an industry standard for risk management. The key accountabilities of the three lines of defence within the Society are set out below:

First Line of Defence – The business

- Ownership of risk and controls
- Main responsibility for risk management
- Risk assessments
- Key risk indicators
- Incident management
- Issue identification and action management

Second Line of Defence – Risk management and compliance

- Oversight of risk management and risk profile independent from first line
- Compliance
- Review and challenge to first line
- Assistance in developing risk management framework
- Independent reporting escalation

Third Line of Defence – Internal audit

- Assurance over first line and second line on the appropriateness, effectiveness, and adequacy of the risk management framework
- Independent from first line and second line
- Recommend improvements to first line and second line

Culture and Strategy

The Board articulates the risks it is willing to take in delivering the Strategic Plan through its governance approach and risk appetite statements, which create a framework for informed risk-based decisions. The Society's ERMF and appetite statements are reviewed on an annual basis to ensure they remain effective and aligned to strategy.

The Board's strategy towards risk and risk appetite is to achieve operational, conduct and prudential resilience that protects the long-term interests of our Membership aligned to our Purpose and Values. The strategy includes establishing a robust risk culture, setting the Board's risk appetite, and ensuring that the 'three lines of defence' model operates effectively.

Risk culture is reflected in the conduct, behaviours and approach of the Board and all employees to risk awareness, risk taking and risk management. A strong risk culture helps the Society to pursue and achieve its strategy within acceptable risk levels. Through effective risk strategy the Board operates an open and honest culture when identifying and monitoring risks. This culture is underpinned by appropriate risk training for staff, risk identification and escalation procedures and a robust whistleblowing mechanism.

The Society's risk culture is built on the following four elements:

Principal Risks

The principal risk categories to which our business model is inherently exposed are set out below, in no specific order of severity. These risks are managed through the Society's Enterprise Risk Management Framework. Principal risks are those risks that the Society believes could significantly affect the achievement of the Society's Strategy and Purpose.

Principal Risk	Description and Impact	Manage and Mitigate
Strategic Risk	The risks resulting from the Society's strategic decisions which have the potential to reduce the Society's profit levels and contribution to capital, thereby threatening the financial strength of the Society. In particular, it is the risk on the Society's business model and strategic objectives as a result of macroeconomic, regulatory, political or other factors.	• Discussed the quarterly reporting of strategic risks, with particular emphasis on Society navigation of macroeconomic risk and the NI economy. • Reviewed our Strategic Risk Register to ensure risks arising in the external environment are well understood with proportionate monitoring and actions in place.
Credit Risk	Credit risk is the risk that mortgage loan customers or treasury counterparties default on their obligation to repay the Society.	• Oversaw continued prudent lending standards as we manage the impact of the UK economic position as well as long-term market trends. • Tracked portfolio performance particularly in respect of arrears and forbearance. • Provided oversight and challenge of lending criteria and risk appetite.
Financial Risk	The risk of the Society having inadequate earnings, cashflow or capital to meet current or future requirements and expectations.	• Working in conjunction with ALCO (our key financial risk meeting) the Board, maintained oversight of financial risk metrics with focus on the interest rate, capital and liquidity risk position of the Society.

Market and Interest Rate Risk	Market risk is the risk of changes to the Society's profit or value due to movements in market rates. The Society is exposed to movements in interest rates reflecting the mismatch between the dates on which interest rates on assets and interest rates on liabilities are next reset to market rates or, if earlier, the dates on which assets and liabilities mature.	• Market risk controlled by setting Board approved limits and Board early warning indicators. • Interest rate risk managed through taking advantage of natural hedging opportunities within the Statement of Financial Position. • Derivative instruments used to manage exposure to changes in interest rates which arise from fixed rate mortgage lending and fixed rate retail savings products.
Operational Risk	Operational risk is the risk of loss arising from inadequate or failed internal processes or systems, human error, or external events. Operational risks can potentially arise from all the Society's activities, across all business areas.	• Oversaw the continued embedding of our operational risk management system and risk and control processes. • Oversaw and challenged key enhancements of Information Security, Technology and Third Party Supplier risk management. • Monitored progress against key Operational Resilience requirements as the Society further enhanced capability in advance of transformation.
Conduct Risk	Conduct risk is the risk that products, services, systems, structures (including remuneration) and behaviour do not deliver good customer outcomes and an environment is created that results in employees not: acting with integrity, honestly, fairly and openly; preventing foreseeable harm and supporting good outcomes for customers and to pursue their financial objectives. This includes the management of risks relating to technology and data.	Oversaw delivery of the Consumer Duty programme. This covered an overall programme of work most notably: • enhancements to our approach to ensure we identified and met the needs of vulnerable customers; • identified and delivered improvements to customer communications; • a review of complaints metrics and deeper understanding of the causes of complaints; and • a close review of our Consumer Risk MI to oversee how well we delivered good customer outcomes.

Risk Outlook

There are also a number of emerging or evolving risks that the Society assesses in order to consider any potentially material impacts on the overall strategy or performance. The likelihood and impact of these risks are considered on a regular basis through risk management governance forums, including ALCO, Management Risk Committee and Board Risk Committee to enable timely identification, assessment and monitoring in order to determine if existing mitigating controls are sufficient or if any new ones are required. The Society has identified a number of risks that may have a future impact on the Society.

These incorporate internal and external factors including:

Climate

- The Society recognises the risks and challenges posed by climate change.
- Whilst the financial risks from climate change may only crystallise in full over longer time horizons, they are becoming more apparent now as increased extreme weather events are being evidenced in many parts of the world.

Information Technology and Security

- The risk that the Society has the potential for financial losses, operational disruptions, and damage to reputation due to service failures or security breaches within the technology systems of its systemic or non-systemic outsource service providers.
- The risk is exacerbated by the pace of external changes within the IT development/ IT disruptors and the ability of the Society to keep pace with such changes to maintain competitive advantage.

People

- People risks are created because of external and internal factors or because of the organisations processes to support, protect and manage them.
- People risk takes shape in many forms across health and safety, governance and environmental, people change as a byproduct of digitisation and process enhancement, through talent management practices, to manage key person risk and because of environmental and social factors which drive decisions and behaviours.

Macroeconomics

- Risk that strategy is adversely impacted by multiple economic disruptive drivers outside of our control including impact of interest rates changes and inflation, potential for monetary policy changes.
- Challenges in respect of reduced money supply in the market, greater regulatory pressures and climate change.
- Continuing geopolitical tensions.

Legal and Regulatory Landscape

- The risk that a change in law and / or regulation and corporate governance will materially impact the Society's ability to achieve its strategic objectives. Or that the cost of compliance adversely impacts the achievement of strategic objectives. Including:
  - PRA changes to capital regime: Small Domestic Deposit Taker (SDDT) / Basel 3.1,
  - Payment services regulations including: Confirmation of Payee, APP Fraud and Automation of Payments,
  - Consumer Duty obligations,
  - Outsourcing and Critical Third Parties.

Transformation and Change

- To meet changing customer requirements and to source the employees with the skills to undertake the necessary change, financial service providers are continuing to develop their offering to customers including the increasing use of digital solutions and applications to assist financial management.
- The Society therefore continues to evolve its own offering to meet changing customer expectations.

Risk Management in Practice

a) Stress testing and scenario analysis

Stress testing is a key part of the Society's capital and liquidity assessments and allows the Board to be satisfied that the Society has sufficient capital and liquidity resources even under a range of severe forward-looking scenarios. More detail on the stress testing carried out by the Society, including the Internal Capital Adequacy Assessment Process (ICAAP), and Internal Liquidity Adequacy Assessment Process (ILAAP) is set out below covering capital, liquidity and funding risk. Stress testing and scenario analysis is also undertaken by the Society in line with its operational resilience obligations. This supports the Board's annual self-assessment in understanding the people, processes and technologies and associated third parties and the tolerance levels that the Society can withstand if a disruptive event was to crystallise. The Risk Committee also oversees the Society's Stress Testing Framework.

The Stress Testing Framework is an ongoing process throughout the year involving the following key components:

Stress Testing Activity – Overview

Strategic Planning

A range of plan scenarios are developed within the Strategic Plan to project the performance of the Society both under stressed conditions and operating as business as usual.

Business As Usual Stress Testing

Perofrmed and reported to ALCO to assist in the assessment of the performance of the Society. This includes stress testing of liquidity and profitability positions.

ICAAP

An annual internal assessment of the volume and quality of Society capital and its ability to absorb losses within a severe but plausible stress.

Recovery Planning

Recovery actions are designed following detailed scenario analysis and stress testing. These will allow the Society to identify a potential stress quickly using early warning indicators and manage the stress via recovery planning prior to an event crystallising.

ILAAP

An annual internal assessment of the volume and quality of Society liquidity and the Society's ability to meet liabilities as they fall due within a severe but plausible stress.

Reverse Stress Testing

An assessment of the range of scenarios within which the Society's business model would be rendered unviable. Detailed examination of these stress events is performed and potential mitigation considered.

b) Monitoring and reporting: ensuring effective risk oversight

Monitoring and reporting are fundamental to the Society's ERMF and ensure that risks are managed effectively, below is a breakdown of how oversight is achieved:

Key Risk Indicators and Management Information

Risk indicators provide a set of early warning indicators to the Society's specific risk exposures.

Defined thresholds trigger appropriate escalations to relevant committees or Board when reached or exceeded.

Stress Testing and Scenario Analysis

Stress testing is a critical tool for monitoring the resilience of the Society under adverse conditions.

Testing results inform contingency planning, capital buffers and risk mitigation strategies.

Risk Committee Structure

Regular monitoring is overseen by dedicated committees to ensure accountability and good governance.

The Society's Management Risk Committee, ALCO and Board Risk Committees assess top and emerging risks with alignment to Board limits and appetite.

Risk Appetite Monitoring

Regular monitoring ensures that risk levels remain within defined limits.

Defined quantitative measures and alerts which flag deviations promoting management corrective action.

Technology and System Monitoring

Advance technology supports real time monitoring and efficient reporting.

Monitoring is supported by centralised approach to risk management, data analytics, automation (where possible) and streamlining of processes.

Independent Oversight and Assurance

Internal audit, external audit and Board oversight promote process and control adequacy, verification of risk in financial statement disclosures and alignment of risk with strategic objectives.

Promoting continuous improvement and feedback loops, with lessons learnt regular reviews and stakeholder engagement.

Future Developments

The work of all Board Committees is continually developing, including the oversight of risk management through the work of Risk Committee. All Committees perform evaluation exercises identifying areas for development and refinement and the Board regularly reviews the Committee structure to ensure that it remains fit for purpose.

The information being provided to the Board and Committees in relation to risk management is continually being challenged and improved.

Paul Leonard
Chair of the Risk Committee
25th February 2025

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Governance

Directors' Profiles

Non-Executive Directors

Keith Jess — **Chair**

Keith Jess was appointed to the Board in August 2017. He is a Chartered Accountant by profession and, until his retirement, was a partner in a leading accountancy practice. Accordingly, he brings to the Board relevant financial, accounting and risk experience. Keith was appointed Chair of the Board in April 2022. During the year he served as Chair of the Nominations Committee and as a member of the Personnel & Remuneration Committee.

Martin Pitt — **Vice-Chair**

Martin Pitt was appointed to the Board with effect from January 2020 and became Vice-Chair in April 2022. He too is a Chartered Accountant by profession and, until his retirement, was a partner in a leading accountancy practice. As a result, he brings to the Board considerable financial, audit, governance and risk experience. Martin also brings significant Board experience from both the public and charitable sectors. During the year he served as Chair of the Audit Committee and as a member of the Risk Committee and the Nominations Committee.

Karen Furlong — **Senior Independent Director**

Karen Furlong was appointed to the Board in January 2019. She has held both executive and non-executive positions in mutual financial services organisations and brings to the Board experience of change management and the development and execution of strategy, most particularly in the area of digital transformation. During the year Karen served as Chair of the Personnel & Remuneration Committee, and as a member of the Risk Committee and the Nominations Committee. In addition, Karen was appointed as the Society's Senior Independent Director in September 2023.

Clare Guinness — **Non-Executive Director**

Clare Guinness is a Chartered Director and was appointed to the Society's Board in January 2022. Clare is a senior strategic and commercial leader with over 25 years of diversified experience across a variety of industries including banking, real estate, agribusiness and infrastructure. She brings extensive experience in driving multi-year strategy reviews and performance improvement transformations, with a proven track record of delivering strong financial and operational results. During the year Clare served as a member of the Audit Committee and the Personnel & Remuneration Committee.

Paul Leonard — **Non-Executive Director**

Paul Leonard was appointed to the Society's Board in May 2022. He has over 40 years experience working as a Chartered Accountant in senior roles in banking, venture capital, corporate finance and in accountancy practice in Belfast, Dublin and London. Consequently, Paul brings extensive risk, credit and financial knowledge to the Board. In addition, he brings Board experience from a number of local companies in the financial and property sectors. During the year Paul served as Chair of the Risk Committee and as a member of the Audit Committee.

Stephen Mitcham — **Non-Executive Director**

Stephen Mitcham was appointed to the Society's Board in November 2021. Until his retirement he was the Chief Executive of a regional building society in England, having spent almost 30 years of his career at that organisation. From 2017 to 2019 he was also Vice-Chair / Chair of the Building Societies Association. Accordingly, Stephen brings extensive building society knowledge to the Board. In addition, he also brings Board experience from the private sector. During the year Stephen served as a member of the Risk Committee and the Personnel & Remuneration Committee.

Wendy Galbraith — **Non-Executive Director**

Wendy Galbraith is a Chartered Accountant and was appointed to the Society's Board in May 2024. She is a senior executive leader specialising in finance, governance, transformation, and innovation. Wendy brings extensive strategic expertise having held board and senior management positions within the higher education and healthcare sectors. She is a council member of Chartered Accountants Ireland and chaired their Audit, Risk and Finance Board for a number of years. Wendy served as a member of the Audit Committee from her appointment.

John Healy — **Non-Executive Director**

John Healy OBE was appointed to the Society's Board in August 2024. He is a highly experienced senior executive with over 30 years of experience in the technology sector, mostly gained in the financial service industry. He has extensive experience in leading global teams, developing strategy and delivering solutions to address business and technology issues. In addition, John brings significant executive and non-executive Board experience from the public and private sector. John was awarded an OBE for services to the economy in Northern Ireland in the New Year Honours 2020. John served as a member of the Risk Committee from his appointment.

Noyona Chundur — **Non-Executive Director**

Noyona Chundur is a Chartered Director and was appointed to the Society's Board in August 2024. She has been Chief Executive of the Consumer Council for Northern Ireland since January 2021, prior to which she spent over 15 years in economic development leading communication and digital engagement strategies. She has extensive experience working with government, academia and industry and brings Board experience from both the public and private sector. Noyona served as a member of the Personnel & Remuneration Committee from her appointment.

Executive Directors

Michael Boyd — **Chief Executive**

Michael Boyd was appointed to the Society's Board in April 2011. He is a Chartered Accountant and has been employed by the Society since 1996 in various finance and risk roles, most recently as Deputy Chief Executive & Finance Director. Michael was appointed as the Society's Chief Executive with effect from November 2023. He therefore has overall responsibility for running the business of Progressive within the strategic framework set by the Board. During the year Michael served as a member of the Nominations Committee.

Declan Moore — **Operations Director**

Declan Moore was appointed to the Society's Board in July 2014 and is the Society's Operations Director. He has been employed by the Society for over 30 years and has worked in the building society sector for more than 35 years. His roles have included branch and area management and responsibility for sales, marketing and branch operations.

Gareth Robinson — **Finance Director**

Gareth Robinson was appointed to the Society's Board in November 2023 when he became the Society's Finance Director. He is a Chartered Management Accountant and has an extensive background in audit. Gareth has been employed by the Society for over 10 years, serving as the Society's Chief Risk Officer since 2019.

The Society has a strong framework in place for succession and refreshing the Board and three new non-executive Directors were appointed in 2024.

Corporate Governance Report

The Directors are committed to best practice in Corporate Governance.

In January 2024, the Financial Reporting Council (FRC) issued its latest revision to the UK Corporate Governance Code (the Code) which will apply to accounting periods beginning on or after 1st January 2025, other than Provision 29 which will apply to financial years beginning on or after 1st January 2026.

During 2024, the Board reviewed a detailed gap analysis of the 2024 revision of the Code and work will be completed throughout 2025 to ensure the revised principles of the Code are met where appropriate. During the period 1st January 2024 to 31st December 2024 the FRC's 2018 revision of the Code was applicable. Accordingly, the Directors have considered the Society's adherence to good Corporate Governance by reference to this Code. Although not all of the provisions of the Code are appropriate for a mutual building society, the Board believes it is appropriate to adopt its principles in so far as they relate to building societies and throughout the year ended 31st December 2024 the Society complied with the provisions of the Code in this manner. The Code is available from the FRC website at www.frc.org.uk.

Section 1: Board Leadership and Company Purpose

As a mutual financial institution, the Society has maintained the core values of a building society, providing value-based products to enable Members' savings to fund local home ownership. The Society's ethos is to place Members at the heart of strategic and tactical decision-making processes. Commitment to our Members is manifested in the culture of the Society which, in turn, is underpinned by strong corporate governance. The Directors of the Society believe in having a continuous focus on culture and values and ensure that the tone they set is reflected in the actions and behaviours of staff. They have approved a Culture Dashboard which seeks to capture the Society's cultural aspirations, how it influences them, how it measures its success in achieving them and how its behaviours and beliefs underpin performance. The Society has also developed a behavioural framework for staff and all of these elements are incorporated into the Culture Dashboard. A review of Key Performance Indicators enables the Board to monitor the Society's performance against its cultural values on an ongoing basis.

The Board's role is to focus on strategic decisions within a framework of prudent and effective controls, which enable risk to be assessed and managed. The Board has a general duty to take decisions objectively in the interests of the Society and to ensure that the Society operates within its Rules and Memorandum, regulations and guidance issued by relevant regulatory authorities and all relevant legislation. In addition, it ensures that appropriate systems of control, human resources and risk management are in place to safeguard Members' interests.

The Board had seven formal meetings during 2024 and, in addition, attended a Strategy Day in which the Society's overarching principles of strategic intent were discussed, debated and consolidated. The Board also held five informal meetings in the months where no formal Board meeting was held. At least once a year, the non-executive Directors meet without the executive Directors present and on another occasion without the Chair present. A schedule of retained powers and those delegated by the Board is maintained.

The day-to-day running of the Society is delegated to members of the senior management team and management committees.

The Board has appointed a Senior Independent Director, Karen Furlong, whose role is to attend to any matters requiring to be dealt with independently from the Chair, Vice-Chair and Chief Executive.

The Board looks to identify and manage any conflicts of interest which may arise through a declarations of interest schedule, which is reviewed at each meeting of the Board, a limit to the number of external directorships which may be held and the requirement for Directors to seek the consent of the Board in advance of accepting any external directorship appointment. Should a conflict of interest arise a Director will recuse himself / herself for the matter to be considered by the Board.

The Board operates several Committees, which cover key policy decision areas of the Society. Each Committee is formally constituted with written Terms of Reference, which are available to Members on the Society's website or on request by writing to the Society Secretary at the Society's Head Office. Minutes of all Committee meetings are formally recorded and reported to the Board.

Directors' Attendance Records

Directors' attendance records at Board meetings and relevant Board Committees in the year are as follows:

	Board	Personnel & Remuneration Committee	Audit Committee	Nominations Committee	Risk Committee
K Jess	7(7)	3(3)	*	3(3)	*
M Pitt	7(7)	*	5(5)	3(3)	5(5)
K Furlong	6(7)	2(3)	*	2(3)	4(5)
C Guinness	7(7)	1(3)	4(5)	*	*
P Leonard	7(7)	*	5(5)	*	5(5)
S Mitcham	7(7)	3(3)	*	*	5(5)
W Galbraith	4(4)	*	3(3)	*	*
N Chundur	2(3)	2(2)	*	*	*
J Healy	3(3)	*	*	*	2(2)
M S Boyd	7(7)	*	*	3(3)	*
D Moore	6(7)	*	*	*	*
G Robinson	7(7)	*	*	*	*

Total scheduled meetings that each Director could have attended are shown in brackets.
*Not a member of this Committee

The Society, as a mutual organisation, has Members rather than shareholders. The Board welcomes the views of Members. The Directors, all of whom are Members of the Society, are drawn from the business community, which provides feedback on the activities of the Society.

In addition, the Board receives management information on how the Society is perceived by the Members via customer surveys, complaint returns and compliments received.

The Chair, Chief Executive and other Directors are available to Members who wish to relay their views to the Board. In particular, the Senior Independent Director is available in circumstances where contact through the normal channels of Chair, Vice-Chair or Chief Executive has failed to resolve a matter or where such contact might not be appropriate.

Each year details of the Society's Annual General Meeting (AGM) and ballot for the election of Directors are sent to Members who are eligible to vote. Members are encouraged to vote either by personal attendance, by voting online or by using voting forms. These online votes and voting forms are part of the ballot entitling Members to vote or to appoint a proxy to vote for them at the AGM if they are unable, or decide not, to attend. All proxy votes are counted by an independent agency.

To encourage Member participation the Society makes a donation to a nominated charity for each vote returned. A poll is called in connection with each resolution at the AGM and Members are offered the opportunity at the meeting to raise any issues on the resolutions. If, in the opinion of the Board, a significant proportion of votes has been cast against a resolution at the AGM, the Society will explain to Members what actions it intends to take to understand the reasons behind the vote result.

Unless their absence is unavoidable, all Directors are present at the AGM each year and are available to answer questions.

The AGM and other communications with Members provide the opportunity for Members to give feedback to the Society on any aspect of its activities. Since 2020, Members have been given the opportunity to submit questions to the Society by email.

The Board engages with the Society's workforce through employee surveys and non-executive Director unaccompanied visits or contact with branches and departments. Reports from visits or contacts are made to the Board annually. The Society's Senior Independent Director is also available for staff to raise matters that may need to be considered independently from the Chair, Vice-Chair or Chief Executive and to whom whistleblowing reports may be made in accordance with the Society's Whistleblowing Policy. The Board believes that these mechanisms fulfil the spirit of the Code in relation to workforce engagement.

Section 2: Division of Responsibilities

The offices of Chair and Chief Executive are distinct with the Chair responsible for leading the Board and the Chief Executive responsible for managing the Society's business within the strategic framework set by the Board. Keith Jess is the Society's Chair and the post of Chief Executive is held by Michael Boyd. The 'Strengthening Accountability in Banking: a new regulatory framework for individuals' regime, effective from 7th March 2016, introduced a responsibilities framework where specific Senior Management Functions and Prescribed Responsibilities are allocated to individuals. The Board is content that the allocation of Senior Management Functions and Prescribed Responsibilities between the Directors and senior management is appropriate and meets the requirements of the regime.

The Chair sets the direction of the Board and promotes a culture of openness and debate by facilitating the effective contribution of non-executive Directors and maintaining constructive relations between executive and non-executive Directors. The Chair also ensures that the Directors receive accurate, timely and clear information. This information is provided by executive Directors and senior management, who are available to the Board to provide clarification and amplification where necessary.

The non-executive Directors are responsible for bringing independent judgement to the monitoring of performance and resources and for developing, scrutinising and providing effective challenge to the Board's discussions on strategic proposals, whilst supporting executive management. Their role requires an understanding of the risks in the business and the provision of leadership within a framework of prudent and effective risk management controls.

The Nominations Committee evaluates the ability of Directors to commit the time required for their role prior to appointment. The formal appraisal process carried out by the Chair each year also assesses whether Directors have demonstrated this ability during the year.

Throughout the year the Board determined that all the non-executive Directors remained independent. The Board is content that any conflicts of interest which may arise can be appropriately managed.

The non-executive Directors meet without the executive Directors present on an annual basis to assess their performance.

The terms and conditions of appointment of non-executive Directors may be obtained by writing to the Society Secretary at the Society's Head Office.

All Directors have access to the advice of the Society Secretary and, if necessary, are able to take independent professional advice at the expense of the Society.

Section 3: Composition, Succession and Evaluation

The Board consisted of six non-executive Directors at the start of the year and increased to nine during the year following the appointment of Wendy Galbraith on the 1st May 2024 and Noyona Chundur and John Healy on the 1st August 2024. The size and composition of the Board is kept under review to ensure an appropriate balance of skills and experience for the requirements of the business.

The Chair conducts a thorough review of all non-executive Directors to assess their independence and their contribution to the Board. He confirms that all non-executive Directors continue to be effective and independent in character and judgement. In addition, all non-executive Directors are free of any relationships or circumstances that might materially interfere with the exercise of their judgement.

Following an assessment led by the Senior Independent Director, the Chair is also confirmed as being effective and independent in character and judgement. The assessment of independence takes account of the period of time that the Chair has served on the Board.

The Nominations Committee leads the process for Board appointments and makes recommendations to the Board. The Committee comprises the Chair, the Vice-Chair, the Senior Independent Director and the Chief Executive. The Committee evaluates the plans for orderly succession in accordance with a Board Succession Plan with due regard for the benefits of diversity, including gender diversity, in the context of the overall balance of skills, experience and backgrounds needed to maintain an effective Board. In light of this evaluation, a description of the role and capabilities for a particular appointment is prepared.

The Nominations Committee has a rigorous procedure for the appointment of new non-executive Directors to the Board. This procedure ensures appointments to the Board are based on merit and normally includes the use of independent recruitment consultants with no other connection to the Society. The Board has approved a Diversity & Inclusion Policy which includes objectives for achieving diversity and inclusion on the Board and this is reviewed annually by the Nominations Committee. The Board is content that the objective of having at least 30% female membership on the Board is being met. The Board is satisfied that approximately half of senior management roles continue to be held by females.

The Society complies with the PRA and FCA (the Regulators) Strengthening Accountability in Banking Regime and all Directors are required to be either registered with the Regulators as Approved Persons in order to fulfil their Senior Management Function(s) and Prescribed Responsibilities as Directors or have been notified to the Regulators as holding the position of non-executive Director. In addition, all Directors must meet the tests of fitness and propriety laid down by the Regulator. They are also subject to election by Members at the Annual General Meeting following their appointment. The Directors believe that the Board broadly reflects the community, cultural and gender diversity within the Society's Membership base.

The composition of the Board and senior management at the end of 2024 is summarised below:

Grade	Females	Males
Non-executive Directors	4	5
Executive Directors	0	3
Senior management	4	0

The Chair is appointed to the position by the Board from among the existing non-executive Directors. This practice is supported by the Regulators.

On appointment, the Society requires non-executive Directors to attend in-house induction training which includes sessions on Liquidity Risk, Capital Risk, Credit and Interest Rate Risk and Conduct Risk. There are also sessions on Finance and Key Resources. Additionally, new Directors are expected to attend relevant training provided by the Building Societies Association, which covers building society business, Directors' responsibilities and the regulatory environment. Presentations to the Board by senior management and external courses provide opportunities for non-executive Directors to update their skills and knowledge base. The Chair ensures that non-executive Directors continually update their skills and knowledge to fulfil their role on the Board and on any Committees. Training and development needs are identified, and individual Director performance and effectiveness evaluated as part of the annual appraisal of the Board. These needs are usually met by internal briefings and via attendance at industry seminars and conferences.

The Chair conducts assessments of the non-executive Directors and the Chief Executive individually, reviewing their performance, contribution and commitment to the role. The Chief Executive conducts assessments of the executive Directors.

The Chair is able to confirm that the performance of all Board members continues to be effective and that all members are committed to providing sufficient time for Board and Committee meetings and any other necessary duties.

Following a formal appraisal of the Chair led by the Senior Independent Director, the Board can confirm that the performance of Keith Jess, as Chair, is effective and that he devotes sufficient time for Board and Committee meetings and any other necessary duties.

New Directors are subject to election by Members at the Annual General Meeting following the Director's appointment, in accordance with the Rules of the Society.

All other Directors who have not been elected or re-elected at either of the last two Annual General Meetings shall retire from office on rotation at the next Annual General Meeting.

The Board and each Committee reviewed its own effectiveness in 2024 by means of a self-assessment questionnaire. The results of the Board Committee assessments are reported to the Board. The Board is mindful of the Code requirement for FTSE 350 companies to conduct an external evaluation every three years and, whilst this is not a requirement for building societies, engaged Finwell Coaching to complete an evaluation in 2024. Finwell Coaching found 'The (Society's) governance framework to be well designed, robust, and fit for purpose. The Board's culture is one of mutual respect that drives thoughtful challenge and support, and ultimately, in our opinion, robust decision making. The key strength of this Board is the strategic and diverse perspectives brought by competent and capable Board members who are engaged and enthusiastic in pursuit of the Society's vision and values.' The evaluation recommended the Board be subject to an external evaluation again in three to five years time.

Section 4: Audit, Risk and Internal Control

The Statement of Directors' Responsibilities sets out the Board's responsibilities in relation to the preparation of the Society's Annual Accounts and a statement that the Society's business is a going concern is included in the Directors' Report. The Directors have evaluated the Society's performance in the Strategic Report and the Business Review. The outlook for the Society is considered in the Business Review.

The Audit Committee has advised the Board that, after due consideration and review, the Annual Report and Accounts are, in the opinion of the Committee, fair, balanced and understandable.

The responsibility for implementing, operating and monitoring systems of risk management and internal control has been delegated by the Board to senior management. The Audit Committee and the Risk Committee, on behalf of the Board, are responsible for reviewing the adequacy of these processes. The system of internal control is designed to allow the Society to achieve its strategic objectives within a managed risk profile. However, no system of internal control can completely eradicate risk. As such, the internal control system can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an established Risk Management Framework which identifies, evaluates and manages significant risks faced by the Society. The Board has ultimate responsibility for ensuring the effectiveness of the Society's systems of risk management and internal control and, following robust assessments of the principal risks by the Audit Committee and the Risk Committee, it is satisfied that the Society's systems are effective and meet the requirements of the Code.

The membership of the Society's Audit Committee currently comprises four non-executive Directors. The Board is satisfied that at least one member of the Committee has recent and relevant financial experience and that the Committee as a whole has competence relevant to the sector within which the Society operates.

The Committee usually meets five times a year. In addition to non-executive Directors, the meetings are also attended by representatives from the Society's internal and external auditors, its three executive Directors and other members of senior management by invitation as appropriate. At least annually, external auditors meet with the Committee Chair and with the Committee in the absence of any executive Directors.

The Committee considers the adequacy of internal controls. It reviews both internal and external audit reports, assesses the effectiveness of the internal and external auditors and agrees the annual internal audit plan. The Committee also has responsibility for ensuring effective whistleblowing arrangements are in place, which enables any concerns to be raised by employees in confidence.

Minutes of the Committee's meetings are distributed to all Board members and the Chair of the Committee reports to the Board at each regular meeting of the Board following a meeting of the Committee.

The auditors may provide non-audit services on a consultancy basis to the Society. The extent and cost of the work is reported to the Audit Committee for approval in accordance with an agreed policy statement. The Revised Ethical Standard 2019 contains restrictions around the provision of non-audit services, including tax services.

The Society has ensured compliance with these regulations. The Society is of the opinion that auditor objectivity and independence is not challenged by the provision of services allowable under the Revised Ethical Standard.

Section 5: Remuneration

The remuneration policies for executive and non-executive Directors are set out in the Directors' Remuneration Report. These policies explain the Society's application of the Code Principles.

Keith Jess
Chair
25th February 2025

Audit Committee Report

The Audit Committee is an essential part of Progressive's governance framework.

The Board has delegated oversight of the Society's financial reporting, internal controls, internal audit and external audit to the Audit Committee. This report provides an overview of the Committee's work and details of how it has discharged its responsibilities during the year.

The responsibilities of the Committee are in line with the provisions of the Financial Reporting Council (FRC) Guidance on Audit Committees.

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

- the integrity of the financial statements, including the challenge of actions and judgements made by management in relation to the financial statements;
- the adequacy and effectiveness of the system of internal control processes;
- the effectiveness, performance and independence of the internal auditor;
- the independence, performance and objectivity of the external auditor, including their appointment, re-appointment and removal;
- the effectiveness of the Society's Whistleblowing arrangements; and
- the policy on the use of external auditors for non-audit work.

Following each Committee meeting the minutes of the meeting are distributed to the Board, and the Committee Chair provides an update to the Society's Board on key matters discussed.

The Committee comprises independent non-executive Directors (as detailed in the Corporate Governance Report). Martin Pitt chaired the Committee throughout the year. The Committee members have been selected to provide the wide range of financial, commercial and sector expertise necessary to fulfil the Committee's duties.

The Board considers that the Committee as a whole has competence relevant to the financial services sector and considers that at least one of the Committee members has recent and relevant financial experience as required by the UK Corporate Governance Code (the Code).

Meetings are attended by the non-executive Directors who are members of the Committee, and, by invitation, the Chief Executive, the Finance Director, the Operations Director and the Chief Risk Officer. Other relevant senior management are also invited to attend certain meetings to provide insight and enhance the Committee's awareness and understanding of key issues and developments. On occasion, other non-executive Directors may attend Committee meetings to gain insight into the workings of the Committee. The outsourced internal auditor, PwC LLP, and the external auditor, Deloitte (NI) Limited, are also invited to each meeting. The Committee meets at least once each year with the external auditor and the internal auditor without management being present.

Key areas reviewed during 2024

The Committee met five times during the year and focused on the following matters:

1. Financial Reporting

The primary role of the Committee in relation to financial reporting is to review and assess with management and the external auditor the integrity and appropriateness of the annual financial statements concentrating on amongst other matters:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements. This includes advising the Board on whether the Annual Report & Accounts, when taken as a whole are fair, balanced and understandable and provide information sufficient for Members to assess the Society's performance, business model and strategy;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor; and
- consideration of the appropriateness of the adoption of the going concern basis in preparing the Annual Report & Accounts.

To aid its review, the Committee considered reports from the Chief Executive, Finance Director, and the Financial Controller, and reports from the external auditor on the outcomes of their annual audit.

The Audit Committee supports Deloitte (NI) Limited in displaying the necessary professional scepticism its role requires. The primary areas of judgement considered by the Committee in relation to the 2024 accounts were:

- loan loss provisions
  - review of judgements used to determine timing of recognition and valuation of loan loss provisions in line with FRS 102.
- revenue recognition
  - review of the design, implementation and operating effectiveness of the controls around the appropriateness of manual journal entries made to revenue, with emphasis on the journals made near or after year end.
- management override of controls
  - review of judgements and decisions made by management in making accounting estimates included in the financial statements to evaluate the risk of material misstatement.

In considering whether the 2024 Annual Report & Accounts were fair, balanced and understandable, the Committee satisfied itself that there was a robust process of review and challenge. The Committee compared the Annual Report & Accounts to internal reports to ensure consistency and reviewed drafts of the words and numbers.

The Audit Committee also reviewed in detail management's papers on going concern reflecting on the risks that could impact the Society's capital, liquidity and financial position over the next year and its viability throughout the period of the five-year Strategic Plan. The Committee recommended to the Board that the Society should continue to adopt the going concern basis in preparing the Annual Report & Accounts.

The Audit Committee fully discharged its responsibilities in relation to financial reporting of the Annual Report & Accounts 2024.

2. Internal Audit

The Committee is responsible for monitoring internal audit activities and effectiveness and ensuring that sufficient resources are in place. In order to provide the scalability and flexibility of specialist resources required within internal audit, the Society continues to outsource this work to PwC LLP. This enables the Society to leverage the skills and expertise of an external specialist provider who has extensive depth of resources.

Prior to the commencement of each financial year, the Committee receives, considers and approves PwC LLP's annual work plan. Key reviews which were completed during the year included areas of internal control significance, for example, arrears management, vulnerable customers, payroll, regulatory returns, training, outsourcing and anti-money laundering.

Internal audit findings and thematic issues identified were considered by the Committee, as well as management's responses and the tracking and completion of outstanding actions.

The Committee considered the guidance from the Chartered Institute of Internal Auditors entitled 'Effective Internal Audit in the Financial Services Sector' when ensuring that the internal auditors and the Committee fulfilled their obligations in a robust manner.

The Committee also approved the fee for the programme of internal audit work for the year having reviewed the scope of the work programme in detail.

Annually, the Committee outlines areas for consideration in the following year's internal audit work programme. Some key areas for review in 2025 include complaints handling, capital rules, diversity and inclusion, underwriting, management information and cost reduction.

During the year the Committee carried out a review of the effectiveness of the internal audit function provided by PwC LLP and concluded that the services supplied operated in line with the agreed plan, delivering appropriate assurance on the Society's operations. The review determined that PwC LLP provided an effective internal audit service to the Society.

PwC LLP operate in accordance with an Internal Audit Charter, which may be found on the Society's website.

3. System of Internal Controls

The Board recognises the importance of sound systems of internal control in the achievement of its objectives and the safeguarding of Members' and Society assets. Internal control also facilitates the effectiveness and efficiency of operations, helps to ensure the reliability of internal and external reporting and assists in compliance with applicable laws and regulations.

The Society operates in a dynamic business environment and, as a result, the risks it faces are continually changing. The internal control framework has been designed to ensure thorough and regular evaluation of the nature and extent of risk and the Society's ability to react accordingly. It is the role of management to implement the Board's policies on risk and control. It is also recognised that all employees have responsibility for internal control as part of their accountability for achieving objectives. Staff training and induction is designed to ensure that they are clear on their accountabilities in this area and are competent to operate and monitor the internal control framework.

The internal audit function provided independent assurance to the Board on the effectiveness of the internal control framework through the Audit Committee.

The Committee reviewed this aspect through regular reporting from management, including a review of the effectiveness of internal controls.

The main internal control matters, which were reviewed by the Committee in 2024 were:

- conduct related;
- prudential related;
- internal audit plans;
- control reports from the external auditor, Deloitte (NI) Limited, in relation to the financial reporting process arising from the external audit. During the year, Deloitte (NI) Limited did not highlight any material control weaknesses;
- the status of issues raised in control reports, which were tracked closely. During the year, the volume and age profile of issues raised remained within appropriate parameters;
- whistleblowing arrangements - the Committee reviews the Society's whistleblowing arrangements and the effectiveness of its whistleblowing systems and controls each year. Awareness of whistleblowing arrangements within the Society is maintained in a number of ways including internal communications and training modules. The Society has appointed a Whistleblowing Champion, Martin Pitt. The Whistleblowing Champion is responsible for ensuring and overseeing the integrity, independence and effectiveness of the Society's policies and procedures intended to protect whistleblowers from being victimised because they disclosed a reportable concern;
- information risk management and cyber security; and
- the three lines of defence model – including the effectiveness of the processes and procedures in place.

The information received and considered by the Committee provided reasonable assurance that during 2024 there were no material breaches of control or regulatory standards and that, overall, the Society maintained an adequate internal control framework that met the principles of the UK Corporate Governance Code

In January 2024, the Financial Reporting Council (FRC) issued its latest revision to the Code which will apply to accounting periods beginning on or after 1st January 2025, other than Provision 29 which will apply to financial years beginning on or after 1st January 2026. During 2024, the Audit Committee reviewed the requirements of the revised Code, specifically in relation to Section 4 and Provision 29 and work will be completed throughout 2025 to ensure the revised principles of the Code are met for subsequent accounting periods.

4. External Audit

The effectiveness of the external audit process is dependent on appropriate audit risk identification and, at the start of the audit cycle, the Committee receives from Deloitte (NI) Limited a detailed audit plan, identifying their assessment of the key risks.

The Committee holds a private meeting with the external auditor at least once per year, usually after the Annual Report and Accounts have been signed. This provides the opportunity for open dialogue and feedback from the Committee and the auditor without management being present. Matters typically discussed include the auditor's assessment of business risks and management's activity in relation to these risks, the transparency and openness of interactions with management, confirmation that there has been no restriction in scope placed on them by management, the independence of their audit and how they have exercised professional scepticism.

The Chair of the Audit Committee also meets the external audit partner outside the formal Committee process during the year.

The Committee considered Deloitte (NI) Limited's independence policies and procedural expectations which are based on the Code of Ethics for Professional Accountants. The external auditor expects its people to act with integrity in accordance with high ethical standards and these expectations are embedded in the firm's Code of Conduct. The Society is content that Deloitte (NI) Limited provides an ethical audit service. This was evidenced through discussions with the audit partner, a review of the firm's 2024 Transparency Report, and consideration of the competencies of audit staff and the conduct of the year-end audit.

Each year the Committee considers the reappointment of the external auditor, including rotation of the audit partner, and also assesses their independence on an ongoing basis. The external auditor is required to rotate the audit partner responsible for the Society's audit at least every five years. The audit in relation to the 2024 results was the third for the current audit partner, David McCaffrey, following the reappointment of Deloitte (NI) Limited as a result of a competitive tendering process during 2016.

The Committee approved the fees for audit services for 2024 after a review of the level and nature of the work to be performed, including a review of the audit fees of peer building societies, and was satisfied that the fees were appropriate for the scope of the work required.

As a further safeguard to help avoid the objectivity and the independence of the external auditor becoming compromised, the Committee has a formal policy governing the engagement of the external auditor to provide non-audit services. This ensures that individual terms of engagement are put in place for any such assignment.

5. Audit Committee Effectiveness

The Committee conducts a formal self-assessment review to monitor its effectiveness annually. This review was performed using a questionnaire as a framework for open and transparent discussion around areas in which the Committee performs effectively and areas for further consideration.

The review concluded that the Committee operated effectively and in accordance with its Terms of Reference. The Committee reviewed its Terms of Reference during the year and found them to be fit for purpose.

Martin Pitt
Chair of the Audit Committee
25th February 2025

Directors' Remuneration Report

For the year ended 31st December 2024

This report sets out the Board's policy on the remuneration of Directors of the Society.

The Society has adopted high standards of corporate governance and this includes the provision to its Members of full details of Directors' remuneration. Members vote annually at the Annual General Meeting on an advisory resolution on the Board's policy on the remuneration of Directors.

The policy for the remuneration and contractual arrangements for executive Directors, and for the pay increments and performance-related pay for all staff is set by the Board following recommendations from the Personnel and Remuneration Committee and is described below.

Personnel and Remuneration Committee

The Personnel and Remuneration Committee (the Committee) is a Committee of the Board and is composed of five independent, non-executive Directors. Karen Furlong serves as Chair, with Keith Jess, Clare Guinness, Stephen Mitcham and Noyona Chundur serving as Committee members. The Committee makes recommendations to the Board on the contractual arrangements of executive Directors and on the pay increments and performance-related pay for all Society staff. This Committee has access to independent advice where it considers it appropriate.

The Committee seeks input from the Society's Chief Executive, the Finance Director and the Head of Human Resources in relation to challenges in the labour market, key person retention risk and aspects of the remuneration structure. They provide information relevant to the Committee's deliberations, as and when required, and attend meetings at the Committee's request.

The Committee's Terms of Reference are available on the Society's website.

During 2024, the Committee:

- Considered the outturn of the 2023 balanced scorecard key performance indicators for the staff bonus scheme and approved measures for the 2024 scorecard.
- Approved bonus scheme awards for all eligible staff.
- Received and considered reports on various aspects of human resources in the Society.
- Endorsed the Society's Remuneration Policy.
- Reviewed and endorsed various policies relating to personnel and remuneration.
- Approved the Society's salary review approach.
- Reviewed and approved the Directors' Remuneration Report for the Annual Report.
- Reviewed and approved the Committee's Terms of Reference.
- Reviewed the annual Health and Safety Report.
- Reviewed and approved the Health & Safety Committee's Terms of Reference.
- Considered the nature and effectiveness of employee engagement.
- Considered the Society's approach to diversity and inclusion.
- Reviewed the Society's Cultural Dashboard.

Policy Aims and Objectives

The Committee's decision-making processes reflect:

- The need to recruit and retain staff with appropriate skills and experience to make an effective contribution to the Society's strategy and operations, thereby acting in the long-term interests of the Society's Members.
- The need for a transparent link between Society performance (financial and non-financial) and performance-related remuneration.
- The levels of remuneration (fixed and performance-related) paid for financial services positions and or levels of experience within a peer group of building societies selected by the Committee.
- Macro-economic conditions in Northern Ireland, including inflation.
- The need to ensure that the remuneration policy of the Society is consistent with the Society's overall strategic and cultural objectives (including Member outcomes) and risk appetite as determined by the Board, and in no way encourages behaviour inconsistent with the ethos of the Society and / or risk-taking outside this risk appetite.
- The application of provisions of the Prudential Regulation Authority's Remuneration Code to building societies where proportionate to the Society.
- The provisions of the UK Corporate Governance Code, as they relate to building societies.

The Society seeks to ensure that its remuneration decisions are in line with its strategy, culture and long-term objectives, all of which reflect the Society's status as a mutual society. The emphasis of the Society's performance-related pay policy is on rewarding strategic outcomes, particularly Member-driven outcomes, consistent with our mutuality.

Our policy in relation to performance-related pay takes into account the need to retain a strong financial position. Performance-related remuneration amounts will not be paid unless they are sustainable within the Society's current financial condition and future prospects. Performance-related pay is not guaranteed and is non-contractual. All staff of the Society are subject to the same performance measures reflecting our ethos of 'One Society, One Team'.

Conflicts of Interest

The Society seeks to manage conflicts of interest related to remuneration decisions. The Committee is aware of the potential for such conflicts when considering remuneration for Directors and seeks external professional advice where appropriate. Executive Directors are not involved in the determination of their remuneration.

Directors' Service Contracts

The Society has a service contract with each of the executive Directors which is terminable by the Director on six months' notice. Provision for compensation for loss of office is included in the contract. The Society will not enter into an employment contract which would compensate any individual for failing to perform his / her duties satisfactorily.

Statutory Considerations

The Society will ensure that its remuneration decisions are in line with statutory requirements, for example, in relation to equal pay and non-discrimination.

Remuneration of Executive Directors

The policy in respect of executive Directors' remuneration is to set remuneration at a level to secure employment of and retain high quality executive Directors. The Society seeks to establish a balance between the fixed and performance-related elements of remuneration commensurate with the Society's mutual ethos.

The Committee has been mandated by the Board to ensure that fixed remuneration is in line with the market rate for executive directors in similar positions at comparable organisations.

The main components of the executive Directors' remuneration are:

Fixed Remuneration: Base Salary

At 31st December 2024 there were three executive Directors in post. Their duties are carried out in line with formally approved job descriptions. Their base pay remuneration is set to take account of the job content and responsibilities involved, year-on-year performance, and the salaries and incentives payable to executives in similar roles within a peer group of building societies selected by the Committee.

The Committee conducts a comprehensive review of executive Director fixed remuneration at least every three years in line with Board approved policy on the determination of fixed executive Director pay. This review was completed in 2023 in relation to 2023 salaries.

In conducting this review, a peer group was selected by the Committee based on their comparability to the Society in terms of asset size. The approach to peer group selection is included in the Board-approved policy on the determination of fixed pay. The base pay of the Society's executive Directors was compared to the equivalent levels across the peer group. Following due consideration, the Committee made a recommendation to the Board that no adjustment to executive Director pay was required as their pay was in line with the average of their peer group. The executive Directors received a pay increase reflecting inflation in line with all Society staff.

Pension and Other Benefits

Two of the executive Directors in post during 2024, are members of the Society's defined benefit pension scheme and participate in an unfunded arrangement. One other executive Director is a member of the Society's defined contribution pension arrangement. All of the executive Directors contribute a total of 8% of their pensionable salaries to their pension schemes. Other taxable benefits for which the executive Directors are eligible include a car or car allowance, fuel allowance and private medical insurance.

Performance Related Remuneration

The Society operates an annual performance-related pay scheme. It does not operate a long-term incentive scheme. However, in considering the metrics for the annual scheme, the Committee has regard to the goals set by the Board in the Society's five-year Strategic Plan. None of the payments are pensionable. The structure of the scheme is considered by the Committee at the beginning of each financial year and recommended to the Board for approval. For 2024, the scheme was subject to a cap of 10% of base salary during the year. A matrix of performance-related metrics is determined and agreed by the Board.

All Society staff are part of this performance-related pay scheme. There is currently no separate remuneration scheme for executive Directors, senior management (Chief Risk Officer, Head of Human Resources, Head of IT and Head of Lending & Savings) and other Society staff. The objective is to create a "One Society, One Team" culture and not having a separate executive remuneration programme for performance-related pay has been deemed consistent with this ethos.

The performance-related pay scheme has been designed to fulfil a number of key objectives which provide a link between the Society's strategy, values and culture as measured by Member and regulatory outcomes and the efficacy of the Society's system of internal controls. Performance appraisals of the executive Directors are carried out at least annually to assess their success in meeting individual and strategic objectives.

The key objectives which drive the scheme are:

- linking staff efforts to delivering a quality Member service,
- improving business performance through usage of the mortgage portal,
- creating and maintaining the desired culture for the Society,
- enabling staff to share in the success of the Society,
- providing a focus for sustainable growth.

The performance-related metrics established for 2024 fall into one of the following key areas:

- Mortgage growth
- Savings growth
- Online mortgage platform usage
- Customer satisfaction
- Diversity & Inclusion
- Environmental, Society, Governance.

The executive Directors have continued to deliver strong performance in line with the Society's strategy. The remuneration of the executive Directors in 2024 included an estimated earned performance-related pay element of 7.5% (2023: 7.0%) of salary related to the overall performance of the Society in line with its strategic objectives and, in particular, exceeding targets for behaviours and culture.

The Board agreed, following Committee recommendations, that the current approach to performance-related pay whereby all Society staff (including the executive Directors and senior management) are subject to the same performance criteria, is retained. It is proposed to maintain the maximum amount payable under the performance-related pay scheme at 10% of salary for 2025. This will be a tiered scheme depending on liquidity and capital preservation and underlying financial performance. The performance-related criteria have been adjusted to reflect financial targets, behaviours, and risk / control objectives consistent with the Society's strategic, risk and cultural objectives for 2025.

Total emoluments for executive Directors for services in connection with the management of the Society for the year are analysed as follows:

2024	Salary £000	Performance-related £000	Benefits £000	Total £000
M Boyd (Chief Executive)	**235**	**18**	**16**	**269**
D Moore (Operations Director)	**175**	**13**	**9**	**197**
G Robinson (Finance Director)	**175**	**13**	**13**	**201**
				667

2023	Salary £000	Performance-related £000	Benefits £000	Total £000
M Boyd (Chief Executive from November 2023, Deputy Chief Executive & Finance Director to October 2023	194	14	14	222
D Moore (Operations Director)	166	12	9	187
G Robinson (Finance Director from November 2023)	28	2	2	32
D Armstrong (Chief Executive to October 2023, retired October 2023)	208	15	13	236
				677

The increase in accrued pension for M Boyd and D Moore in 2024 was £8,000 (2023: £5,000) and £7,000 (2023: £5,000) respectively. In 2023 the increase for D Armstrong (retired in 2023) was £3,000.

Remuneration Policy for Non-Executive Directors

The review and setting of fees for non-executive Directors is principles based. The guiding principles are:

- Fees under consideration relate to the post and not the individual.
- Fees paid should be appropriate to recruit or retain an individual to that post with appropriate skills, expertise, qualifications and experience.
- Fees should reflect the time and commitment required for the role.
- The market within which the Society seeks to recruit Directors should not be limited to Northern Ireland.
- In assessing the market, the fees should take into account the fees paid to non-executive directors by similar institutions.
- The approach adopted should be consistent with the approach used in determining executive remuneration.
- No Director has a say in his or her pay decisions.

Remuneration of the Chair is reviewed and set by the other Directors, led by the Senior Independent Director, taking into account the fees paid to the Chairs of comparable institutions in the UK.

The remuneration of the other non-executive Directors is determined by the Board Chair and the executive Directors having considered director remuneration conditions at other societies. The Board aims to ensure that fees are in line with the amount paid to non-executive Directors in similar positions at comparable organisations. Non-executive Directors have service contracts. They are not members of the Society's pension schemes and have no entitlements under performance-related pay schemes. Their effectiveness is appraised annually by the Chair, and the Board as a whole, under the leadership of the Senior Independent Director, assesses the Chair's performance.

Total emoluments for non-executive Directors for services as Directors of the Society for the year are analysed as follows:

Non-executive Directors' fees	Fees 2024 £000	Fees 2023 £000
K Jess (Chair)	**56**	54
M Pitt (Vice-Chair)	**43**	41
K Furlong (Senior Independent Director from September 2023)	**38**	34
N Chundur (co-opted August 2024)	**13**	-
W Galbraith (co-opted May 2024)	**21**	-
C Guinness	**31**	30
J Healy (co-opted August 2024)	**13**	-
P Leonard	**36**	34
S Mitcham	**31**	30
G McGinn (Senior Independent Director to August 2023, retired August 2023)	**-**	22
	282	245

No pension contributions were made in respect of non-executive Directors.

Annual amounts for non-executive Directors are set out in the table below:

		Fee £000
Chair		56
Standard non-executive Director		31
Additional fees:		
Vice-Chair		7
Senior Independent Director		3
Committee Chairs:	Audit	5
	Personnel & Remuneration	4
	Risk	5

During 2024, M Pitt and C Guinness each received additional amounts of £1,781 (2023: £1,704) for their roles as pension scheme trustees.

Karen Furlong
Chair of Personnel and Remuneration Committee
25th February 2025

Directors' Report

For the year ended 31st December 2024

The Directors' Report should be read in conjunction with the Chair's Welcome, the Chief Executive's Highlights and the Strategic Report.

Directors

The following persons were Directors of the Society during the year:

Non-Executive Directors
Keith Jess (Chair)
Martin Pitt (Vice-Chair)
Karen Furlong (Senior Independent Director)
Clare Guinness
Paul Leonard
Stephen Mitcham
Noyona Chundur (appointed August 2024)
Wendy Galbraith (appointed May 2024)
John Healy (appointed August 2024)
Executive Directors
Michael Boyd (Chief Executive)
Declan Moore (Operations Director)
Gareth Robinson (Finance Director)

Board Composition

Details of the Board composition are provided in the Directors' Profiles.

Business Objectives

Information on the Society's objectives and activities can be found in the Business Review.

Business Review

The Business Review can be found within the Strategic Report.

Financial Risk Management Objectives and Policies

Information on the Society's financial risk management objectives and policies can be found in the Risk Management Report.

Profit and Capital

Profit before tax for the year was £9.3 million (2023: £15.6 million) and after tax the amount transferred to general reserves was £7.1 million (2023: £11.8 million).

The Society's general reserves at 31st December 2024 were £167.2 million (2023: £160.0 million). Details of reserves movements are provided in the Statement of Changes in Members' Interests.

Further information on the Society's capital strength is given in the Business Review.

Mortgage Arrears

Note 14 describes the various forbearance measures offered by the Society to borrowers experiencing difficulties in meeting their repayments. The Business Review provides information on the mortgage accounts which were twelve months or more in arrears at 31st December 2024.

Going Concern and Viability Statement

The Directors are required to consider whether the Society will continue as a going concern for a period of twelve months from the signing of the accounts.

In making the assessment the Directors have reviewed the Society's Strategic Plan and considered risks that could impact on the Society's capital position, financial position and liquidity over that period.

The current economic conditions present ongoing risks and uncertainties for all businesses. In response to such conditions, and as required by the Financial Reporting Council, the Directors have carefully considered these risks and the extent to which they might affect the preparation of the Financial Statements on a going concern basis.

By way of background, the Society's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Strategic Report as well as in this report.

Information concerning the policies and processes for managing the Society's capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk are also included in the Strategic Report and in Note 24 to the Accounts.

The Directors consider that:

- the Society maintains an appropriate level of liquidity, sufficient to meet both the normal demands of the business and the requirements which might arise in stressed circumstances. It also maintains facilities with the Bank of England providing ready access to liquidity if required;
- the availability and quality of liquid assets is structured to ensure funds are available for new advances to borrowers, to repay any maturing wholesale funds and to meet exceptional demand from retail investors;
- the Society's mortgages on residential property are fully secured and adequately provided for if the debt is deemed doubtful; and
- reasonable profits have been maintained to keep capital at a suitable level to meet regulatory requirements.

Having reviewed the Society's five-year plans and forecasts, including related funding, capital needs and a robust assessment of the principal risks facing the Society, the Directors consider that the Society remains viable and is able to generate adequate profits for regulatory capital requirements and holds sufficient liquidity to maintain its solvency.

The key judgement in these plans and forecasts is sustainable asset growth over the next few years, interest rate views and the impact of the inflationary environment on borrowers' ability to maintain mortgage payments.

Operational resilience has been assessed and is effective. The Society has maintained strong liquidity and capital positions in recent years and the Directors are satisfied that this will continue.

In conclusion, the Directors are satisfied the Society has adequate resources to continue in operational existence for at least the next twelve months and to meet its liabilities over the five-year planning period and, therefore, it is appropriate to continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Post Balance Sheet Events

The Directors consider that there have not been any events since the year end that have had a significant effect on the financial position of the Society.

Auditors

The Auditors, Deloitte (NI) Limited, have expressed their willingness to continue in office and, in accordance with Section 77 of the Building Societies Act 1986, a resolution for their reappointment as Auditors is to be proposed at the Annual General Meeting.

Statement of Directors' Responsibilities

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

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

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

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Annual Accounts; and
- apply the going concern concept unless it is inappropriate to presume that the Society will continue in business.

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

Directors' responsibilities for accounting records and internal control

The Directors are responsible for ensuring that the Society:

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

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

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

The Directors confirm that, to the best of their knowledge:

- the Annual Accounts, prepared in accordance with UK Generally Accepted Accounting Practice including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland', give a true and fair view of the state of the affairs of the Society as at the end of the financial year and of the income and expenditure of the Society for the financial year;
- the Strategic Report includes a fair review of the developments and performance of the business and the position of the Society taken as a whole, together with a description of the principal risks and uncertainties that it faces; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for Members to assess the Society's performance, business model and strategy.

Keith Jess
Chair
25th February 2025

Independent Auditor's Report to the Members of Progressive Building Society

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Progressive Building Society (the 'Society'):

- give a true and fair view of the state of the Society's affairs as at 31st December 2024 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements which comprise:

- the Income Statement;
- the Statement of Other Comprehensive Income;
- the Statement of Financial Position;
- the Statement of Changes in Members' Interests;
- the Cash Flow Statement; and
- the related Notes 1 to 28 including a summary of significant accounting policies as set out in Note 1.

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

2. 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 financial statements section of our report.

We are independent of the Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Society.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • Loan loss provisioning Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the audit of the financial statements was £828k which was determined on the basis of approximately 0.5% of net assets.
Scoping	We determined the scope of our audit by obtaining an understanding of the Society and its environment, including internal controls, and assessing the risks of material misstatement.
Significant changes in our approach	The key audit matter presented in the prior year relating to the pension scheme liabilities has been removed based on our audit risk assessment, which included consideration of the level of audit effort and audit risk associated with this balance. There were no other significant changes in our approach.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

- obtaining an understanding of the Society's business model, objectives, strategy and related business risks, how the Society is structured and financed and the measurement and review of the Society's financial performance, including forecasts, future cash flows, and management's budgeting processes;
- obtaining an understanding of how the Society's risk assessment process:
  - i. identifies business risks (particularly profitability, liquidity and capital adequacy risks) relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern;
  - ii. assesses the significance of those risks, including the likelihood of their occurrence and their potential impact, including scenario analyses; and
  - iii. addresses those risks;
- obtaining management's going concern assessment of the Society in order to understand, evaluate and evidence the key judgements made by management;
- assessing the forecasts prepared by management including their five-year Strategic Plan and performing an assessment of the assumptions used in the forecasts, particularly those in relation to sustainable asset growth and interest rate margin movements;
- assessing historical accuracy of forecasts prepared by management;

- assessing the results of the liquidity and capital forecasts, including the stress testing and reverse stress testing performed by management;
- evaluating the relevance and reliability of the underlying data management used to make the assessment; and
- considering the adequacy of the going concern disclosures made in the financial statements and whether these reflect a true and fair assessment of the work performed by the Society.

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

In relation to the reporting on how the Society has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Loan loss provisioning

Key audit matter description

The Society holds £5.76 million of provisions for bad and doubtful debts at the year-end (2023: £5.78 million) against gross total loans and advances to customers of £1,717.17 million (2023: £1,599.08 million).

Under IAS 39, the Society's management is required to assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost at year-end. If there is objective evidence of impairment, management should recognise an impairment loss within the Income Statement.

Determining loan loss provisions against loans and advances to customers is a judgemental area requiring an estimate to be made of the losses incurred within the mortgage portfolio, which is largely collateralised on residential property in Northern Ireland. This requires the formulation of assumptions relating to customer default rates with consideration of time to default and likelihood of repossession, discounted cash flow rates which reflect projected property values and forced sale discounts, and other impairment indicators, some of which may be sensitive to changes in the economic environment.

Key assumptions in determining the loan loss provisions include the use of propensity to possess ("PtP"), forced sale discount ("FSD") and House Price Index ("HPI") assumptions. Given the level of management judgement required, the current macro-economic environment, coupled with low levels of arrears and possessions, we identified our key audit matter in relation to the valuation of the loan loss provisions and in particular, the judgements applied in determining the PtP, FSD and HPI assumptions, including the possibility of management bias on the basis that amendments to these assumptions could give rise to a material misstatement due to fraud or error.

Loan loss provisions (provisions for bad and doubtful debts) are disclosed in Note 15 to the financial statements. The Directors' associated accounting policies are set out on page 89 and details about judgements in the application of accounting policies and critical accounting estimates are on page 92. In addition, the matter is described as an area of judgement in the Audit Committee Report on page 57.

How the scope of our audit responded to the key audit matter

Our procedures included the following:

We evaluated the design and determined the implementation of relevant controls over impairment identification, calculation, and provisioning models.

We determined the appropriateness of the loan loss provisioning methodology as applied by the Society, incorporating a challenge to the key assumptions and data used. For all modelled cases, we engaged our Credit Modelling Specialist team to provide independent challenge to both the assumptions and the data used by management. We also assessed individual loan top-up provisions for reasonableness.

We assessed the appropriateness of management's key assumptions used in the loan loss provisioning calculations for loans and advances to customers, in particular the PtP, FSD and HPI by reference to the Society's historical loss rate data and benchmarking to a range of market information.

We challenged the appropriateness of other assumptions used within the loan loss provision such as impairment triggers, expected future cash flows, time horizons to sale and expected costs to sell. Our Credit Modelling Specialist team provided independent challenge to management's assumptions using the Society's historical data and also market information.

Additionally, and as part of our stand back assessment, we determined whether the provision held is appropriate with the loan book size and inherent risk in light of the current economic environment and IAS 39.

We tested the accuracy and completeness of the inputs which were used to determine the loan loss provisions back to underlying source data. We tested the completeness of the loan population identified by management as having incurred an impairment event, by testing a sample of loans that were not in arrears for other indicators of financial distress. We also considered if any overlays were required to recognise provisions for impairment events that are not captured in the loan loss provisioning model, in particular, considering the macro-economic environment.

We evaluated the adequacy of relevant disclosures made in the financial statements.

Key observations

Based on our audit procedures noted above, we concluded that the Society's loan loss provisions were within a range of reasonable outcomes and are supported by a methodology that is appropriately applied.

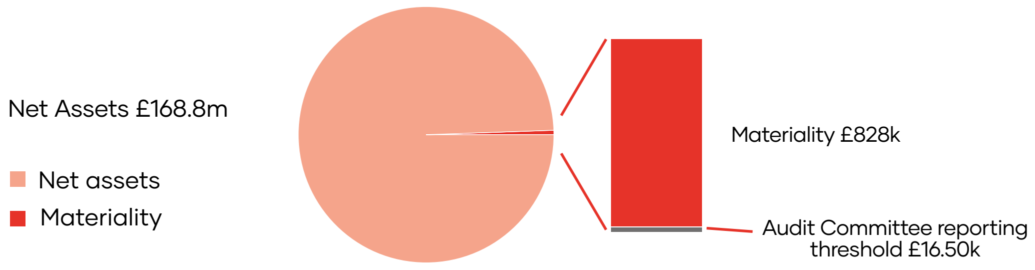
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

	Society financial statements
Materiality	£828k (2023: £785k)
Basis for determining materiality	Approximately 0.5% of net assets
Rationale for the benchmark applied	We have considered net assets to be a critical component for determining materiality as it is one of the principal measures for users of the financial statements in assessing the Society's financial position, including the Society's regulators.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2024 audit (2023: 70%).

In determining performance materiality, we considered the following factors:

- our understanding of the Society and its environment;
- the reliability of the Society's internal control over financial reporting and whether we were able to rely on controls; and
- the nature, volume and size of misstatements uncorrected in the previous audit.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £16.5k (2023: £15.7k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Whilst the Society operates from a network of eleven branches, the accounting records are centralised and all financial reporting is completed at Head Office. We determined the scope of our audit by obtaining an understanding of the Society and its environment, including internal controls, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

We identified relevant IT systems for the Society in respect of the financial reporting system and lending and deposits system. With the involvement of our IT specialists, we tested the general IT controls ('GITCs') associated with these IT systems and relied upon IT controls across the relevant IT systems identified.

We planned to adopt a controls reliance approach in relation to the lending and deposits business cycles, with relevant automated and manual controls being tested across these cycles. Based on the completion of these procedures being satisfactory, we were able to adopt a controls reliance approach across the lending and deposits cycles when performing our substantive audit procedures.

We also obtained an understanding of relevant controls that relate to our identified significant audit risks. We have shared observations from our procedures with management and the Audit Committee.

8. Other information

The other information comprises the information included in the Annual Report & Accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report & Accounts.

Our opinion on the financial statements 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

9. Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Society's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Society's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;

- the matters discussed among the audit engagement team and involving relevant internal specialists, including actuarial, IT and credit modelling specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition which is pinpointed to the manual journals over interest income, and loan loss provisioning. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Society operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the Building Societies Act 1986, tax legislation and pension legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Society's ability to operate or to avoid a material penalty. These included the Society's regulatory solvency requirements, Financial Services Authority regulations, Prudential Regulation Authority regulations, Financial Conduct Authority regulations and money laundering regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified loan loss provisioning as key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, internal audit, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Prudential Regulation Authority and Financial Conduct Authority;
- in addressing the risk of fraud in relation to revenue (interest income) recognition, evaluating the design and determining the implementation of relevant controls, selecting a sample of manual journals and evaluating the appropriateness of these journals; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Building Societies Act 1986

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

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

13. Opinion on other matters prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given on page 24 to the financial statements for the financial year ended 31st December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

14. Corporate Governance Statement

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 67;
- the Directors' explanation as to its assessment of the Society's prospects, the period this assessment covers and why the period is appropriate set out on page 67;
- the Directors' statement on fair, balanced and understandable set out on page 68;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 67;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 58; and
- the section describing the work of the Audit Committee set out on page 56.

15. Matters on which we are required to report by exception

15.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

16. Other matters which we are required to address

16.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Members of the Society at the Annual General Meeting on 26th April 2007 to audit the financial statements for the year ended 31st December 2007 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 18 years, covering the years ended 31st December 2007 to 31st December 2024.

16.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

17. Use of our 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.

David McCaffrey FCA
(Senior Statutory Auditor)
For and on behalf of Deloitte (NI) Limited
Statutory Auditor
Belfast, United Kingdom
27th February 2025

80 Financial Information

Income Statement

for the year ended 31st December 2024

	Note	2024 £000	2023 £000
Interest receivable and similar income	3	**102,283**	84,235
Interest payable and similar charges	4	**(70,909)**	(48,308)
Net interest receivable		**31,374**	35,927
Fees and commissions receivable		**860**	847
Fees and commissions payable		**(2,268)**	(2,151)
Other operating income		**235**	177
Other fair value gains / (losses)	5	**58**	(178)
Total income		**30,259**	34,622
Administrative expenses	6	**(18,617)**	(16,448)
Depreciation and amortisation	16 & 17	**(1,469)**	(1,309)
Other operating charges		**(323)**	(349)
		9,850	16,516
Provisions for bad and doubtful debts	15	**(439)**	(925)
Provisions for liabilities and charges	21	**(140)**	-
Operating profit and profit for the year before taxation		**9,271**	15,591
Tax on profit on ordinary activities	9	**(2,185)**	(3,838)
PROFIT FOR THE FINANCIAL YEAR	22	**7,086**	11,753

All results in the current and prior years were derived from continuing operations.
The Notes on pages 87 to 121 form part of these Annual Accounts.

Statement Of Other Comprehensive Income

for the year ended 31st December 2024

	Note	2024 £000	2023 £000
Profit for financial year	22	**7,086**	11,753
Actuarial gain / (loss) recognised in the pension scheme	26	**70**	(2,155)
Movement in deferred tax relating to the pension scheme	26	**(17)**	532
Items that may be reclassified subsequently to profit and loss:			
Net movement on available-for-sale assets	23	**834**	1,153
Total comprehensive income for the year		**7,973**	11,283

The Notes on pages 87 to 121 form part of these Annual Accounts.

Statement Of Financial Position

as at 31st December 2024

	Note	2024 £000	2024 £000	2023 £000	2023 £000
ASSETS					
Liquid assets					
Cash in hand and balances with the Bank of England		**138,218**		153,213	
Loans and advances to credit institutions	10	**60,733**		58,481	
Debt securities	11	**155,869**		139,681	
			354,820		351,375
Derivative financial instruments	12		**6,433**		9,056
Loans and advances to customers	14				
Loans fully secured on residential property		**1,704,588**		1,585,039	
Other loans fully secured on land		**2,602**		2,683	
			1,707,190		1,587,722
Tangible fixed assets	16		**7,163**		6,899
Intangible fixed assets	17		**4,252**		3,672
Prepayments and accrued income			**1,136**		1,252
Pension asset	26		**4,206**		3,379
TOTAL ASSETS			**2,085,200**		1,963,355
LIABILITIES					
Shares	18		**1,738,170**		1,682,123
Amounts owed to credit institutions	19		**53,886**		64,720
Amounts owed to other customers	20		**118,554**		48,365
Derivative financial instruments	12		**1,035**		2,228
Other liabilities	21		**4,794**		5,131
			1,916,439		1,802,567
Reserves					
General reserves	22		**167,170**		160,032
Other reserves	23		**1,591**		756
TOTAL LIABILITIES & RESERVES			**2,085,200**		1,963,355

The Notes on pages 87 to 121 form part of these Annual Accounts.
The Accounts on pages 82 to 121 were approved by the Board of Directors on 25th February 2025 and were signed on its behalf by:

Keith Jess
Chair

Statement Of Changes In Members' Interests

as at 31st December 2024

	General reserves £000	Available-for-sale reserve £000	Revaluation reserve £000	Total £000
2024				
As at 1st January 2024	160,032	686	70	160,788
Profit for the year	7,086	-	-	7,086
Other comprehensive income for the period				
Net movement from changes in fair value	-	834	-	834
Transfer of amount equivalent to additional depreciation on revalued assets	(1)	-	1	-
Remeasurement of defined benefit obligation	53	-	-	53
Total comprehensive income for the period	7,138	834	1	7,973
As at 31st December 2024	**167,170**	**1,520**	**71**	**168,761**
2023				
As at 1st January 2023	149,903	(467)	69	149,505
Profit for the year	11,753	-	-	11,753
Other comprehensive income for the period				
Net movement from changes in fair value	-	1,153	-	1,153
Transfer of amount equivalent to additional depreciation on revalued assets	(1)	-	1	-
Remeasurement of defined benefit obligation	(1,623)	-	-	(1,623)
Total comprehensive income for the period	10,129	1,153	1	11,283
As at 31st December 2023	160,032	686	70	160,788

The Notes on pages 87 to 121 form part of these Annual Accounts.

Cash Flow Statement

for the year ended 31st December 2024

	2024 £000	2023 £000
Net cash flow from operating activities (see below)	**(1,743)**	(5,021)
Cash flows from investing activities		
Purchase of tangible and intangible fixed assets	**(2,320)**	(1,583)
Disposal of tangible and intangible fixed assets	**14**	-
Purchase of debt securities	**(199,658)**	(136,012)
Disposal of debt securities	**185,981**	167,287
Net cash flows from investing activities	**(15,983)**	29,692
Net (decrease) / increase in cash and cash equivalents	**(17,726)**	24,671
Cash and cash equivalents at beginning of year	**168,911**	144,240
Cash and cash equivalents at end of year	**151,185**	168,911
Cash flows from operating activities		
Profit before tax	**9,271**	15,591
Provisions for bad and doubtful debts	**618**	996
Depreciation and amortisation	**1,469**	1,309
Profit on disposal of fixed assets	**(7)**	-
Defined benefit pension charges	**230**	175
Movement in derivative financial instruments	**1,430**	12,227
Movement in fair value adjustments	**(1,488)**	(12,049)
Net cash flow from operating activities before movement in operating assets and liabilities	**11,523**	18,249
Movement in operating assets and liabilities:		
Loans and advances to customers	**(118,737)**	(82,123)
Shares	**56,047**	86,610
Amounts owed to credit institutions and other customers	**59,355**	(37,641)
Loans and advances to credit institutions	**(4,983)**	12,221
Prepayments and accrued income	**(1,304)**	(154)
Accruals and deferred income	**139**	(202)
Other liabilities	**(57)**	511
Defined benefit pension contributions	**(987)**	(642)
Taxation paid	**(2,739)**	(1,850)
Net cash flow from operating activities	**(1,743)**	(5,021)
Cash and cash equivalents:		
Cash in hand and balances with Bank of England	**138,218**	153,213
Loans and advances to credit institutions repayable on demand	**12,967**	15,698
	151,185	168,911

The Notes on pages 87 to 121 form part of these Annual Accounts.

Notes to the Accounts

for the year ended 31st December 2024

1. Accounting policies

The financial statements have been prepared in accordance with the following accounting policies which have been applied consistently with the prior year.

Basis of preparation

The Annual Accounts have been prepared in accordance with Financial Reporting Standard 102, IAS 39 Financial Instruments: Recognition and Measurement, the Building Societies Act 1986 and the Building Societies (Accounts and Related Provisions) Regulations 1998 (as amended).

The Annual Accounts have been prepared under the historical cost convention as modified to include the revaluation of financial assets and liabilities held at fair value through profit or loss, available-for-sale financial assets, derivative contracts and certain land and buildings.

The Accounts have been prepared on the going concern basis as outlined in the Directors' Report.

Interest income and interest payable

Interest receivable and interest payable, for all interest bearing financial instruments held at amortised cost, are recognised in the Income Statement using the Effective Interest Rate (EIR) method.

The EIR method calculates the amortised cost of a financial instrument and allocates the interest income / expense over the expected product life.

Interest income on available-for-sale instruments, derivatives and other financial assets accounted for at fair value is included in "Interest receivable and similar income".

Fees and commissions

Fees payable and receivable in relation to the provision of loans, such as loan origination fees, are accounted for on an Effective Interest Rate basis.

Other fees and commissions are recognised on an accruals basis when the service has been provided.

Effective interest rate

The EIR is the rate that exactly discounts the estimated future cash flows (excluding credit losses) through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial instrument.

The calculation includes all fees received or paid and costs borne by the Society that are an integral part of the effective rate of the financial instrument. The main impact for the Society relates to mortgage advances where fees such as application fees, arrangement fees, survey fees and procuration fees are incorporated in the calculation.

Operating leases

Costs in respect of operating leases are charged to the Income Statement on a straight line basis over the lease term.

Repairs and renewals

The cost of repairs and renewals is charged to revenue in the year in which the expenditure is incurred.

Taxation

Current tax is provided on the Society's taxable profits at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted at the date of the Statement of Financial Position.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the financial year end where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the financial year end. Timing differences are differences between the Society's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted

Notes to the Accounts (continued)

for the year ended 31st December 2024

1. Accounting policies (Continued)

by the date of the Statement of Financial Position that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model is measured using the tax rates and allowances that apply to the sale of the asset.

Where items recognised in Other Comprehensive Income are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Society intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if the Society has a legally enforceable right to set off current tax assets against current tax liabilities.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than freehold or long leasehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold and long leasehold buildings	1% to 10%
Short leasehold land and buildings	over the term of each lease
Equipment, fixtures, fittings and vehicles	10% to 50%

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Individual freehold and long leasehold properties are revalued to fair value with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the Income Statement.

Intangible assets and amortisation

Intangible assets are compiled of computer software which has been separately acquired by the Society. These assets are stated at cost, net of amortisation and any provision for impairment. Amortisation is provided on intangible assets at rates calculated to write off the cost of each asset on a straight-line basis from the date the software is active over its expected useful life, as follows:

Computer Software	20%

An impairment review is performed whenever there is an indication that the recoverable value is below the carrying value of the intangible asset. If the impairment review indicates that the asset is impaired, an allowance is made for impairment.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Society recognises software purchases which meet the definition of Software as a Service (SaaS) in line with a decision by the International Financial Reporting Standards (IFRS) Interpretations Committee. If the Society controls the software, costs are capitalised in accordance with FRS102. If the Society does not control the software and the expenditure does not give rise to a separate intangible asset, costs will be expensed.

Financial assets

In accordance with IAS 39, Financial Instruments: Recognition and Measurement, the Society classifies its financial assets into the following categories:

(a) Loans and receivables

These are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Society's loans and advances to customers and money market advances are classified as loans and receivables and are measured at amortised cost using the Effective Interest Rate method less provisions for impairment.

Notes to the Accounts (continued)

for the year ended 31st December 2024

1. Accounting policies (Continued)

In accordance with the Effective Interest Rate method, directly attributable upfront costs and fees such as application and arrangement fees, survey fees and procuration fees are deferred and recognised over the expected life of the mortgage assets. Historic data and management judgements are used to estimate the expected lives of mortgage assets and the calculation adjusted when actual experience differs from estimates, with changes in deferred amounts being recognised immediately in the Income Statement.

(b) Available-for-sale financial assets

These are non-derivative assets, principally debt securities, that are intended to be held for an indefinite period of time and which may be sold in response to changes in interest rate or changes in liquidity requirements.

Available-for-sale assets are measured at fair value with fair value gains or losses recognised in Other Comprehensive Income. On sale or impairment of the asset, the cumulative gain or loss previously recognised in Other Comprehensive Income is reclassified to profit or loss as a reclassification adjustment.

The fair values of quoted investments in active markets are based on current bid prices. If market data is not available alternative valuation techniques, such as discounted cash flow models or recent arms length transactions, are used to determine fair value.

Premiums and discounts arising from the purchase of available-for-sale assets are amortised over the period to the maturity date of the security.

(c) Financial assets at fair value through Profit and Loss

These are derivative financial assets initially recognised at fair value on the date on which the derivative contract is entered into. Subsequent measurement is at fair value with movements in value recognised in the Income Statement.
Where a hedge is terminated early, the realised gain or loss is recognised in the Income Statement.

(d) Held to maturity financial assets

The Society has not classified any financial assets as held to maturity.

Financial assets are derecognised when the rights to receive cash flows have expired or where substantially all the risks and rewards of ownership have been transferred to another party.

Financial liabilities

Non-derivative financial liabilities are initially recognised at fair value being the issue proceeds net of premiums, discounts and transaction costs incurred. These are subsequently held at amortised cost using the Effective Interest Rate method.

Derivative financial liabilities are recognised at fair value. Movements in fair value are recognised in the Income Statement.

Financial liabilities are derecognised when the obligation is discharged, cancelled or has expired.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Society intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Impairment losses on loans and advances to customers and credit institutions

The Society assesses at each year end whether, as a result of one or more events that occurred after initial recognition, there is objective evidence that a financial asset or group of financial assets is impaired. Evidence of impairment may include indications that the borrower or group of borrowers are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the debt being restructured to reduce the burden on the borrower, any breach of contract, and other overall economic conditions.

The Society first assesses whether objective evidence of impairment exists either individually for assets that are separately significant, or collectively for assets that are not separately significant. If there is no objective evidence of impairment for an individually assessed asset it is included in a group of assets with similar credit risk characteristics. For example, accounts subject to forbearance are collectively assessed for forbearance.

Notes to the Accounts (continued)

for the year ended 31st December 2024

1. Accounting policies (Continued)

If there is subjective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the net present value of estimated future cash flows discounted at the asset's original effective interest rate. The resultant provisions have been deducted from the appropriate asset values in the Statement of Financial Position.

Other provisions and contingent liabilities

Provisions are recognised when a legal or constructive obligation exists as a consequence of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the settlement.

Where it is not probable that the obligation will be settled and / or it cannot be reliably estimated, a contingent liability is disclosed in the Notes to the Accounts.

Borrowings

Commissions and other costs incurred in the raising of other borrowings are amortised over the period to maturity.

Retirement benefits

For defined benefit schemes the amounts charged to operating profit are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to the Income Statement and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in Other Comprehensive Income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Society, in separate trustee administered funds. Certain executive Directors also benefit from an unfunded arrangement. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at the Scheme's financial year end. The valuations are also updated for accounting purposes at the Society's financial year end.

For defined contribution schemes the amount charged to the Income Statement in respect of pension costs and other retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

Derivative financial instruments and hedge accounting

The Society uses derivatives only for risk management purposes. Further information on hedging strategies may be found in Note 24.

(a) Derivative financial instruments

Derivatives are initially measured at fair value, at the date the derivative contract is entered into, with subsequent movements in fair value recognised in the Income Statement.

Fair value measurement

Fair values are calculated by applying yield curves, based on quoted market rates, to a discounted cash flow model. The resulting gain or loss is recognised in the Income Statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.
All derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative.

Where collateral is given / held to mitigate the risk inherent in amounts due from / to the Society it is recognised as an asset / liability and included within "loans and advances to credit institutions" / "amounts owed to credit institutions".

Notes to the Accounts (continued)

for the year ended 31st December 2024

1. Accounting policies (Continued)

The Society does not hold or issue derivative financial instruments for trading purposes.

(b) Hedge accounting

The Society applies fair value hedge accounting when the transactions meet the criteria specified in IAS 39.

Hedge relationships are formally designated and documented at inception.

Note 24 sets out details of the fair values of the Society's derivative instruments used for hedging purposes.

Changes in the fair value of the derivatives are recognised in the Income Statement together with changes in the fair value of the hedged item that are attributable to the hedged risk.

Hedge accounting is discontinued when:
- the derivative expires, is sold, is terminated or exercised,
- the hedge no longer meets the criteria for hedge accounting,
- the hedged item matures, is sold or repaid,
- the hedge designation is revoked.

Sale and repurchase agreements

Investments and other securities may be lent or sold subject to a commitment to repurchase them at a predetermined price (a repo). Where substantially all the risks and rewards of ownership remain with the Society such securities remain on the Statement of Financial Position and the counterparty liability is recognised separately on the Statement of Financial Position as appropriate.

The difference between the sale and repurchase price is accrued over the life of the agreement.

Notes to the Accounts (continued)

for the year ended 31st December 2024

2. Judgements in applying accounting policies and critical accounting estimates

The Society has to make judgements in applying its accounting policies which affect the amounts recognised in the financial statements.

In addition, the Society makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year.

Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be relevant, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The most significant areas where estimates, assumptions and judgements are made are as follows:

Impairment provision on loans and advances

The Society reviews its mortgage advances portfolio at least on a monthly basis to assess impairment.

The creation of impairment provisions for a portfolio of mortgage loans is inherently uncertain and requires the exercise of a significant degree of judgement. Provisions are calculated using historic default and loss experience but require judgement to be exercised in predicting future economic conditions (e.g. interest rates and house prices), customer behaviour (e.g. default rates), House Price Index, forced sale discounts and the length of time before impairments are identified (i.e. emergence period). These assumptions are based on observed historical data and updated as management considers appropriate to reflect current and future conditions.

Fair value of derivatives and available-for-sale assets

Derivative financial instruments and available-for-sale assets are recognised at fair value, which is derived from market data, with alternative valuation techniques used if market data is not available.

Derivative financial instruments are valued by discounted cash flow models using yield curves that are based on observable market data. Available-for-sale assets are valued using market prices or, where market prices are not available, using discounted cash flow models or recent arms length transactions.

Changes in the assumptions used could affect the fair value calculations.

Effective interest rate (EIR)

Under IAS 39, financial instruments carried at amortised cost are accounted for on an EIR basis.

The calculation of EIR requires the Society to make assumptions regarding the expected lives of financial instruments and the anticipated level of early repayment fees. Management regularly review these assumptions to ensure they reflect actual performance.

Retirement benefit obligations

The calculation of the present value of the retirement benefit obligations requires the Society to make significant judgements in respect of mortality, price inflation, discount rates, pension increases and earnings growth. Further details on the assumptions used in valuing retirement benefit obligations and other sensitivity analysis can be found in Note 26.

Changes in assumptions could affect the reported asset / liability, service cost and expected return on pension plan assets.

Notes to the Accounts (continued)

for the year ended 31st December 2024

3. Interest receivable and similar income

	2024 £000	2023 £000
On loans fully secured on residential property	**77,859**	59,265
On other loans	**224**	212
On debt securities	**6,020**	4,582
On other liquid assets	**10,872**	8,934
Net income on financial instruments used to hedge assets	**7,308**	11,242
	102,283	84,235

4. Interest payable and similar charges

	2024 £000	2023 £000
On shares held by individuals	**59,948**	40,169
On deposits and other borrowings	**7,441**	5,408
On other shares	**3,520**	2,731
	70,909	48,308

5. Other fair value gains and losses

	2024 £000	2023 £000
Loss on derivatives	**(1,430)**	(12,227)
Gain on hedged items attributable to the hedged risk	**1,488**	12,049
	58	(178)

Other fair value gains and losses represent the difference between changes in the fair value excluding interest flows of the hedging derivatives and the changes in fair value excluding interest flows of the underlying hedged items.

Notes to the Accounts (continued)

for the year ended 31st December 2024

6. Administrative expenses

	2024 £000	2023 £000
Staff costs:		
• Wages and salaries	7,574	7,010
• Social security costs	899	765
• Other pension costs (Note 26)	1,021	838
	9,494	8,613
Other administrative expenses	9,123	7,835
	18,617	16,448
Other administrative expenses include:		
Fees payable to the Society's auditors:		
Audit fees for Society's statutory audit	215	194
Total audit & audit related assurance services (inclusive of VAT)	215	194
Operating lease charges include:		
Property	154	140
Loss on disposal of fixed assets	7	-

7. EMPLOYEES

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

	2024 Full Time	2023 Full Time	2024 Part Time	2023 Part Time
Head office	107	97	21	19
Branch offices	46	48	11	15
	153	145	32	34

8. Directors' emoluments and transactions

Directors' emoluments are shown as part of the Directors' Remuneration Report. The total emoluments of the Directors who served during the year were £949,000 (2023: £922,000).

Notes to the Accounts (continued)

for the year ended 31st December 2024

9. Taxation

a. Analysis of taxation charge in the period	2024 £000	2023 £000
Current tax:		
UK corporation tax on profits of the current year	2,199	3,777
Adjustments in respect of prior periods	(353)	399
Total current tax	1,846	4,176
Deferred tax:		
Origination and reversal of timing differences	156	(74)
Effect of changes in tax rate	-	(5)
Adjustment in respect of prior periods	183	(259)
Total deferred tax	339	(338)
Tax charge for the period	2,185	3,838

b. Factors affecting the current tax charge for the period

The effective tax rate is 23.57% (2023: 24.62%), which is lower (2023: lower) than the standard rate of corporation tax in the UK of 25.00% (2023: 25.00%). The differences are explained below:

	2024 £000	2023 £000
Current tax reconciliation		
Profit on ordinary activities before tax	9,271	15,591
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 25.00% (2023: 23.52%)	2,318	3,667
Effects of:		
Expenses not deductible for tax purposes	37	36
Tax rate changes	-	(5)
Prior period adjustments	(170)	140
Tax charge for period (see above)	2,185	3,838

At 31st December 2024 "Other liabilities" on the face of the Statement of Financial Position includes a corporation tax liability of £493,000 (2023: £1,407,000).

Notes to the Accounts (continued)

for the year ended 31st December 2024

9. Taxation (continued)

c. Deferred Taxation	2024 £000	2023 £000
Movement in deferred tax balance in period		
Deferred tax liability as at 1st January	**(1,275)**	(1,650)
Adjustment in respect of prior periods	**(183)**	259
Charge to Income Statement	**(156)**	79
Charge to Other Comprehensive Income	**(295)**	37
Deferred tax liability as at 31st December	**(1,909)**	(1,275)
Analysis of deferred tax balance		
Accelerated capital allowances	**(350)**	(278)
Timing differences - pensions	**(1,052)**	(845)
Other timing differences	**(507)**	(152)
	(1,909)	(1,275)

The deferred tax liability of £1,909,000 (2023: £1,275,000) is included within "Other Liabilities" on the face of the Statement of Financial Position.

d. Factors that may affect future tax charges

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 (on 24th May 2021). These included an increase in the corporation tax rate from 19% to 25% from 1st April 2023. Deferred tax balances have been remeasured accordingly where appropriate.

10. Loans and advances to credit institutions

	2024 £000	2023 £000
Loans and advances to credit institutions have remaining maturities as follows:		
Repayable on demand	**12,967**	15,698
Other loans and advances by residual maturity repayable:		
In not more than three months	**32,544**	8,000
In more than three months but not more than one year	**13,750**	32,803
	59,261	56,501
Accrued interest	**1,472**	1,980
	60,733	58,481

Included in the above amount is £1m (2023: £1m) deposited as collateral under Credit Support Annex (CSA) agreements.

Notes to the Accounts (continued)

for the year ended 31st December 2024

11. Debt securities

	2024 £000	2023 £000
Issued by UK Government	**155,869**	139,681
	155,869	139,681

Debt securities are held as available-for-sale assets and carried at their fair value.

Debt securities have remaining maturities as follows:	2024 £000	2023 £000
In not more than one year	**153,441**	138,652
	153,441	138,652
Accrued interest	**2,428**	1,029
	155,869	139,681

Analysis of debt securities (excluding accrued interest):	2024 £000	2023 £000
Transferable securities		
Listed	**153,441**	138,652
	153,441	138,652

The movement in available-for-sale debt securities is summarised as follows:	2024 £000	2023 £000
As at 1st January	**138,652**	168,389
Additions	**199,658**	136,012
Disposals and maturities	**(185,981)**	(167,287)
Changes in fair value	**1,112**	1,538
As at 31st December	**153,441**	138,652

12. Derivative financial instruments

Interest rate swaps are used by the Society for hedging purposes. These are commitments to exchange one set of cash flows for another. No exchange of principal takes place.

	Contract / notional amount		Fair value	
	2024 £000	2023 £000	**2024 £000**	2023 £000
Derivative assets held for hedging purposes and designated fair value hedges				
Interest rate swaps	**240,000**	247,000	**6,433**	9,056
Total recognised derivative assets	**240,000**	247,000	**6,433**	9,056
Derivative liabilities held for hedging purposes and designated fair value hedges				
Interest rate swaps	**205,000**	70,000	**1,035**	2,228
Total recognised derivative liabilities	**205,000**	70,000	**1,035**	2,228

13. Assets and liabilities measured at fair value

	2024 £000	**Level 1 £000**	**Level 2 £000**
Financial assets at fair value through profit or loss:			
Derivative financial instruments	**6,433**	-	6,433
Available-for-sale financial assets:			
Debt securities	**155,869**	155,869	-
	162,302	155,869	6,433
Financial liabilities at fair value through profit or loss:			
Derivative financial instruments	**1,035**	-	1,035
	1,035	-	1,035

13. Assets and liabilities measured at fair value (continued)

	2023 £000	Level 1 £000	Level 2 £000
Financial assets at fair value through profit or loss:			
Derivative financial instruments	9,056	-	9,056
Available-for-sale financial assets:			
Debt securities	139,681	139,681	-
	148,737	139,681	9,056
Financial liabilities at fair value through profit or loss:			
Derivative financial instruments	2,228	-	2,228
	2,228	-	2,228

The tables above provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which fair value is observable.

Level	**Hierarchy for fair value disclosures**
1	Quoted prices (unadjusted) in active markets for identical assets or liabilities.
2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly (i.e. derived from prices).
3	Inputs for the asset or liability that are not based on observable market data. There are no instruments classified as level 3 in 2024 (2023: none).

14. Loans and advances to customers

	2024 £000	**2023 £000**
The maturity of loans and advances to customers from the date of the Statement of Financial Position is as follows:		
On call and at short notice	**2,456**	3,584
Other loans and advances by residual maturity repayable:		
In not more than three months	**18,097**	18,386
In more than three months but not more than one year	**55,083**	51,337
In more than one year but not more than five years	**303,989**	299,991
In more than five years	**1,337,544**	1,225,778
	1,717,169	1,599,076
Unamortised loan origination fees	**1,087**	1,226
Provisions for bad and doubtful debts (Note 15)	**(5,756)**	(5,782)
Fair value adjustment for hedged risk	**(5,310)**	(6,798)
Total loans and advances to customers	**1,707,190**	1,587,722

At 31st December 2024 £74m (2023: £84m) of loans have been pledged as collateral to the Bank of England to facilitate funding under TFSME.
Past experience would indicate that mortgages are often redeemed before their natural maturity date. This maturity analysis may therefore not reflect actual experience.

Notes to the Accounts (continued)

for the year ended 31st December 2024

14. Loans and advances to customers (continued)

Loan book analysis

Geographical analysis: All of the Society's loan book is secured on property in Northern Ireland (2023: all).

Loan to value (LTV) analysis

	2024		2023	
LTV	**£m**	**%**	**£m**	**%**
0%-50%	**850**	**49**	690	43
50%-60%	**328**	**19**	310	19
60%-70%	**270**	**16**	288	18
70%-80%	**166**	**10**	187	12
80%-90%	**83**	**5**	92	6
90%-100%	**16**	**1**	23	1
100% +	**4**	**-**	9	1
	1,717	**100%**	1,599	100%

Each individual LTV is calculated by comparing the value of the mortgage loan to the value of the collateral held against the loan indexed to current values using the movements in the Ulster University Quarterly House Price Index.

Arrears Analysis

	2024 £m	2023 £m
Individually impaired:		
Past due up to three months	**10**	12
Past due more than three months but not more than one year	**5**	7
Past due more than one year	**4**	4
Possessions	**2**	2
Not individually impaired:		
Neither past due nor impaired	**1,670**	1,553
Past due up to three months	**25**	20
Past due more than three months but not more than one year	**1**	1
	1,717	1,599

The table above shows the arrears status of the Society's loan portfolio. The status 'past due' includes any asset where a payment due is received late or missed. The amount included is the entire loan amount rather than just the overdue amount. Possession balances represent those loans where the Society has taken ownership of the underlying security pending it's sale. The quality of the Society's mortgage book is reflected in the number and value of accounts in arrears by value.

Notes to the Accounts (continued)

for the year ended 31st December 2024

14. Loans and advances to customers (continued)

Arrears analysis (loan balance of arrears cases)

Arrears % of mortgage balance	2024 £m	2023 £m
1.50%-2.50%	**4.6**	4.4
2.50%-5.00%	**3.4**	4.4
5.00%-7.50%	**0.9**	1.7
7.50%-10.00%	**0.4**	2.0
10.00% +	**4.1**	3.3
Possessions	**2.6**	2.2
	16.0	18.0

The main factor in a mortgage moving into arrears is a change in the borrower's circumstances, e.g. unemployment, illness, relationship breakdown. Possession balances represent loans where the Society has taken the underlying security pending its sale.

Forbearance

The Society offers a range of forbearance options to support borrowers who are in financial difficulty with the aim of minimising the risk of the customer ultimately losing their home and to ensure the right customer outcome.

The Society embraces regulatory guidance. Accordingly, the individual circumstances of the borrower are considered in determining the most appropriate forbearance measure and the Society will continue to work with the borrower to bring the mortgage back to sustainable terms within a timeframe appropriate to the borrower's circumstances.

The Society provided the following forbearance measures to customers during 2024:

- A temporary change of repayment type - 24 cases (2023: 22 cases).
- A payment deferral of the full normal monthly payment due – nil cases (2023: 1 case).
- A payment concession of less than the normal monthly payment due - 2 cases (2023: 1 case).

No extra provisions for forbearance cases have been required in addition to provisions calculated under the Society's normal accounting policies as detailed in Note 1.

Notes to the Accounts (continued)

for the year ended 31st December 2024

15. Provisions for bad and doubtful debts

Provisions against loans and advances have been made as follows:

	Loans fully secured on residential property £000	Loans fully secured on land £000	Total £000
At 1st January 2024			
Collective provision	2,461	-	2,461
Specific provision	3,043	278	3,321
	5,504	278	5,782
Amounts written off during the year			
Specific provision	644	-	644
	644	-	644
Income Statement			
Collective provision	227	-	227
Specific provision	360	31	391
	587	31	618
At 31st December 2024			
Collective provision	**2,688**	**-**	**2,688**
Specific provision	**2,759**	**309**	**3,068**
	5,447	**309**	**5,756**

The debit of £439,000 (2023: debit of £925,000) in the Income Statement consists of the debit of £618,000 (2023: debit of £996,000) above and credits of £179,000 (2023: credits £71,000).

Amounts written off during the year amounted to £644,000 (2023: £436,000).

A specific provision is an allowance created in respect of specific loans which are known to be facing financial difficulties.

A collective provision is an allowance for loans which are grouped collectively and evaluated for impairment, estimated on the basis of contractual cashflows and historical loss experience for loans with similar characteristics.

Key judgements in the calculations of provisions relates to the assumptions for propensity to possess, the forced sale discount and house prices (HPI).
A 10% increase in the propensity to possess assumptions would increase the provisions by £89,000.
A 10% increase in the forced sale discount assumptions would increase the provisions by £69,000.
A 2% increase / decrease in HPI assumptions would decrease / increase the provisions by £242,000 / £263,000.

Notes to the Accounts (continued)

for the year ended 31st December 2024

16. Tangible fixed assets

	Land and buildings £000	Equipment, fixtures, fittings and vehicles £000	Total £000
Cost or valuation			
At 1st January 2024	8,126	5,486	13,612
Additions during year	275	317	592
Disposals during year	-	(644)	(644)
At 31st December 2024	**8,401**	**5,159**	**13,560**
Depreciation			
At 1st January 2024	1,640	5,073	6,713
Charge for the year	95	226	321
Disposals	-	(637)	(637)
At 31st December 2024	**1,735**	**4,662**	**6,397**
Net book value			
At 31st December 2024	**6,666**	**497**	**7,163**
At 31st December 2023	6,486	413	6,899

Notes to the Accounts (continued)

for the year ended 31st December 2024

16. Tangible fixed assets (continued)

	2024 £000	2023 £000
The net book value of land and buildings comprises:		
Freehold	**5,705**	5,525
Long leasehold	**852**	830
Short leasehold	**109**	131
	6,666	6,486
Analysed as follows:		
Land	**1,885**	1,885
Buildings	**4,781**	4,601
	6,666	6,486
The net book value of land and buildings occupied by the Society for its own activities:		
At 31st December	**5,027**	4,873
If land and buildings had not been revalued they would have been included at the following amounts:		
Cost	**8,668**	8,394
Aggregate depreciation based on cost	**(2,055)**	(1,958)
Net book value based on cost	**6,613**	6,436

Freehold and long leasehold land and buildings were revalued, on a market value basis.
The valuations were performed by O'Connor Kennedy Turtle, a firm of independent chartered surveyors, in December 2020.

Notes to the Accounts (continued)

for the year ended 31st December 2024

17. Intangible assets

	Total £000
Cost	
At 1st January 2024	10,235
Additions during the year	1,728
Disposals during the year	(453)
At 31st December 2024	**11,510**
Amortisation	
At 1st January 2024	6,563
Charge for the year	1,148
Disposals	(453)
At 31st December 2024	**7,258**
Net book value	
At 31st December 2024	**4,252**
At 31st December 2023	3,672

Notes to the Accounts (continued)

for the year ended 31st December 2024

18. Shares

	2024 £000	2023 £000
Held by individuals	**1,672,392**	1,551,944
Other shares	**65,778**	130,179
	1,738,170	1,682,123
Shares are repayable from the date of the Statement of Financial Position in the ordinary course of business as follows:		
Accrued interest	**43,912**	33,962
Repayable on demand	**754,130**	749,687
Other shares by residual maturity repayable:		
In not more than three months	**199,479**	154,868
In more than three months but not more than one year	**561,427**	426,258
In more than one year but not more than five years	**179,222**	317,348
	1,738,170	1,682,123

19. Amounts owed to credit institutions

	2024 £000	2023 £000
Amounts owed to credit institutions are repayable from the date of the Statement of Financial Position in the ordinary course of business as follows:		
Accrued interest	**676**	780
Other amounts owed to credit institutions by residual maturity repayable:		
In not more than three months	**8,710**	8,440
In more than three months but not more than one year	**44,500**	5,500
In more than one year but not more than five years	**-**	50,000
	53,886	64,720

Included in the above amount is:

- £40m drawndown against the Bank of England TFSME (2023: £50m).
- £6.7m held as collateral under Credit Support Annex (CSA) agreements (2023: £8.4m).

Notes to the Accounts (continued)

for the year ended 31st December 2024

20. Amounts owed to other customers

	2024 £000	2023 £000
Amounts owed to other customers are repayable from the date of the Statement of Financial Position in the ordinary course of business as follows:		
Accrued interest	**2,646**	1,050
Other amounts owed to other customers by residual maturity repayable:		
In not more than three months	**55,620**	15,815
In more than three months but not more than one year	**52,318**	31,500
In more than one year but not more than five years	**7,970**	-
	118,554	48,365

21. Other liabilities

	2024 £000	2023 £000
Corporation tax	**493**	1,407
Deferred tax	**1,909**	1,275
Income tax	**184**	161
Social security	**144**	143
Provisions for liabilities and charges	**140**	-
Other creditors	**1,924**	2,145
	4,794	5,131
Provisions for liabilities and charges		
At 1st January	**-**	-
Charge for year	**140**	-
At 31st December	**140**	-

Provisions for liabilities and charges at 31st December 2024 includes an estimate for customer redress payments.

22. General reserves

	2024 £000	2023 £000
At 1st January	**160,032**	149,903
Profit for the financial year	**7,086**	11,753
Transfer of amount equivalent to additional depreciation on revalued assets	**(1)**	(1)
Net pension scheme movement in Statement of Other Comprehensive Income	**53**	(1,623)
At 31st December	**167,170**	160,032
The general reserves can be analysed into the following components:		
Relating to defined benefit pension asset	**4,206**	3,379
Other elements	**162,964**	156,653
	167, 170	160,032

Notes to the Accounts (continued)

for the year ended 31st December 2024

23. Other reserves

	Revaluation reserve		Available-for-sale reserve	
	2024 £000	2023 £000	**2024 £000**	2023 £000
At 1st January	**70**	69	**686**	(467)
Transfer of amount equivalent to additional depreciation on revalued assets	**1**	1	**-**	-
Net fair value movement	**-**	-	**834**	1,153
At 31st December	**71**	70	**1,520**	686

Notes to the Accounts (continued)

for the year ended 31st December 2024

24. Financial instruments

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

The Society has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Asset and Liability Committee (ALCO), which is charged with the responsibility for managing and controlling the exposures of the Statement of Financial Position 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.

Derivatives are only used by the Society, in accordance with the Buildings Societies Act 1986, to reduce the risk of loss arising from changes in interest rates or other factors specified in the legislation. Derivatives are not used in trading activity or for speculative purposes.

The type of derivative instrument used by the Society in the management and control of Statement of Financial Position risk is the interest rate swap. This is used to reduce the interest rate risk inherent in fixed rate loans and savings products by effectively converting the fixed rate into a variable market rate.

The Society, as with most other building societies reporting under FRS 102, utilises IAS 39 Financial Instruments: Recognition and Measurement, which allows for macro hedging and a reduction in volatility in the income statements. IAS 39 outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognised when an entity becomes a party to the contractual provisions of the instrument, and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortised cost or fair value).

Under IAS 39, exposures to interest rate risk arise from loans, deposits and interest rate derivatives. However under this standard, loans and deposits are accounted for at amortised cost while interest rate derivatives are required to be accounted for at fair value through profit or loss. Consequently, risk management using derivatives may result in volatility in profit or loss even if the purpose of initial risk management using the derivative is to reduce the risk faced by the Society.

Hedge accounting under IAS 39 allows entities to address such recognition and measurement mismatches by either changing the measurement of the items that give rise to the risk exposure (a fair value hedge) or deferring gains or losses on the hedging instrument to a later period (a cash flow hedge). The Society uses the fair value hedge option to apply the standard. In order to apply hedge accounting it is also necessary to identify specific hedged item(s) and hedging instrument(s) and link them via designation in individual hedging relationships.

	2024 £000	2023 £000
Notional principal amounts	**445,000**	317,000

Notes to the Accounts (continued)

for the year ended 31st December 2024

24. Financial instruments (Continued)

Market risk is the risk of changes to the Society's financial condition caused by movements in market interest rates. The Society is exposed to market risk in the form of changes in the relationship between short and long term interest rates and the divergence of interest rates for different Statement of Financial Position elements (basis risk). The Society has adopted the 'Extended' approach to interest rate risk, as defined by the Prudential Regulation Authority (PRA), which aims to undertake structural hedging based on a detailed analysis of the Statement of Financial Position.

The table below summarises the repricing mismatches as at 31st December 2024. Items are allocated to time bands by reference to the earlier of the next interest rate repricing date and the maturity date.

	Not more than three months £000	More than three months but not more than six months £000	More than six months but not more than one year £000	More than one year but not more than five years £000	Non interest-bearing £000	Total £000
Assets						
Liquid assets	278,075	62,877	9,749	-	4,119	354,820
Derivative financial instruments	-	-	-	-	6,433	6,433
Loans and advances to customers	753,312	84,038	236,345	643,474	(9,979)	1,707,190
Tangible fixed assets	-	-	-	-	7,163	7,163
Intangible fixed assets	-	-	-	-	4,252	4,252
Prepayments and accrued income	-	-	-	-	1,136	1,136
Pension asset	-	-	-	-	4,206	4,206
Total assets	1,031,387	146,915	246,094	643,474	17,330	2,085,200
Liabilities						
Shares	1,097,402	76,233	347,666	172,957	43,912	1,738,170
Amounts owed to credit institutions	48,710	4,500	-	-	676	53,886
Amounts owed to other customers	54,337	24,235	29,366	7,970	2,646	118,554
Derivative financial instruments	-	-	-	-	1,035	1,035
Other liabilities	-	-	-	-	4,794	4,794
Reserves	-	-	-	-	168,761	168,761
Total liabilities and reserves	1,200,449	104,968	377,032	180,927	221,824	2,085,200
Net assets / (liabilities)	(169,062)	41,947	(130,938)	462,547	(204,494)	-
Impact of derivative instruments	440,000	(25,000)	(74,000)	(341,000)	-	-
Interest rate sensitivity gap	270,938	16,947	(204,938)	121,547	(204,494)	-

Derivative instruments are used to manage the interest rate risks of net asset or liability mismatch beyond one year to maturity. Interest rate gaps of less than one year do not pose a significant risk as any asset or liability mismatch is of short duration to repricing.

Notes to the Accounts (continued)

for the year ended 31st December 2024

24. Financial instruments (Continued)

The repricing mismatch comparatives as at 31st December 2023 were as follows:

	Not more than three months £000	More than three months but not more than six months £000	More than six months but not more than one year £000	More than one year but not more than five years £000	Non interest-bearing £000	Total £000
Assets						
Liquid assets	251,290	89,060	4,500	-	6,525	351,375
Derivative financial instruments	-	-	-	-	9,056	9,056
Loans and advances to customers	779,157	87,667	119,390	612,862	(11,354)	1,587,722
Tangible fixed assets	-	-	-	-	6,899	6,899
Intangible fixed assets	-	-	-	-	3,672	3,672
Prepayments and accrued income	-	-	-	-	1,252	1,252
Pension asset	-	-	-	-	3,379	3,379
Total assets	1,030,447	176,727	123,890	612,862	19,429	1,963,355
Liabilities						
Shares	978,457	102,141	265,377	302,186	33,962	1,682,123
Amounts owed to credit institutions	58,440	4,500	1,000	-	780	64,720
Amounts owed to other customers	15,815	28,000	3,500	-	1,050	48,365
Derivative financial instruments	-	-	-	-	2,228	2,228
Other liabilities	-	-	-	-	5,131	5,131
Reserves	-	-	-	-	160,788	160,788
Total liabilities and reserves	1,052,712	134,641	269,877	302,186	203,939	1,963,355
Net assets / (liabilities)	(22,265)	42,086	(145,987)	310,676	(184,510)	-
Impact of derivative instruments	317,000	(65,000)	(25,000)	(227,000)	-	-
Interest rate sensitivity gap	294,735	(22,914)	(170,987)	83,676	(184,510)	-

Notes to the Accounts (continued)

for the year ended 31st December 2024

24. Financial instruments (Continued)

Fair values of financial instruments

Set out below is a comparison of book and fair values of some of the Society's financial instruments by category as at 31st December 2024. All activities are non-trading book. Where available, market values have been used to calculate fair values. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing interest rates.

The table excludes certain financial assets and liabilities which are not listed or publicly traded, or for which a liquid and active market does not exist.

	2024 Book value £000	**2024 Fair value £000**	2023 Book value £000	2023 Fair value £000
Assets				
Liquid assets	**354,820**	**351,812**	351,375	348,836
Loans and advances to customers	**1,707,190**	**1,654,149**	1,587,722	1,506,098
Derivative financial instruments	**6,433**	**6,433**	9,056	9,056
Total	**2,068,443**	**2,012,394**	1,948,153	1,863,990
Liabilities				
Shares	**1,738,170**	**1,738,170**	1,682,123	1,682,123
Wholesale liabilities	**172,440**	**169,927**	113,085	112,146
Derivative financial instruments	**1,035**	**1,035**	2,228	2,228
Total	**1,911,645**	**1,909,132**	1,797,436	1,796,497

Liquid assets comprise cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities. Wholesale liabilities comprise all financial liabilities reported within 'Amounts owed to credit institutions' and 'Amounts owed to other customers'.

Notes to the Accounts (continued)

for the year ended 31st December 2024

24. Financial instruments (Continued)

The categories of financial instruments as at 31st December 2024 were as follows:

	At amortised cost £000	Loans and receivables £000	Available-for-sale £000	Fair value through profit and loss £000	Total £000
Assets					
Cash in hand and balances with Bank of England	138,218	-	-	-	138,218
Loans and advances to credit institutions	-	60,733	-	-	60,733
Debt securities	-	-	155,869	-	155,869
Derivative financial instruments	-	-	-	6,433	6,433
Loans and advances to customers	-	1,707,190	-	-	1,707,190
Total financial assets	138,218	1,767,923	155,869	6,433	2,068,443
Total non-financial assets					16,757
Total assets					2,085,200
Liabilities					
Shares	1,738,170	-	-	-	1,738,170
Amounts owed to credit institutions	53,886	-	-	-	53,886
Amounts owed to other customers	118,554	-	-	-	118,554
Derivative financial instruments	-	-	-	1,035	1,035
Total financial liabilities	1,910,610	-	-	1,035	1,911,645
Total non-financial liabilities					4,794
Reserves					168,761
Total liabilities and reserves					2,085,200

Notes to the Accounts (continued)

for the year ended 31st December 2024

24. Financial instruments (Continued)

The categories of financial instruments as at 31st December 2023 were as follows:

	At amortised cost £000	Loans and receivables £000	Available-for-sale £000	Fair value through profit and loss £000	Total £000
Assets					
Cash in hand and balances with Bank of England	153,213	-	-	-	153,213
Loans and advances to credit institutions	-	58,481	-	-	58,481
Debt securities	-	-	139,681	-	139,681
Derivative financial instruments	-	-	-	9,056	9,056
Loans and advances to customers	-	1,587,722	-	-	1,587,722
Total financial assets	153,213	1,646,203	139,681	9,056	1,948,153
Total non-financial assets					15,202
Total assets					1,963,355
Liabilities					
Shares	1,682,123	-	-	-	1,682,123
Amounts owed to credit institutions	64,720	-	-	-	64,720
Amounts owed to other customers	48,365	-	-	-	48,365
Derivative financial instruments	-	-	-	2,228	2,228
Total financial liabilities	1,795,208	-	-	2,228	1,797,436
Total non-financial liabilities					5,131
Reserves					160,788
Total liabilities and reserves					1,963,355

Notes to the Accounts (continued)

for the year ended 31st December 2024

24. Financial instruments (Continued)

The gross contractual cash flows of financial liabilities by maturity time band are shown below. The maturity date is based on the earliest contractual repayment date and does not reflect the expected due date. For variable rate financial liabilities disclosure is based on contractual conditions at year end.

The contractual due dates of financial liabilities as at 31st December 2024 were as follows:

	Not more than three months £000	More than three months but not more than six months £000	More than six months but not more than one year £000	More than one year but not more than five years £000	Total £000
Shares	1,021,688	165,750	461,809	194,689	1,843,936
Amounts owed to credit institutions	50,342	4,607	-	-	54,949
Amounts owed to other customers	55,706	25,229	30,114	8,109	119,158
Derivative financial instruments	-	-	107	928	1,035
Total financial liabilities	1,127,736	195,586	492,030	203,726	2,019,078

The contractual due dates of financial liabilities as at 31st December 2023 were as follows:

	Not more than three months £000	More than three months but not more than six months £000	More than six months but not more than one year £000	More than one year but not more than five years £000	Total £000
Shares	918,219	108,858	326,982	332,219	1,686,278
Amounts owed to credit institutions	63,882	4,640	1,056	-	69,578
Amounts owed to other customers	16,148	29,320	3,662	-	49,130
Derivative financial instruments	-	-	-	2,228	2,228
Total financial liabilities	998,249	142,818	331,700	334,447	1,807,214

Notes to the Accounts (continued)

for the year ended 31st December 2024

25. Financial commitments

	2024 £000	2023 £000
Capital commitments		
Capital commitments at 31st December for which no provision has been made:		
Contracted but not provided for	**19**	-
Lease commitments		
Total future minimum lease commitments in respect of land and buildings under non-cancellable operating leases which expire:		
Between one to five years	**30**	85
After five years	**335**	398
	365	483
Memorandum items		
Irrevocable undrawn mortgage loan facilities	**175,583**	130,179

Notes to the Accounts (continued)

for the year ended 31st December 2024

26. Pension scheme

Defined contribution scheme

The Society operates a defined contribution scheme which is open to all employees who are not in the defined benefit scheme and the assets of which are vested with independent trustees for the benefit of members and their dependants. The contributions for the year amounted to £791,000 (2023: £663,000) and have been charged to 'Administrative expenses'.

Defined benefit scheme

The Society operates a funded pension scheme, which provides benefits on a defined benefit basis. The defined benefit scheme has been closed to new employees from April 2001. The valuation as at 31st December 2024 used for FRS 102 disclosures has been undertaken by a qualified actuary in order to assess the liabilities of the scheme at 31st December 2024 using the Projected Unit Credit Method. Pension scheme assets were restated at their market value at 31st December 2024. The scheme has a surplus on the FRS 102 valuation assumptions as at 31st December 2024. The Directors believe they can achieve economic benefit from the surplus and so have decided to recognise the full surplus.

Employer-Financed Retirement Benefits Schemes (EFRBS)

The Society also operates Employer-Financed Retirement Benefits Schemes (EFRBS) in respect of certain executive Directors, which provides benefits on a defined benefits basis. The surplus in the funded scheme cannot be used to fund the unfunded scheme. The valuation as at 31st December 2024 used for FRS 102 disclosures has been undertaken by a qualified actuary in order to assess the liabilities of the scheme at 31st December 2024 using the Projected Unit Credit Method. The EFRBS are unfunded.

During 2024, one of the EFRBS was fully settled via a lump sum payment and this is reflected in the disclosure below.

Principal Actuarial Assumptions:	At 31st Dec 2024 %	At 31st Dec 2023 %
Rate of increase of pensions in payment	**3.02**	2.98
Discount rate	**5.48**	4.51
Retail Prices Index inflation	**3.21**	3.16
Salary inflation	**3.41**	3.36

The following amount has been recognised in the performance statements under the requirements of FRS 102

	2024 £000	2023 £000
The amount relating to operating costs was as follows:		
Included within 'Administrative expenses':		
Current service cost	**396**	422
	396	422

Notes to the Accounts (continued)

for the year ended 31st December 2024

26. Pension scheme (continued)

	2024 £000	2023 £000
The amount relating to other pension costs within staff costs (Note 6) was as follows:		
Current service cost	**396**	422
Net finance income	**(166)**	(247)
Defined contribution scheme charge	**791**	663
	1,021	838
The amount relating to the finance charge was as follows:		
Expected return on pension scheme assets	**1,922**	2,044
Interest on pension scheme liabilities	**(1,756)**	(1,797)
Net income (included within 'Administrative expenses')	**166**	247
Actuarial gains and losses have been reported in the Statement of Other Comprehensive Income as follows:		
Actuarial gain / (loss) recognised in pension scheme	**70**	(2,155)
Movement in deferred tax relating to pension scheme	**(17)**	532
Actuarial gain / (loss) recognised in the Statement of Other Comprehensive Income	**53**	(1,623)

The amount included in the Statement of Financial Position arising from the Society's obligations in respect of the defined benefit pension scheme and the unfunded arrangement is as follows:

	Value at 31st Dec 2024 £000	Value at 31st Dec 2023 £000
Fair value of pension scheme assets	**40,051**	43,019
Present value of pension scheme liabilities	**(35,845)**	(39,640)
Surplus in pension scheme	**4,206**	3,379

The pension asset of £4,206,000 comprises £5,537,000 asset for the funded pension scheme and £1,331,000 liability for the unfunded arrangement. The asset relating to the funded pension scheme cannot be used to directly fund the liability for the unfunded arrangement.

Notes to the Accounts (continued)

for the year ended 31st December 2024

26. Pension scheme (continued)

	2024 £000	2023 £000
Movements in the present value of scheme liabilities in the current period were as follows:		
At 1st January	**39,640**	38,098
Current service cost	**396**	422
Interest cost	**1,756**	1,797
Contributions from scheme members	**151**	165
Actuarial (gain) / loss	**(4,156)**	601
Benefits paid	**(1,942)**	(1,443)
At 31st December	**35,845**	39,640
Movements in the present value of scheme assets in the current period were as follows:		
At 1st January	**43,019**	43,165
Expected return on scheme assets	**1,922**	2,044
Actuarial loss	**(4,086)**	(1,554)
Contributions from the Society	**987**	642
Contributions from scheme members	**151**	165
Benefits paid	**(1,942)**	(1,443)
At 31st December	**40,051**	43,019

The analysis of the scheme assets and the expected rate of return at the date of the Statement of Financial Position were as follows:

	Fair value of assets	
	2024 £000	2023 £000
Equity instruments	**2,288**	2,383
Debt instruments	**28,434**	28,525
Property instruments	**2,912**	3,200
Liability driven instruments	**5,257**	7,093
Other assets	**1,160**	1,818
	40,051	43,019

The expected blended return on scheme assets is 5.48% (2023: 4.51%).

The scheme's assets are not intended to be realised in the short term and their fair values may be subject to significant change before the assets are realised. The present values of the scheme's liabilities are derived from cash flow projections over long periods, discounted at the appropriate rate, and thus are inherently uncertain.

The estimated values of contributions expected to be paid to the scheme during the current financial year, 2025, is £462,000 consisting of £330,000 from the Society and £132,000 from the members.

Notes to the Accounts (continued)

for the year ended 31st December 2024

27. Capital structures

The Society's policy is to have a strong capital base to maintain Member and market confidence and to sustain future development of the Society. The formal Internal Capital Adequacy Assessment Process (ICAAP) assists the Society with its management of capital. The Board monitors the Society's capital position to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position is reviewed to ensure that it is maintained at a level above its Total Capital Requirement (TCR) as determined by the Prudential Regulation Authority (PRA).

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

a) Lending and Business Decisions - the Society uses strict underwriting criteria to help it assess whether mortgage applications fit within its appetite for credit risk.

b) Pricing - pricing models are utilised for all mortgage product launches.

c) Concentration risk - the design of retail products takes into account the overall mix of products to ensure that exposure to market risk remains within permitted parameters.

d) Counterparty risk - wholesale lending is only carried out with approved counterparties in line with the Society's lending criteria and is subject to a range of limits. These limits are monitored daily to ensure the Society remains within risk appetite.

Regular stress testing is performed to ensure the Society maintains sufficient capital for future possible events. The Society's capital requirements are set and monitored by the PRA. During 2024 the Society has complied with the requirements included within the EU Capital Requirements Directive IV (Basel III).

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

Under Basel III Pillar 3 the Society is required to publish further information regarding its capital position and exposures. The Society's Pillar 3 disclosures are available on the Society's website www.theprogressive.com.

Notes to the Accounts (continued)

for the year ended 31st December 2024

28. Related party transactions

The remuneration of Directors including non-executive Directors, who are the key management personnel of the Society, is set out in the Directors' Remuneration Report.

Loans to Directors

At 31st December 2024, there were four (2023: four) mortgage loans outstanding granted in the ordinary course of business on normal commercial terms to Directors and their connected persons, amounting in aggregate to £362,000 (2023: £382,000).

A register is maintained at the Head Office of the Society, under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and connected persons. A statement of the appropriate details contained in the Register, for the financial year ended 31st December 2024, will be available for inspection at the Society's Head Office for a period of fifteen days up to and including the Annual General Meeting.

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Other Information

Annual Business Statement

for the year ended 31st December 2024

1. Statutory ratios and percentages

	31st Dec 2024 %	Statutory Limit %
Proportion of business assets not in the form of loans fully secured on residential property (lending limit)	**0.85**	25
Proportion of shares and borrowings not in the form of shares held by individuals (funding limit)	**12.47**	50

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

Business assets are the total assets of the Society as shown in the Statement of Financial Position plus provisions for bad and doubtful debts, less tangible and intangible 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 provisions for bad and doubtful debts.

2. Other percentages

	31st Dec 2024 %	31st Dec 2023 %
As a percentage of shares and borrowings:		
Gross capital	**8.83**	8.96
Free capital	**8.38**	8.50
Liquid assets	**18.57**	19.57
As a percentage of mean total assets:	**For 2024**	For 2023
Profit after taxation	**0.35**	0.61
Management expenses	**0.99**	0.92

Definitions

- 'Shares and borrowings' represent the aggregate of shares, amounts owed to credit institutions and amounts owed to other customers.
- 'Gross capital' represents the aggregate of the general reserves, revaluation reserve and available-for-sale reserve.
- 'Free capital' comprises gross capital and collective provisions for bad and doubtful debts less tangible and intangible fixed assets as shown in the Statement of Financial Position.
- 'Liquid assets' represent the total of cash in hand, loans and advances to credit institutions, debt securities and other liquid assets.
- 'Mean total assets' represent the simple average of the total assets at the beginning and end of the financial year.
- 'Management expenses' represent the aggregate of administrative expenses, depreciation and amortisation.

Annual Business Statement (continued)

for the year ended 31st December 2024

3. Information relating to Directors and other officers at 31st December 2024

Directors

Name and Date of Birth	Date of Appointment	Business Occupation	Other Directorships
Keith Jess BSSc FCA (02/02/57)	01/08/17	Retired Chartered Accountant	NIE Networks Limited
Martin Pitt BSSc MAcc FCA (31/12/63)	01/01/20	Retired Chartered Accountant	Odyssey Group Trust Limited Ulster Independent Clinic Limited Radius Housing Association Belfast Bible College Limited Salt Factory Sports Limited Abaana Ulster Rugby Foundation
Karen Furlong BA (Hons) (19/08/69)	01/01/19	Company Director	Personal Injuries Assessment Board Triodos Bank VHI Healthcare VHI Health & Wellbeing
Noyona Chundur BSc (Hons) CDir (12/03/74)	01/08/24	Company Director	Consumer Council for NI Arts Council of Ireland
Wendy Galbraith BSc (Hons) FCA (24/06/66)	01/05/24	Chartered Accountant	WMG Strategic Solutions
Clare Guinness BSc (Hons) CDir (15/05/75)	01/01/22	Company Director	Belfast Chamber of Trade & Commerce Peace Players Visit Belfast
John Healy BEng MSc OBE (21/02/70)	01/08/24	Company Director	Invest NI Tullyquin Properties Ltd
Paul Leonard BSc (Hons) MSc (20/02/60)	01/05/22	Retired Chartered Accountant	UK Finance NI Committee Whiterock Finance Advisory Board Northern Ireland Investment Fund – Investment Scrutiny Board
Stephen Mitcham BA (Hons) (27/10/63)	01/11/21	Retired Building Society Chief Executive	Mutual Vision Moneyfacts UK Bevan Money
Michael S Boyd BSc (Hons) FCA (01/10/69)	01/04/11	Building Society Chief Executive	None
Declan Moore BA MBA (02/03/65)	21/07/14	Building Society Operations Director	None
Gareth Robinson BSc (Hons) CGMA (26/04/76)	01/11/23	Building Society Finance Director	None

Annual Business Statement (continued)

for the year ended 31st December 2024

Documents may be served on the Directors at the offices of the Society's principal solicitors, Peden & Reid, 22 Callender Street, Belfast BT1 5BU.

Mr Michael Boyd, Mr Declan Moore and Mr Gareth Robinson each have a service contract with the Society, which is terminable by the Director on six months' notice. Mr Boyd's contract was entered into in February 2012 and was amended in November 2023 to reflect his appointment to Chief Executive and Mr Moore's contract was entered into in July 2014. Mr Robinson's contract was entered into in November 2023 on his appointment to Finance Director.

Officers

Name	Business Occupation	Directorships
Ailsa L McNeill BA (Hons) PgDip	Head of Human Resources	None
Kyle McRoberts BSc (Hons) ACA	Society Secretary	None
Jane Millar	Head of Lending & Savings	None
Claire Rice LLB (Hons) PgDip	Chief Risk Officer	None
Monique Silva BSc (Hons)	Head of IT	None

Society offices

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79 / 81 Wellington Street
BT43 6AD

Bangor
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BT20 4ST

Belfast
33 / 37 Wellington Place
BT1 6HH

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BT52 1DE

Enniskillen
24 High Street
BT74 7EH

Glengormley
323 Antrim Road
BT36 5DY

Lisburn
3 Market Place
BT28 1AN

Londonderry
3 Millennium Forum
Newmarket Street
BT48 6EB

Newtownards
4 Conway Square
BT23 4DD

Omagh
40 High Street
BT78 1BP

Portadown
12 Market Street
BT62 3JY

Head Office
Progressive House,
33 / 37 Wellington Place,
Belfast BT1 6HH

Savings helpline

Phone: 028 9016 0950
Opening Hours: Monday - Friday, 9am - 5pm

Mortgage helpline

Phone: 028 9016 0949
Opening Hours: Monday - Friday, 9am - 5pm

Web address

www.theprogressive.com

Information correct at the time of going to print (March 2025).

Progressive Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Financial Services Register Number 161841.

The Society is passionate about helping local people to save and champion homeownership through our personal, caring and responsible approach.