



**National
Friendly**

National Deposit Friendly Society Limited's
Group Annual Report and Financial
Statements 2025

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Trading name: National Friendly

Established 1868

Registered and incorporated Friendly Society number: 369F

Member of the Association of Financial Mutuals

Authorised by the Prudential Regulation Authority and regulated by the
Financial Conduct Authority and the Prudential Regulation Authority

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Secretary: Nicola Moore

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Chair's Review

Mark Searles, Chair

As we reflect on the past year, it is with great pride that I present National Friendly's¹ 2025 Annual Report and Financial Statements. It has been a truly strong year for the Society, as demonstrated by the robust growth reported in the Chief Executive's Review and Strategic Report.

Delivering strategic success requires a careful balance of market opportunity, well-designed insurance products that meet customer needs, effective access to members, and strong operational capability. In recent years, the Society has invested significantly in enhancing its operational resilience, product offering and distribution reach. In 2025, we have begun to see the benefits of these investments, as market conditions have increasingly supported our growth ambitions.

Across the insurance sector, there continues to be considerable discussion among industry participants, regulators and policymakers regarding the UK's protection gap. This refers to the number of individuals and families who would face financial hardship in the event of unexpected life events - such as premature death, serious illness, loss of income, or the need for long-term care later in life. This gap is both significant and, in many areas, growing.

Friendly Societies were established to address precisely these challenges. When National Friendly was founded in 1868, its purpose was simple: to provide peace of mind in times of members' needs, initially through benefits such as death cover and access to medical care. While the context has evolved, our guiding principles remain unchanged - simplicity, inclusivity, affordability and accessibility.

These principles underpin our distinctive product offering. In 2025, we launched an enhanced Friendly Shield product including sickness cover, which accounted for 41% of all new business policies, and latterly introduced a Friendly Health product. Both products have been designed to deliver meaningful value to our members, reflecting our mutual ethos. As a mutual organisation, our priority is to serve our members' best interests, ensuring that our products provide strong, relevant benefits while maintaining the Society's long-term financial strength.

The regulatory environment also evolved during the year. The Financial Conduct Authority's ("FCA") Protection Market Study, launched in mid-2024, introduced a degree of uncertainty across the sector - particularly among distributors - leading some to pause sales of certain products, including guaranteed over-50s plans. National Friendly, alongside others, experienced some impact as a result. However, the publication of the FCA's findings in January 2026, supported by independent research, has provided greater clarity and renewed confidence across the market.

The FCA's work reinforces the importance of robust product governance, clear customer value, and strong oversight of distribution. These priorities align closely with our mutual values and operating model, and we have continued to strengthen our frameworks to evidence good outcomes for our members. Importantly, the findings also highlight the vital role organisations such as National Friendly play in addressing the protection gap and supporting financial resilience.

I will close where I began: 2025 has been a significant year in the continued evolution of National Friendly. This progress would not have been possible without the growing support of our independent and network broker partners, to whom I extend my sincere thanks. I am particularly pleased that National Friendly's momentum and quality have been recognised with the industry awards received and the confidence evidenced by the financial markets with the Tier 2 capital financing to help support future growth.

I would also like to recognise the contribution of my fellow Board members, the Executive team, and all our colleagues - led by our Chief Executive, Graham Singleton - for their commitment and professionalism in driving the Society forward.

Above all, we thank you - our members - for your continued trust and support. It is a privilege to serve you, and we remain committed to delivering long-term value in the years ahead.

¹ National Deposit Friendly Society Limited is referred to as the 'Society' throughout this document, and its trading name, 'National Friendly', is also used as a substitute.

Chief Executive's Review

Graham Singleton, Chief Executive Officer

2025 has been a highly successful year for National Friendly - indeed, an award-winning one. During the year, the Society received five industry awards: two individual accolades and three recognising the strength of our income protection offering. These included the prestigious 2025 Cover Excellence Awards for *Outstanding Individual Income Protection* and *Outstanding Protection Product Innovation* for Friendly Shield.

Since 2021, we have pursued a dynamic and disciplined growth strategy, the results of which are set out in the Strategic Report. In 2025, this strategy delivered a step change in performance, driven by the continued expansion of our intermediary distribution and, for the first time, a meaningful contribution from intermediary networks. I would like to extend my sincere thanks to all our distribution partners for their continued support.

This momentum is clearly reflected in our key performance indicators:

- Annual Premium Equivalent ("APE") increased by 40% year on year, with Immediate Needs Annuities exceeding £30 million gross written premiums and Income Protection APE growing by over 340%, reflecting the success of Friendly Shield.
- Membership increased by 21%, from 58,062 to 70,516 members.

At the heart of our strategy is our core purpose: to provide peace of mind to our members in times of need. For many, this means the reassurance of knowing their cover is in place should it be required. For others, it is reflected in the support they receive at the point of claim:

- Gross claims paid (£34m) increased by 28% with income protection claims growth mirroring the underlying growth of our income protection product portfolio.

Our product and service proposition continues to focus on value for money, inclusivity, accessibility and simplicity. Product innovation is grounded in robust market research and testing, ensuring we meet genuine member needs. Alongside our core insurance offering, we provide additional services such as Friendly GP+, which members consistently rate highly. Our aim is that all members derive tangible value from their membership, whether or not they need to claim.

As a mutual organisation, we continue to reinvest in our service capabilities. In 2025, we launched an enhanced digital claims portal, designed to simplify and improve the claims experience. We also introduced modern digital payment options via our website, making it easier for members to manage their policies. These improvements are reflected in our Net Promoter Score, which increased from 59 to 63, firmly within the "excellent" range.

We will continue to invest in 2026 and beyond to further enhance how members access information, understand their benefits, and engage with us. While digital capability is an important enabler, people remain central to our service. Whether at the point of underwriting - where applications are typically assessed within one working day - or when supporting members with servicing or claims queries, our teams are committed to delivering a responsive and high-quality experience.

A particularly significant achievement during the year was securing €15 million of Tier 2 capital financing, as outlined in the Strategic Report. This represents a strong vote of confidence in the Society's business model and provides us with the financial strength to invest in future growth. This capital raise was the primary driver behind the increase in our solvency ratio to 168%.

Our next Annual General Meeting will be held in September. Following a three-year pilot of hybrid attendance, we will return to an in-person and proxy format at our Head Office. While online participation has been limited, we remain committed to hearing from members and encourage questions to be submitted in advance where attendance is not possible.

Chief Executive's Review (continued)

Concluding remarks

The growing focus across government, regulators and the industry on addressing the UK's protection gap represents a clear call to action - one that aligns directly with our founding purpose. Products such as Friendly Shield and Friendly Health demonstrate how simple, inclusive and affordable solutions can play a meaningful role in improving financial resilience and member well-being.

I would like to thank all colleagues across National Friendly for their dedication and professionalism. Your efforts are central to the progress we have achieved and to the service we provide to our members.

Our success is also supported by a wider network of partners, including distributors, technology providers and marketing specialists. I extend my thanks to all of them, as well as to my Board colleagues and Non-Executive Directors for their continued guidance and support.

Finally, and most importantly, I would like to thank you - our members - for the trust you place in us. We do not take that trust for granted, and we remain committed to delivering value and support for you in the years ahead.

Thank you all.

Strategic Report

National Friendly is a Mutual Friendly Society with a heritage dating back to 1868. Our core business is the provision of protection and health insurance solutions for our members, who are introduced to us through a wide range of professional intermediary firms of varying size and scale. While our product offering has evolved significantly over time, our core purpose remains unchanged: to provide peace of mind to our members in times of need.

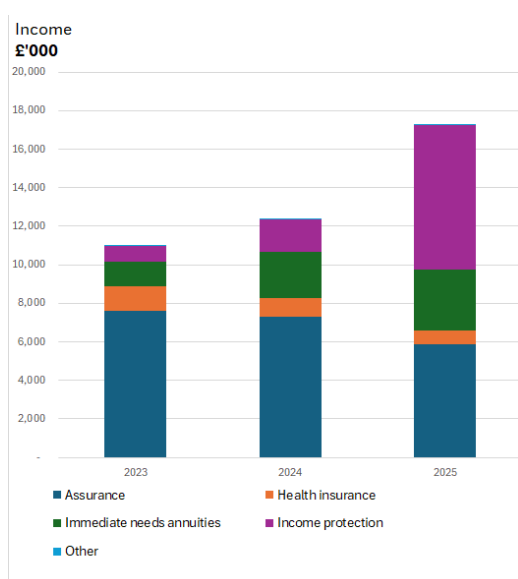
The Society continues to invest in both its core product propositions and supporting technology to enhance the experience of our intermediary partners and members. During 2025, we saw a further increase in membership, alongside growth in the number of intermediary firms distributing the Society's products. The Key Performance Indicators ("KPIs") set out below provide evidence of the continued progress of the strategy pursued in recent years.

In the latter part of 2025, the Society raised a tranche of Tier 2 capital. This funding, structured as a 10-year instrument, qualifies as regulatory capital under its terms and contributes to the Society's capital strength until repayment. The financing was secured at an interest rate considered attractive relative to alternative sources of capital, such as reinsurance arrangements, and supports continued investment in the Society's growth.

All KPIs reported below showed positive trends in 2025. The Society remains well positioned to build on this progress. Our strategy continues to focus on developing a resilient and appropriately diversified mutual, both in terms of product offering and risk profile, while maintaining a strong reputation for service among intermediary partners and members. The Risk Management Report in the next section is part of this Strategic Report.

Performance Review – KPIs and Highlights

Annual Premium Equivalent ("APE")



2025 continued to see strong growth in the immediate needs annuities.

Income protection saw exceptional growth reflecting the impact of our award-winning innovative product range.

Over 50s life assurance sales reduced reflecting market uncertainty pending conclusion of the FCA protection market review.

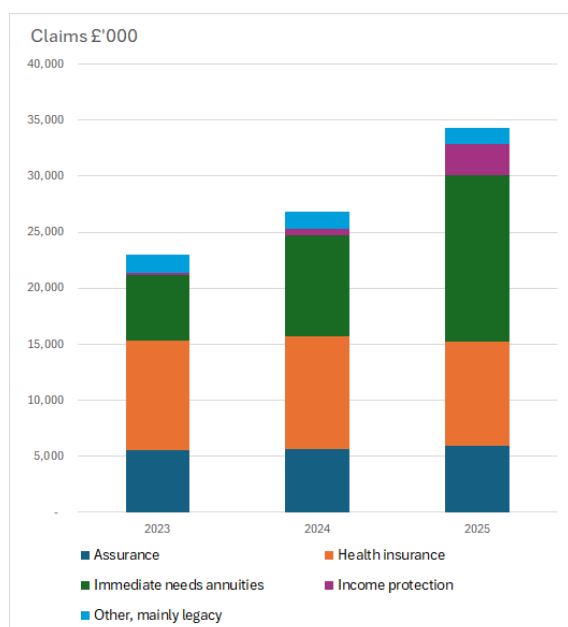
	£'000 2023	£'000 2024	£'000 2025
Assurance	7,622	7,312	5,867
Health insurance	1,278	937	704
Immediate needs annuities	1,240	2,393	3,156
Income protection	813	1,699	7,511
Other	40	11	1
	10,993	12,352	17,239

Gross new written premiums was used as a KPI in prior year, but this has been replaced with APE above as this aligns with how the Society manages and monitors the business. This therefore provides a more relevant and consistent measure of performance. APE is calculated by taking 10% of the single premiums and adding that to the annualised regular premium of policies issued in the period, this value is gross i.e. including not taken up ("NTU") and cancelled from inception ("CFI"). The difference (£19,368k) between the above and the gross new business premiums (£36,607k) in note 4 are that note 4 includes gross new premiums written in the year - not 10% of single premiums (+£27,150k) and regular premiums are not annualised (-£7,782k evidencing the growth throughout the year). Both figures to the left include the difference in NTU and CFIs.

Strategic Report (continued)

Performance Review – KPIs and Highlights (continued)

Gross Claims Paid



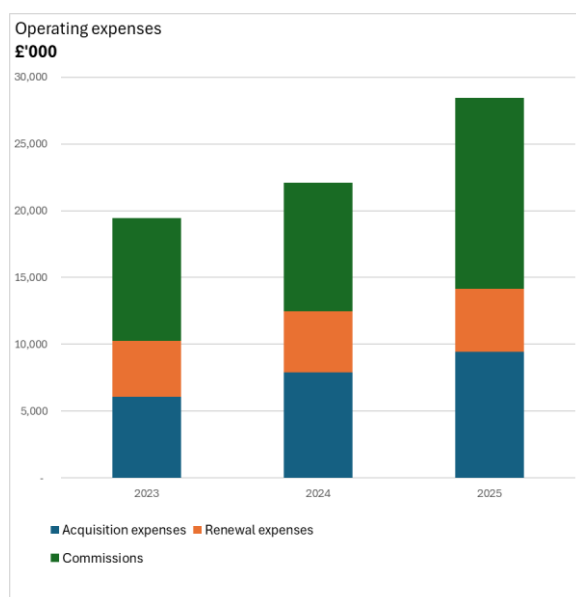
Our core purpose is to look after the protection and health needs of our members in their time of need.

The continued sustained growth in claims paid is a clear illustration of delivering this core purpose.

	£'000 2023	£'000 2024	£'000 2025
Assurance	5,512	5,628	5,940
Health insurance	9,805	10,105	9,254
Immediate needs annuities	5,847	8,955	14,924
Income protection	217	605	2,744
Other, mainly legacy	1,587	1,532	1,471
Total	22,968	26,825	34,333

The above presentation has been revised for consistency with how the business is managed and with the products shown in the APE section above. The main change is that the 'Immediate needs annuities' are now shown separately from other annuities, these other annuities (2023: £1,006k and 2024:£1,014k) are now included in 'Other, mainly legacy' along with the previously disclosed pension amounts. The totals claims and other items remained unchanged.

Operating Expenses



We continue to work hard to minimise the increase in the Society's core operating expenses seeking economies of scale where these can be realised.

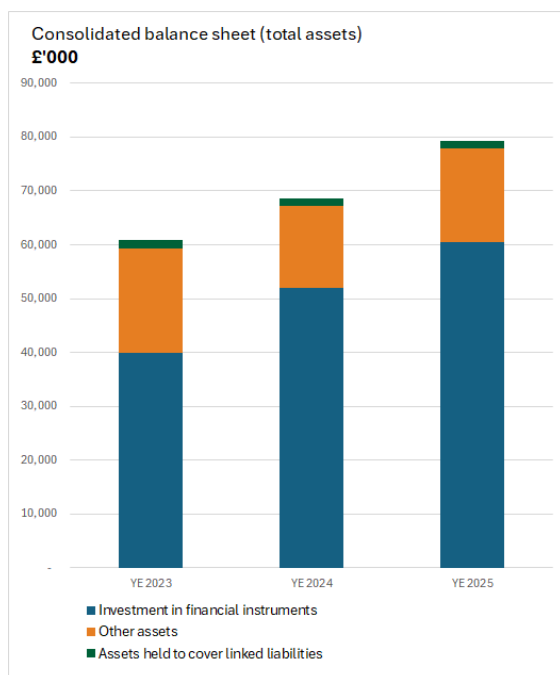
The acquisition expenses and commissions growth reflect the continued investment in new business development and acquisition capability.

	£'000 2023	£'000 2024	£'000 2025
Acquisition expenses	6,078	7,901	9,461
Renewal expenses	4,175	4,576	4,684
Commissions	9,216	9,624	14,286
Total	19,469	22,101	28,431

Strategic Report (continued)

Performance Review – KPIs and Highlights (continued)

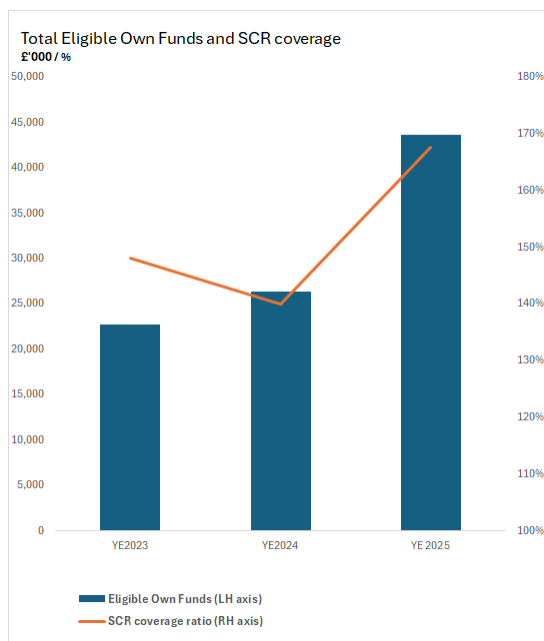
Consolidated Balance Sheet



The significant increase in Investments in financial instrument was mainly due to the issuance of the Tier 2 capital.

	£'000 YE 2023	£'000 YE 2024	£'000 YE 2025
Investment in financial instruments	39,949	52,006	60,563
Assets held to cover linked liabilities	1,563	1,379	1,355
Other assets	19,426	15,197	17,284
Total assets	60,938	68,582	79,202

Total Eligible Own Funds & SCR Coverage Ratio



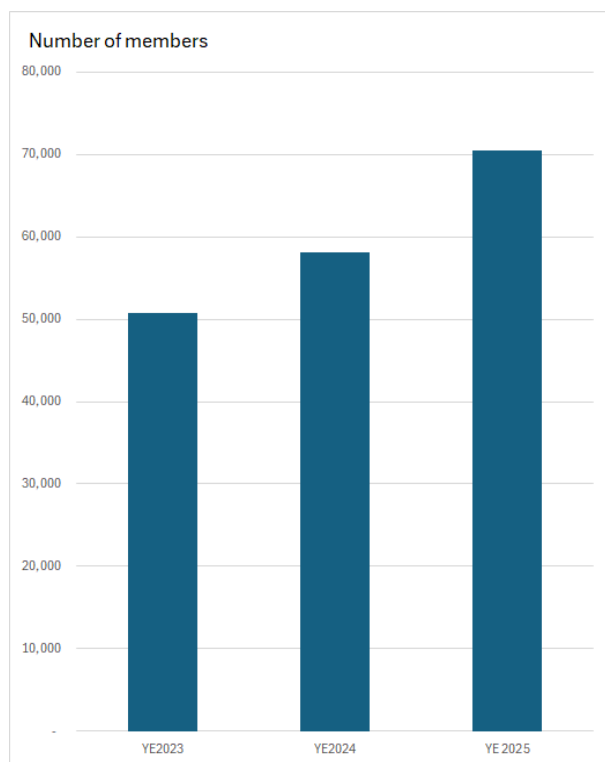
The significant increase in Eligible Own funds and SCR Coverage ratio was mainly due to the issuance of the Tier 2 capital. There were also a number of less significant factors which broadly offset each other.

	YE 2023 £'000	YE 2024 £'000	YE 2025 £'000
Eligible Own Funds (LH axis)	22,700	26,403	43,588
	%	%	%
SCR coverage ratio (RH axis)	148%	140%	168%

Strategic Report (continued)

Performance Review – KPIs and Highlights (continued)

Number of Members

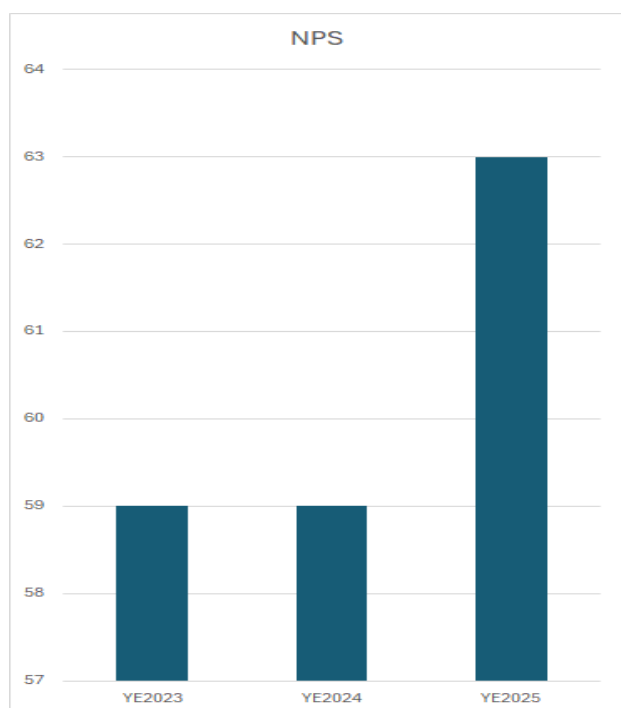


2025 saw further significant increase in the Society's core membership.

Further membership growth remains a strategic priority supporting continued investment in the Society's member service and product propositions.

	YE2023	YE2024	YE 2025
Number of members	50,722	58,062	70,516

Net Promoter Score



The Society measures and monitors the quality of the customer service which includes claims management using a Net Promoter scoring system.

The score has consistently met the excellent service threshold, and marginally increased in 2025.

Net Promoter Score	
Average	
Year	NPS
YE2023	59
YE2024	59
YE2025	63

Strategic Report (continued)

Viability Statement

Throughout 2025, the Society maintained capital reserves in excess of its SCR and MCR. The Tier 2 capital financing has further enhanced the Society's solvency position. The Society has ambitious growth in its plan, which continues to be based on broadening distribution and product reach into existing markets (and is therefore not directly affected by macroeconomic and political factors).

The Directors confirm that they have a reasonable expectation that the Society is well placed to manage its risks and will continue to meet its liabilities as they fall due. Financial projections for the next five years are incorporated into the Society's ORSA, and these confirm the Directors' expectation that the Society will continue in operation over this period with Own Funds and financial resilience progressively increasing over time. The Directors' assessment has been made with reference to the Society's current position and prospects, the Society's strategy, risk appetite, and principal risks and how these are managed, as detailed below.

The strategy and associated principal risks underpin the Society's approval of the scenario testing, which the Directors review at least annually and form an integral part of the ORSA process. The central projection, the Directors' best estimate of future experience, makes certain assumptions about the level of business, economic and demographic risks, insurance risks including morbidity, lapses and future expense assumptions. The Society makes extensive use of reinsurance to mitigate the new business strain arising from writing increasing levels of new business. The product pricing allows for the economic cost of such financing which is transitional whilst the in-force portfolio grows to a level where new business strain becomes self-funding.

The ORSA central projection is stress tested in downside scenarios including stresses for worsening economic and demographic conditions, lapses and expenses over and above the central assumptions. Under these stress tests, the projections demonstrate that the Society continues to meet all its liabilities as they fall due, executing pre-planned management actions where necessary to enable this. The Board recognises that such future assessments are subject to a level of uncertainty that increases with time and therefore, future outcomes cannot be guaranteed or predicted with absolute certainty.

Risk Management Report

Risk Management Framework

Risk management is a central part of the Society's business strategy. It is a continuous and developing process whereby the Society methodically identifies, assesses and responds to the risks attached to its activities with the goal of achieving sustained benefit within each activity and across the portfolio of activities, past, present and in particular, future.

The objective of risk management is to add maximum sustainable value to all the activities of the Society, understanding of the potential upside and downside of all those risk factors which can affect its overall objectives.

The Board approved risk strategy, appetite, culture, and risk management framework articulate the approach to managing current and emerging risks to our objectives.

In our day-to-day business activities, we are exposed to a variety of risks. Looking forward, these risks may be magnified or dampened by current and emerging external trends which may impact upon our profitability and viability. This includes the risk of failing to adapt our business model to take advantage of these trends. The table of principal risks and uncertainties in this section describes these risks, and trends, and how these are managed.

Risk Appetite

The Society faces a broad range of risks reflecting its responsibilities as a financial institution. These risks include those resulting from its responsibilities in the areas of capital management, and financial stability as well as its day-to-day operational activities.

The risks arising from the Society's responsibilities can be significant. These risks are managed through detailed processes that emphasise the importance of integrity, maintaining high quality staff, and regulatory accountability.

The business strategy has been converted into key strategic risk appetite measures. In order to establish parameters within which risk should be managed, the Society has developed statements of 'Risk Appetite' and 'Risk Tolerance' and associated measures / triggers for action.

Definitions

Risk Appetite	The level of risk that the Society is willing to take in pursuit of meeting its strategic objectives.
Risk Tolerance	The stated amount of risk the Society is willing or able to take in executing its strategy in the pursuit of its strategic objectives.

Executive management and the risk management function are responsible for managing and updating the risk appetite. The Board Risk & Compliance Committee reviews the risk appetite at least annually and a process has been documented for achieving this before it is submitted to the Board for approval confirming where the Society should take risks. The Board determines the risk appetite, taking into consideration recommendations from the Risk & Compliance Committee and senior management.

Risk Management Report (continued)

Risk Governance

While the Board retains overall responsibility for the risk management framework, it has delegated oversight to the Risk & Compliance Committee, with the Executive Risk Committee having oversight of operational matters.

National Friendly operates a three lines of defence model for risk management. The first line comprises management and colleagues in the business and shared functions who are responsible for identifying, managing and reporting risks in their areas.

The second line consist of the Risk and Compliance teams who advise, challenge, monitor and support the first line on dealing with their risk exposures. The second line produces independent reports on its opinions for the Board and Executive Committees which includes close challenge and oversight of business plans and strategic initiatives.

The third line is the Head of Internal Audit who provides reasonable assurance as to the effectiveness of control frameworks operated by both first and second lines of defence.

ORSA

The ORSA is an ongoing assessment of the risks to which National Friendly is exposed and an evaluation of the sufficiency of capital resources and risk mitigation strategies to support delivery of the business strategy over the plan horizon.

The ORSA assesses:

- The quantity and quality of the risks which we seek to assume or to which we are exposed,
- The level of capital required to support those risks, and
- The mitigation actions we will take to achieve and maintain the desired levels of risk, and also the actions required to ensure capital levels remain adequate.

The assessment considers both the current position and the positions that may arise during the planning period (typically the next five years) and beyond. It covers the whole of the business written, considering both the expected outcome as per the business plan and the result of applying a range of stress and scenario tests, which explore conditions where the plan assumptions may not materialise as expected.

The ORSA process supports the Board in considering the impact of business plans on its financial strength, and risk profile, over the medium term. The assessment of how much risk to accept and how much capital to hold are inextricably linked. In some situations, it may be desirable to increase the amount of risk taken or retained to make the most efficient use of capital available. In other situations, if the risks borne are not expected to generate sufficient return or could, in aggregate, give rise to a capital requirement greater than the capital available to support those risks, it may be necessary either to reduce the risk exposure or to take other capital management actions.

Key Business Risks

Long-term sustainability through capital management remains a priority for the Society and writing new contracts of insurance in sufficient volume is integral in achieving this.

The Board has identified key threats to business strategy and mitigation plans have been put in place to ensure that the Society can remain sustainable and continue to operate in the best interests of its members. These risks are summarised in the table below.

Risk Management Report (continued)

Risk	Impact	Mitigating Activities
Solvency Risk		
<p>Solvency Risk</p> <p>The Society is unable to meet its regulatory solvency capital requirements.</p>	<ul style="list-style-type: none"> • Regulatory intervention. • Run off or Transfer of engagements. 	<ul style="list-style-type: none"> • Close monitoring of capital management at Board level. Includes scenario analyses and key sensitives such as morbidity, lapse and expense assumptions. • Quarterly valuations to provide updated Solvency Coverage, allowing for updated market conditions and change in in-force book. • Constant review of expenses including organisation restructuring to ensure right cost base. • Management actions to reduce capital requirements including how assets are invested.
Strategic Risks		
<p>Strategy Risk</p> <p>The Society has a lack of product diversification by failing to have a suitable range of products and is too dependent on one product type.</p> <p>National Friendly's strategic aim is to ultimately have a balanced protection portfolio selling almost equal volumes of over 50s, income protection, medical insurance and annuities.</p>	<ul style="list-style-type: none"> • Financial Loss. • Reduced Solvency coverage. • Reputational damage. 	<ul style="list-style-type: none"> • The Society will have a sustainable business model moving forwards to ensure we are not too dependent on one type of product. • The Society to monitor business volumes of each product type. • Significant marketing resources deployed to promote the Society's non-Guaranteed Life Assurance Plan products, beginning with accident only and full income protection, progressing in turn to medical insurance. • Conducting consumer and member research to ensure that the Society's products meet fundamental needs.
<p>Mass Lapse Reinsurance</p> <p>Risk that our Mass Lapse Insurance will not renew which would trigger an immediate and significant reduction in solvency ratio coverage.</p>	<p>Financial Loss</p>	<ul style="list-style-type: none"> • Building good relationships with existing reinsurers. • Monitor market for maturity and other options. • Secure longer-term reinsurance as opposed to 1-year terms.

Risk Management Report (continued)

Risk	Impact	Mitigating Activities
Strategic Risks (continued)		
<p>Distribution Risk There is a risk that the Society fails to distribute its products and services in line with its targets.</p>	<ul style="list-style-type: none"> • Failure to deliver the distribution strategy. • Products do not meet member demand (even if they fulfil a member need). • Poor sales processes and/or service will result in member's cancelling their policies and challenge from the regulators (FCA) in terms of meeting core Consumer Duty obligations. • Reduced volumes. 	<ul style="list-style-type: none"> • Detailed distribution strategy development. • Business growth through tied agreements, consistent with the Business Plan. • Secure new strategic partnerships with brokers and Networks. • Review / renegotiate commission terms. • Close monitoring of early termination rates by specific advisers and the reasons for subsequent termination by members. • Deploying across the portfolio best practice solutions to encourage member retention. • From a potential commission clawback liability perspective strategically promoting non-indemnity commission payment terms or a hybrid of the two. • Enhanced monitoring capabilities in place for new and existing intermediaries via Reg Tech.
<p>Sales & Marketing Risk The Society fails to achieve critical mass by failing to meet sales targets and achieving an adequate product mix.</p>	<ul style="list-style-type: none"> • The expense overrun not being extinguished. • Fail to achieve mix of sales. 	<ul style="list-style-type: none"> • Constant sales monitoring by product is in place and regular feedback from intermediaries is reviewed. • Profitability modelling conducted. • Explore alternative products.
<p>Climate Change Risk The Society fails to analyse the impact it has on climate change, or that climate change has on the Society and fails to make the relevant disclosures.</p>	<ul style="list-style-type: none"> • Higher claims as a result of climate change. • Negative impact on the environment if risks are not identified and managed. 	<ul style="list-style-type: none"> • The Society assesses the risks and opportunities from climate change on an ongoing basis and will have individual mitigations for each risk identified. • Continuous monitoring and review of claims to identify any trends. • Plan has been put together to manage our impact and monitor progress.

Risk Management Report (continued)

Risk	Impact	Mitigating Activities
Strategic Risks (continued)		
<p>Subsidiary Risk</p> <p>The Society's subsidiary, National Friendly Financial Solutions, does not generate a profit.</p>	<ul style="list-style-type: none"> • The subsidiary does not provide a positive financial contribution to the Society, resulting in an increase in expense reserves resulting from lower recharges. 	<ul style="list-style-type: none"> • NFFS has its own business plan in place and performance is closely monitored. • The profit or loss of the subsidiary is reviewed on a regular basis.
<p>Operational Resilience</p> <p>The Society fails to comply with operational resilience requirements by being unable to deliver important business services within impact tolerances.</p>	<ul style="list-style-type: none"> • Potential poor outcomes for members. • Financial Loss. • Regulatory action. 	<ul style="list-style-type: none"> • Regular testing will be conducted to ensure the Society can operate within impact tolerance of important business services. • Ensuring agreed actions are followed up on to improve resilience and stay within impact tolerances.
<p>Transformation Risk</p> <p>The Society fails to adapt its strategy, structure, processes, products or technologies.</p>	<ul style="list-style-type: none"> • Reduced sales volumes. • Irrelevance in the marketplace. 	<ul style="list-style-type: none"> • A business plan is in place and is shared with colleagues. • Work with front end sales team and members to understand market need.

Risk Management Report (continued)

Risk	Impact	Mitigating Activities
Operational Risks		
<p>Outsourcing & Third-Party Risk</p> <p>Failure of third parties to perform the service required by the Society, and not able to keep pace with its growth / change programmes.</p>	<ul style="list-style-type: none"> • Failure to deliver service of a high level. • Reputational damage. 	<ul style="list-style-type: none"> • Undertake formal reviews of services to assess the ability to bring in house. • Continuous review of service level agreements with each third party.
<p>IT and Cyber Risks</p> <p>Unplanned and negative outcomes involving the critical failure or misuse of IT systems or arising from a cyber-attack.</p>	<ul style="list-style-type: none"> • The Society suffers a malicious cyber incident. • Financial loss. • Reputational damage. 	<ul style="list-style-type: none"> • Agreements with third parties in place to assist with IT and Cyber development. • Email filtering in place to protect staff. • Backup Strategy in place in the event of a loss of data. • Continuous cycle of improvement for IT technology solutions.
<p>Compliance Risk</p> <p>The Society faces regulatory actions due to a breach of regulation, or is unable to react to regulatory change.</p>	<ul style="list-style-type: none"> • Financial loss. • Reputational damage. 	<ul style="list-style-type: none"> • Ongoing monitoring of regulations and the Society's conduct. • Challenge from the Board. • Horizon scanning in place to monitor planned reviews and changes which feeds into the project plans).
<p>System Risk</p> <p>The Society does not keep pace with its growth and development plans, and does not have the adequate skill sets to manage system changes.</p>	<ul style="list-style-type: none"> • Failure to deliver service of a high level. • Reputational damage. • Financial loss. 	<ul style="list-style-type: none"> • Project plans align with the annual business plan.
<p>Key Person Dependency</p> <p>A risk that reliance on key people throughout the business leads to staff burnout, fatigue, and inadequate upskilling.</p>	<ul style="list-style-type: none"> • Insufficient resource. • Reduced productivity. • Financial loss. 	<ul style="list-style-type: none"> • Upskilling in place across the Society to ensure gaps in knowledge are filled. • Succession planning undertaken for key roles to ensure continuity.

Risk Management Report (continued)

Risk	Impact	Mitigating Activities
Market Risks		
<p>Interest Rate Risk</p> <p>An increase or decrease in interest rates adversely affecting the Society's SCR coverage.</p>	<ul style="list-style-type: none"> Increased value of long term liabilities reduces SCR coverage. 	<ul style="list-style-type: none"> Daily monitoring of interest rates is in place, in addition to quarterly valuations being undertaken. Regular asset-liability matching exercises are undertaken. Use of derivatives to reduce interest rate risk.
<p>Gilt Spread</p> <p>Increase or decrease in the spread between the gilt yield and the PRA risk free yield cause fluctuations in the capital value of the gilt portfolio, not matched by changes in liabilities.</p>	<ul style="list-style-type: none"> Financial loss. 	<ul style="list-style-type: none"> The Society has investment managers to provide advice. An investment policy is in place to set out the limits for bond holdings.
<p>Foreign Exchange Risk</p> <p>This risk can lead to unpredictable profits or losses, as we hold assets (Tier 2 capital) denominated in euros.</p>	<ul style="list-style-type: none"> Financial loss. 	<ul style="list-style-type: none"> The Society has investment managers to provide advice. The Society has invested the proceeds of its Tier 2 capital financing in Euro denominated funds, which are designed to offset any foreign exchange risk.
Insurance Risks		
<p>Adverse Morbidity Risk</p> <p>Risk that claims costs for medical or health benefits are higher than expected due to a higher incidence of claims and/or larger claim amounts.</p>	<ul style="list-style-type: none"> Financial Loss. 	<ul style="list-style-type: none"> Close monitoring claim payments of each product type. Reinsurance is obtained for certain products to lessen the risk to the Society. Regular reviews of the underwriting and claims philosophies are undertaken.
<p>Adverse Mortality Risk</p> <p>Members dying, on average, sooner than expected resulting in the Society paying out benefits on death earlier than anticipated.</p>	<ul style="list-style-type: none"> Financial Loss. 	<ul style="list-style-type: none"> Close monitoring of claims. Quarterly valuations and experience analysis is carried out to monitor the risks we are exposed to and review against actual experience.

Risk Management Report (continued)

Risk	Impact	Mitigating Activities
<i>Insurance Risks (continued)</i>		
<p>Longevity Risk</p> <p>Where insurance contracts pay out benefits that are dependent on survival or which lead to higher claims costs with increased longevity, the Society is exposed to the risk that members die, on average, later than expected.</p>	<ul style="list-style-type: none"> • Financial Loss. 	<ul style="list-style-type: none"> • Reinsurance is obtained for certain products to lessen the risk to the Society.
<p>Lapse Risk</p> <p>There is a risk that a policyholder or cohort of policyholders lapse or surrender their policies suddenly or unexpectedly.</p>	<ul style="list-style-type: none"> • Financial Loss. 	<ul style="list-style-type: none"> • Mass lapse reinsurance is in place on the Guaranteed Life Assurance Plan portfolio to protect against a mass lapse event.
<i>Liquidity Risk</i>		
<p>Short Term Liquidity</p> <p>The risk of the Society being unable to meet its short-term financial commitments due to insufficient liquid assets, or being unable to finance commission payments.</p>	<ul style="list-style-type: none"> • Financial loss. 	<ul style="list-style-type: none"> • Cashflow is monitored on a weekly basis. • Focus on annuity business to increase cashflow to pay commission. • Negotiating the lowest commission feasible to secure access to the new business source and/or all or some of the commission payable on a non-indemnity basis. • Securing additional liquidity financing through a traditional financial reinsurance treaty. • The Society secured €15 million in Tier 2 capital financing from European Financial Institutions, which provides a source of liquidity, in extremis. • The Society also refined its investment strategy to more closely align the duration of its investment portfolio with the duration of its liabilities. This approach enhances the Society's asset–liability management and supports a more stable liquidity profile.

Risk Management Report (continued)

Risk	Impact	Mitigating Activities
Credit Risk		
<p>Broker Commission Risk</p> <p>Financial loss due to over-gearing or non-repayments of commission clawbacks.</p>	<ul style="list-style-type: none"> • Financial loss. 	<ul style="list-style-type: none"> • Initial and ongoing due diligence is carried out on brokers to reduce the risk of working with brokers who may cause detriment, where concerns are identified, additional monitoring will be carried out. • Repayment plans are agreed with the broker to increase the likelihood of debt being repaid. • Non-indemnity commission is offered as an alternative to intermediaries. • Enhanced oversight to monitor broker credit risk.
<p>Corporate Bond Risk</p> <p>Spread risk arises on corporate bond assets and represents the reduction in market value of a bond asset due to the widening of credit spreads following a downgraded assessment of asset quality.</p>	<ul style="list-style-type: none"> • Financial loss / impact on SCR coverage. 	<ul style="list-style-type: none"> • Asset manager monitoring and choosing which bonds to invest in. • Quarterly valuations are conducted. • Regular review of investment policy, particularly investments in higher ratings only.
Conduct Risk		
<p>Conduct Risk</p> <p>The Society taking an action which results in member detriment and leading to poor outcomes for the member.</p>	<ul style="list-style-type: none"> • Financial Loss. • Reputational Damage. • Regulatory Action. 	<ul style="list-style-type: none"> • We have a product governance framework in place to ensure products we bring to market are appropriate to member's demand and needs. • Staff are continuously developed and cross trained to understand the impact of any keying errors on both the member and the business.

The Society is committed to meeting its obligations through the integrated management of all aspects of governance and risk.

Risk Management Report (continued)

Environment and Climate Change

The Society recognises that, like any organisation, the activities it undertakes will have an impact on the environment around us. Its strategy is therefore to ensure a safe, clean healthy and sustainable working environment for our colleagues as standard. But will also aim to:

- Reduce energy consumption by 5% over 3 years from 2024 to 2026 through energy efficient practices. In 2024 we had a new air source heat pump installed into our head office to replace our inefficient gas boiler, and saw the benefit of this throughout 2025.
- Reduce and eliminate waste where practicable and use safe, professional, and ethical disposal methods.
- Make use of recycled, recyclable or low carbon materials.
- Work with suppliers who adopt sustainable procurement options and certification of Fairtrade labelled products.
- Allow hybrid working and encourage low emission methods of commuting to work for staff. We also conducted a travel to work survey to gain a better understanding of how our colleagues commute to the office, and to ascertain any barriers they may face to utilising more sustainable methods of travel. This will allow us to consider how these might be reduced in future years.
- Aim to be a NetZero Society by 2050. Previously a more accelerated Net Zero target was set, however following a feasibility review undertaken during the year, the target was changed. The revised timeline aligns with the UK Government's Net Zero 2050 commitment and broader industry practice.
- Refurbish our IT equipment and donate the old equipment to local charities when it is no longer needed.
- Investigate and implement online resources for our members, decreasing paper usage by avoiding printed documents and forms.

For Scope 1 emissions there has been a total elimination of gas emissions, owed to the installation of a heat pump at the end of 2024. Scope 2 in 2025 is comprised solely of our electricity use which was 112,396.5 kWh and equates to 21.97 tonnes of CO₂. This is as a result of lower electricity usage as from September 2024 following the installation of the new heat pump.

For Scope 3 the emissions without investments have seen an overall increase which is as a result of increased staff business travel by car, and increased staff commuting emissions, which are a result of improved data collection and emissions measurement techniques. Emissions arising from printing have decreased, following the installation of new, more efficient printers in the office, and the implementation of an online nomination form for certain policyholders, eliminating the need for physical forms.

	Emissions in tonnes of CO ₂		
	2024	2025	Difference
Scope 1	18.78	11.00	-7.78
Scope 2	31.22	21.97	-9.25
Scope 3	21.72 without investments 10,383.32 with investments	76.29 without investments 32,832.49 with investments	+ 54.57 (without investments) + 22,449.17 (with investments)

The Society recognises its responsibility to consider the implications of climate change upon our members and community by reducing the usage of paper. One specific initiative is to increasingly make use of electronic communications wherever possible – from initial issuance of policy literature to routine administration tasks such as communication of renewal premiums or bonus notices. As well as being more environmentally friendly, there is also the additional advantage of much improved speed and reliability in communications.

Overarching responsibility for the oversight of the impact of climate change upon the Society is held by the Board. This has been delegated to the Head of Risk and Strategic Projects as the senior manager responsible. The Society's physical and transitional risks have been identified and in 2024 we began to implement the Society's climate plan by embedding our scope 1 and 2 emissions reporting. In 2026, the Society will continue to develop and embed its climate risk management process, target setting, and measurement.

Corporate Social Responsibility (“CSR”) Report

Working with the local community is how the Society started and grew its name and reputation over 150 years ago. Its approach to CSR is a practical one; we look at ways in which we can make a fundamental difference to our people, the community and environment. We continue to educate the importance of health and protection to our members, brokers, and the public to improve the health, safety, and well-being of those within our community.

The CSR Committee meets regularly to discuss new initiatives and drive the strategic vision, which is to:

- Develop two-way community involvement with the business
- Improve the health, safety, and wellbeing of our people
- Operate ethical employment practices
- Achieve high standards in the environmental management of the business

The Society can point proudly to a track record of supporting Bristol charities large and small. Past initiatives have included: donating refurbished laptops to local organisations, projects to support young people at risk of homelessness, funding of Long Covid and other medical research, and the sponsorship of The Bristol Hippodrome's Creative Learning Programme and Matinee Mingle.

In 2025, we held a Charity Walk around Bristol's historic Queen's Square, aiming to walk 157 laps (the number of years National Friendly has been in business) and accomplished over 200 laps, raising £1,005 for Prostate Cancer UK. In addition, staff supported the Samaritan's Christmas Shoebox appeal which ensures children around the world receive a Christmas gift.

Charity of the Year

Our colleagues nominate and choose our charity of the year annually, and in 2025 Prostate Cancer UK was selected. This charity means a lot to some of our staff personally, because of individual experiences and relatives suffering from this type of cancer.

Prostate Cancer UK provides support to individuals and their families who have received a diagnosis, supports scientific research into prevention and cure, and raises awareness of genetic risk and the importance of checks. Throughout 2025 we have put on events to raise money including bake sales, fun days, sweepstakes, a staff fundraising walk, and a quiz. In total, we have raised over £1,900 to date.

Awards

National Friendly won 5 awards in 2025.

Two awards came from Cover Excellence – Outstanding Individual Income Protection for our protection product suite and Outstanding Protection Product Innovation for Friendly Shield standing out as a truly fresh and flexible approach to income protection.

Innovation of the Year for the continued commitment to innovation with the Friendly Shield product from Smart Money People Insurance Choice Awards.

Sally Waterfield, Chief Marketing Officer was awarded the Woman of the Year in Marketing, and Gemma Price, Claims Manager won Woman of the Year in Claims at the Cover Women in Protection and Health Awards.

We were awarded highly commended for a second year running in the Best New Enhancement category at the 2025 Protection Review Awards. This award was in recognition of Friendly Shield's sickness cover addition.

These awards highlight our commitment to offering high-quality, forward-thinking protection products that genuinely support our members.

Corporate Social Responsibility (“CSR”) Report (continued)

Our Colleagues

Our colleagues continue to be the life blood of the Society's ongoing success, and over the course of 2025 we have continued to focus on mental health and wellbeing.

Investment in Colleagues

We hold two in person staff meetings twice a year. At the beginning of the year to advise of the Business Plan for the year and in the Autumn to update on where the Society is against the plan. Staff have the opportunity of asking questions at these meetings. The Management team also hold monthly Teams update meetings with all staff being invited.

All colleagues are encouraged to undertake training and development. A review of all member facing services was undertaken and Customer Service and Claims have been brought together under the leadership of Duncan Reeves who joins the Executive Committee as of 1 January 2026 as Chief Operating Officer. Enhancements have been made for member engagement on both telephone and website and work continues to enhance the services we can offer.

We continue to work on our values with and have rolled out the Insights Discovery Profile to all staff with Team Development workshops held in November 2025 for all staff.

A Team Collaboration and Effectiveness Workshop for the leadership team was held in June building on the management training and a further work on this will continue in 2026.

New managers will be enrolled on our tailored management training course and follow up sessions in 2026. All new staff will also have the Insights Discovery Profile set up for them.

Socially

Our Social Club put on several events throughout 2025.

The Society held a Summer party at the Harbourside in Bristol on a glorious summer evening with our Winter Party being held in January 2026.

Corporate Governance Report

Corporate Governance Review

The Board is of the view that good corporate governance is fundamental to the Society's operations. To comply with best practice in corporate governance it aims to adhere to the principles of the Association of Financial Mutuals Corporate Governance Code ("AFM Code"). The AFM Code provides a high-level approach to corporate governance, based on six key principles, whilst providing flexibility for the Society to explain the application and relevance of its corporate governance arrangements.

The Society has applied the AFM Code and provided statements to explain how it has followed each key principle in the way that is most appropriate to its business model and objectives.

The AFM Corporate Governance Code

Principle	Applied	How the principle has been applied
<p>Purpose and Leadership</p> <p>An effective board promotes the purpose of an organisation and ensures its values, strategy and culture align with that purpose.</p>	✓	<p>The Board formally reviews the Society's purpose and goals, at least annually, against the latest circumstances and market factors in order to guide the ongoing strategy, decisions and culture.</p> <p>The Board sets key targets and objectives, which it monitors on a regular basis throughout the year. These targets change in line with the Society's objectives and priorities. For 2025, the Board maintained its focus on developing and launching products in line with the Society's strategy whilst managing capital to achieve long-term sustainability.</p>
<p>Board Composition</p> <p>Effective board composition requires an effective chair and a balance of skills, backgrounds, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of a board should be guided by the scale and complexity of the organisation.</p>	✓	<p>The Society's Board composition is on pages 25 to 27.</p> <p>The appointment and re-election of Directors is considered by the Nominations Committee which makes recommendations to the Board.</p> <p>The Society seeks to have broad experience and diversity on the Board.</p> <p>All Directors are subject to election by members at the AGM following their appointment and re-election at least every three years. Any Non-Executive Director who has served the Society for longer than nine years or has attained age 70 are subject to annual re-election. All Executives and Non-Executives who hold a Senior Management function are subject to approval from the Prudential Regulation Authority ("PRA") and/or the Financial Conduct Authority ("FCA") under the Senior Managers & Certification Regime ("SM&CR").</p> <p>The composition of the Board was reviewed in 2025 to ensure the right balance of technical skills and diversity and fed directly into the recruitment criteria for one new independent non-executive director in preparation for Geoff Brown's retirement in September 2025.</p>

Corporate Governance Report (continued)

Principle	Applied	How the principle has been applied
<p>Directors Responsibilities</p> <p>The board and individual directors should have a clear understanding of their accountability and responsibilities. The Board's policies and procedures should support effective decision making and independent challenge.</p>	✓	<p>Board members have a clear understanding of their accountability and responsibilities.</p> <p>The SM&CR provides a regulatory framework for the standards of fitness and propriety, conduct and accountability to be applied to individuals in positions of responsibility at insurers. All Directors, including Non-Executive Directors not formally approved by the regulator are subject to the regulators' Conduct Rules.</p> <p>The Directors, Committee members and the wider management team complete annual declarations on Code of Ethics and Conduct, confirming that they have behaved in accordance with the Society's expected behaviours and values. In addition, each director declares any potential conflicts of interests. Appropriate safeguards are implemented where there could be any potential conflicts. These are collated by Head of Legal Compliance and reported to the Board as appropriate.</p> <p>The Board Committees' delegated authorities are defined in documented Terms of Reference and are accessible via the Society's website.</p> <p>The Board undertook an external independent Board review in December 2025.</p>
<p>Opportunity & Risk</p> <p>A board should promote the long-term sustainable success of the organisation by identifying opportunities to create and preserve value and establishing oversight for the identification and mitigation of risks.</p>	✓	<p>The Board considers long-term strategy and opportunities each year as part of the annual planning process. Informed decisions on the future strategy and opportunities are based on financial projections for the next three years that make certain assumptions about the level of new business, economic and demographic risks, insurance risks including morbidity, lapses and future expense assumptions. The overall objective remains to achieve a sustainable and growing business in order to enhance member value through improved levels of Own Funds and excess assets.</p> <p>The Board Risk & Compliance Committee ensures the establishment, development and maintenance of an effective and well-integrated risk management process. The effectiveness of the process is monitored by the Risk Team, the independent Head of Internal Audit and the Risk & Compliance Committee.</p>
<p>Remuneration</p> <p>A board should promote executive remuneration structures aligned to the long-term sustainable success of an organisation, taking into account pay and conditions elsewhere in the organisation.</p>	✓	<p>The Remuneration Committee has clear terms of reference and is responsible for making recommendations to the Board concerning the remuneration strategy, framework and benefits for Executive Directors and key function holders. In doing so, the Committee can take advice from external consultants on best market practices and remuneration benchmarking.</p> <p>The Board has established a clear remuneration policy that outlines the key remuneration principles and framework for the Society. The Society's approach to remuneration is an integral part of the Business strategy and the policy is designed to attract, retain and motivate competent, experienced and skilled staff. This policy covers all Directors and employees of the Society.</p>

Corporate Governance Report (continued)

Principle	Applied	How the principle has been applied
<p>Stakeholders</p> <p>Directors should foster effective stakeholder relationships aligned to the organisation's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.</p>	✓	<p>The Board is committed to maintaining good communications with members. In order to fulfil this commitment, the Society continued its email feedback for members who contact our Customer Service and Claims departments. The Board continues to embrace in the Society's day to day operations the principles of Consumer Duty.</p> <p>The Society holds an Annual General Meeting for members to vote for or against the Annual Report and Financial Statements and other issues. As online attendance has been limited, the Board have agreed from 2026 onwards, the meeting will be held in person.</p> <p>Communication with staff is undertaken through regular dialogue, monthly meetings via teams and twice a year off site with all staff in attendance to provide business updates from various departments. An annual employee engagement survey is carried out. The Society continues to work with all staff on the Society's values and associated behaviours.</p> <p>A Whistleblowing Policy is in place, which sets out the way in which individuals may raise concerns.</p>

The Board

Mark Searles (Chair)

Mark has held senior executive and Board positions within the Financial Services and Technology sectors in the UK, Europe and Australasia. He most recently spent 9 years in Australia, as Group CEO & Managing Director of AUB Group Ltd, Australasia's largest, listed, equity-based Risk Management group. Prior to moving to Australia, Mark held senior management positions with Zurich; LloydsTSB; HSBC; Sage and American Express. Having decided to retire from his executive career and return to the UK, Mark was appointed a Non-Executive Director of NDFS in June 2020 and also a Director of a Haberdashers Education Academy Trust (Chairing the Audit & Risk Committee) in addition to holding various advisory roles. From May 2021 to November 2024 he held the position of Senior Independent Director and was appointed Board Chair in November 2024 as well as Chair of National Friendly Financial Solutions Limited.

Graham Singleton (Chief Executive Officer)

Graham is a qualified Actuary with over 35 years of experience in the financial services industry. He spent most of his career in Life and Pensions. He held Chief Actuary and Chief Financial Officer roles in various companies before latterly becoming CEO of the Phoenix Resolution Life Companies and Swiss Re's UK insurer Reassure Limited, and its Life and Pensions Outsourcing business Admin Re Limited. He has performed non-executive and consulting work covering a variety of financial services disciplines and is currently a non-executive director of a specialist life company called AULA.

Graham was appointed CEO in February 2021.

Julian Ellacott (Chief Actuary)

Julian joined the Society in July 2020 to lead the internal Actuarial Function. He qualified as a Fellow of the Institute of Actuaries in 2003 and has over 20 years' experience working in the life insurance sector. He spent nearly 10 years working for the international consultancy Watson Wyatt (now part of Willis Towers Watson), advising all types of insurers, from friendly societies to multinationals. For the 11 years immediately prior to joining to the Society he worked for Just Retirement (now Just Group), in a variety of actuarial roles spanning risk and capital management, pricing and corporate development. Julian was appointed to the Board as an Executive Director in May 2021 and also asked to act as Chief Actuary for the Society. Julian took the role of Chief Finance Officer in July 2024. He also leads the Society's Diversity & Inclusion Strategy on behalf of the Board.

Corporate Governance Report (continued)

Oliver Jones (Commercial Director)

Oliver joined the Society in August 2017 as Commercial Development Manager to develop and increase the Sales, Marketing and Distribution function, he was later appointed as Sales & Distribution Director in May 2022. He has spent the past 20 years in the health and protection industry working closely with clients and intermediaries. Previously to joining National Friendly he was Head of Intermediaries overseeing the distribution of Private Healthcare and Short Term Income Protection through a network of specialist brokers. Oliver continues to implement the Society's long-term strategy of growing a sustainable business model and in recognition of his work, he was appointed to the Board in January 2024.

Simon Thomas (Senior Independent Director)

Simon is a Member of the Institute of Chartered Accountants in England & Wales having trained with Price Waterhouse. He has over 30 years' experience in Financial Services, with most of his career in Life & Pensions. He retired from his most recent Executive role as Group Chief Financial Officer of Provident Financial Group PLC in March 2020. Prior to that, he was the Group Chief Financial Officer of Just Group PLC, a FTSE 250 Financial Services Company, for approximately 12 years. He was also the Finance & Customer Services Director at Canada Life (UK) and spent 10 years at Nationwide Building Society, where he started work in the Financial Systems area and ultimately became their Group Financial Controller. Simon is currently a Non-Executive Director of the Melton Building Society and joined the National Friendly Board as a Non-Executive Director in October 2023 and acts as Chair of the Investment and Audit Committee and was appointed Senior Independent Director in November 2024.

Geoff Brown (Non-Executive Director) – Retired September 2025

Geoff is a qualified Actuary who has held a variety of director and senior management roles in the Life and General insurance industry.

He spent most of his career in the health and care sector including 20 years with international healthcare company, Bupa, where he had a number of executive roles and responsibilities.

He was Chief Risk Officer of the Bupa Group but prior to this he was Director of Compliance and Chief Actuary of the UK division. He served as Director of Bupa Health Assurance Limited, Bupa Insurance Limited, Bupa Insurance Services Limited and The Coventry & Warwickshire Hospital Saturday Fund.

Geoff is also currently a Non-Executive Director of Medicover Forsakrings AB (publ.) and Chair of its Compliance and Risk Committee. Medicover is a Swedish insurer that provides healthcare insurance propositions for individuals and companies in Poland, Romania and Hungary.

Geoff joined the National Friendly Board as a Non-Executive Director in June 2014; he was appointed Chair in May 2021. He has made the decision to leave National Friendly at the 2025 AGM, and the Board of Directors would like to take this opportunity of thanking him for all his dedication to the Society over the past 11 years.

Rebecca Hall (Non-Executive Director)

Rebecca has been an actuarial consultant for much of her career, initially with Deloitte and more recently working independently through her own company. Rebecca has specialised in supporting companies going through strategic change and has worked with many other mutual firms, both as a consultant and as Capital and Actuarial Officer at Marine and General Mutual. Her first non-executive director role was for Hodge Life which she supported through the sale to RGA and transfer of business to Omnilife, she was chair of risk and audit committee while it was part of Omnilife. She is currently a non-executive director and the with-profits advisory arrangement for Metfriendly, where she previously chaired the risk committee. She is also an independent member of Royal London With-Profits committee. Rebecca joined the National Friendly Board as a Non-Executive Director on 1 December 2024.

Corporate Governance Report (continued)

Mike Joyce (Non-Executive Director) – Joined 1 May 2025

Mike has extensive experience of managing retail financial services businesses, having worked in retail banking for over 30 years, previously as Commercial Director of the Bank of Ireland and CEO of Turkish Bank. He was appointed Chair of the Vernon Building Society in January 2023. He is a Chartered Certified Accountant and Associate Member of the Association of Corporate Treasurers.

The Executive Committee

The Society also has an executive management committee, the Executive Committee. The Committee was established to support the Chief Executive Officer, to consider various matters for recommendation to the Board and to deal with any day-to-day matters within the authority granted by the Board. There is a clear division of responsibilities between the Board Chair, as leader of the Board, the independent Non-Executive Directors who bring independence and oversight, the Chief Executive Officer and Executive Directors who are responsible for the day-to-day management of the business. The Executive Committee assists the Chief Executive Officer in the performance of their duties. Its Terms of Reference are approved by the Board and include:

- The development and implementation of strategy, operational plans, policies, procedures and business plans
- The monitoring of operational and financial performance
- The identification, assessment and control of risk
- Monitoring compliance with legal and regulatory obligations
- The priority and allocation of resources
- Monitoring and reacting appropriately to complete forces in each area of operation.

The Committee meets weekly with formal Governance meetings taking place monthly and at other times as business circumstances may dictate. Its work is supported by sub-committees which focus their attention on key issues such as operational improvement and development, consumer duty, information security and counter-fraud measures.

The Executive Committee members are:

Graham Singleton	Chief Executive Officer
Julian Ellacott	Chief Actuary & Chief Financial Officer
Oliver Jones	Commercial Director
Martyn Love	Head of Risk & Strategic Projects
Andy Jeffree	Head of Internal Audit
Sally Waterfield	Chief Marketing Officer
Duncan Reeves	Chief Operating Officer – from 1 January 2026

The Executive Committee attend the Board and Sub-Committee meetings when required.

The Board met 10 times during 2025. To ensure the effective governance of the Society, the Board delegates oversight of various matters to a number of sub-committees which are each chaired by a non-executive director as noted below and in all instances a majority of independent directors being required to ensure that a meeting is quorate.

Corporate Governance Report (continued)

Committee	Chair
Audit Committee	Simon Thomas
Risk & Compliance Committee	Geoff Brown (to September 2025) Rebecca Hall (from September 2025)
Investment Committee	Simon Thomas
Nominations Committee	Mark Searles
Remuneration Committee	Mark Searles (to September 2025) ¹ Mike Joyce (from September 2025)
With Profit Advisory Arrangement	Geoff Brown (to September 2025) Rebecca Hall (from September 2025)

¹ Mark Searles retained the chair until recruitment had been completed

There is a formal calendar of events agreed at least annually to ensure that the Board and its sub-committees consider all relevant matters during the annual Board and Committee Cycle. Formal reports are provided to the Board and Committees in advance of the meetings and the Director's attendance at Board and Committee meetings is as noted in the table below.

	Board		Investment Committee		Risk & Compliance Committee	
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
Non-Executive						
Geoff Brown – Retired 12 September 2025	6	6	2	2	2	2
Mark Searles	10	10	4	4	4	4
Simon Thomas	10	10	4	4	4	4
Rebecca Hall	10	10	4	4	4	4
Mike Joyce – joined 1 May 2025	7	7	2	3	3	3
Executive						
Graham Singleton	10	10	4	4	4	4
Julian Ellacott	10	10	4	4	4	4
Oliver Jones	10	10	4	4	4	4

Corporate Governance Report (continued)

	Audit Committee		With Profit Advisory Arrangement		Nominations Committee		Remuneration Committee	
	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held
Non-Executive								
Geoff Brown – Retired 12 September 2025	3	3	2	3	2	2	3	3
Mark Searles	5	5	4	4	3	3	3	3
Simon Thomas	5	5	4	4	3	3	3	3
Rebecca Hall	4	5	4	4	3	3	3	3
Mike Joyce – joined 1 May 2025	3	4	3	3	2	2	2	3
Executive								
Graham Singleton	5	5	4	4	3	3	3	3
Julian Ellacott	5	5	4	4	3	3	-	-
Oliver Jones	4	5	4	4	3	3	-	-

The current Terms of Reference for the Board and Board Committees can be found on the Society's website.

The Board reviewed the committee attendance requirements and non-executive directors are not required to attend committee meetings where they are not a member from September 2025. The work carried out by the Audit, Risk & Compliance, Investment, Nominations and With Profit Advisory Arrangement in discharging their responsibilities is summarised below. The work carried out by the Remuneration Committee is described within the Remuneration Committee Report on pages 36 to 38.

The individual Committee reports follow:

Audit Committee Report

Key Responsibilities

The primary responsibilities of the Audit Committee are the following:

1. Review the annual financial statements and regulatory returns including the Solvency and Financial Condition Report, focusing particularly on major areas of judgement, and compliance with the relevant accounting standards and legal requirements, including the PRA Rulebook.
2. Independently evaluate assurance from management, internal audit and external audit regarding the financial statements, governance and systems of internal control.
3. Assess the effectiveness of internal audit and the external auditors and manage the process for any internal or external audit tenders.
4. Oversee compliance with the Friendly Societies Act, the Financial Services and Markets Act 2000, the Financial Services Act 2012 and other relevant legislation.

Committee Membership and Attendance

The Committee comprises three Non-Executive Directors. The qualifications of each member of the committee are as detailed in their biographies on pages 25 to 27 and at least one member has recent and relevant financial experience.

Until September 2025 the Chair of the Board was also a member of the Audit Committee, which although not in compliance with the AFM Code, the Board decided that it was particularly important that the Audit Committee could benefit from the Chair's experience of the Society. Following the retirement of Geoff Brown and election of Mark Searles as Chairman, who is not on the Audit Committee, this position has reverted to being in compliance with the AFM Code.

The Executive Directors attend committee meetings as appropriate. The committee also meets with the internal and external auditors in the absence of management, after every committee meeting.

Significant matters considered by the Committee

2025 Annual Report and Financial Statements

The table below highlights the significant matters in relation to the 2025 financial statements considered by the Committee during the year-end and how they were addressed.

Significant matters considered	How the matter was addressed by the Committee
<p>Technical provision valuation methods and assumptions for the 2025 Annual Report and Financial Statements</p>	<p>The Committee reviewed key areas of expert judgement within the 2025 Annual Report and Financial Statements including mortality, morbidity, lapse and expense provisioning. To aid its deliberations, the Committee considered:</p> <ul style="list-style-type: none"> - reports from the Chief Actuary and the independent external auditors, and - responses to questions posed to both management and the external auditors. <p>Key considerations included the reliability and accuracy of the valuation results, the assumptions being made (and the credibility of the data underlying them) and the degree to which assumptions should allow for uncertain factors, such as medical and health trends, and economic volatility.</p> <p>After due enquiry the Committee concluded that the technical provisions were appropriate and recommended them to the Board.</p>

Audit Committee Report (continued)

Significant matters considered	How the matter was addressed by the Committee
Going Concern Assessment and the adoption of the 'going concern assumption'	<p>The Chief Executive in conjunction with the Chief Actuary presented a detailed paper to the Committee supporting the rationale for adopting a going concern assumption for the preparation of the 2025 Financial Statements.</p> <p>The assessment covered the period up to 30 June 2027 and covered various stress scenarios. The assessment complemented the 2025 ORSA (completed in January 2026) and provided a clear view that the Society would remain solvent and liquid over the period. The Committee assessed as reasonable the underlying assumptions and stresses applied.</p>
Approval of the 2025 Annual Report and Financial Statements	<p>The Committee reviewed and approved the 2025 Annual Report and Financial Statements for the Group and the Society and the Financial Statements for the Society's subsidiaries.</p> <p>This included reviewing key accounting judgements, the technical actuarial provisions and going concern assumption as noted above.</p> <p>The Committee also gave specific consideration to the appropriate disclosures and valuations of the Tier 2 capital and the new derivative transactions.</p> <p>The Committee ensured that the Annual Report and Financial Statements were fair, balanced and understandable before recommending them to the Board for approval.</p>

External Audit

In addition to the activities outlined above, the Committee monitors and seeks confirmation of the independence and objectivity of the external auditors. In line with the Financial Reporting Council ("FRC") Revised Ethical Standards 2024, the external auditors did not provide any non-audit services in 2025 or the prior years.

Internal Audit

During 2025 the internal audit function continued to be fulfilled by a dedicated full time experienced in-house internal audit professional.

The risk-based internal audit plan is agreed by the Committee annually, and progress against the plan is regularly reviewed. The Committee reviewed a number of reports on the effectiveness of the Society's internal control systems, the adequacy of management's responses and the timeliness of the resolution of matters highlighted. The Committee was provided with assurance over the effectiveness of the internal controls reviewed.

Whistleblowing

The Committee is responsible for reviewing the adequacy and security of the Society's whistleblowing arrangements for its employees and contractors to raise concerns, in confidence, about potential wrongdoing in financial reporting or other matters. There were no whistle blowing incidents during 2025 or the prior year.

Investment Committee Report

Key Responsibilities

The primary responsibilities of the Investment Committee are the following:

1. Set the Investment & Liquidity Policy in compliance with regulatory requirements (including the Prudent Person Principle), the terms of the Principles & Practices of Financial Management ("PPFM" - in relation to the with-profits fund, which is the portfolio of assets allocated to back the Society's with-profits business) and considerations relating to the non-profit business.
2. Oversee the application of the Investment & Liquidity Policy.
3. Periodically review the Investment & Liquidity Policy particularly in the context of the Business Plan, capital requirements, overall market conditions and environmental, social and governance considerations.
4. Develop and review the appropriateness of key risk indicators and tolerances relating to the investment portfolio.
5. Appoint and monitor the performance of the Society's external investment and property managers, and custodian.
6. Receive regular reports from the external investment managers analysing the matching of assets and liabilities.

Committee Membership and Attendance

The Committee comprises three Non-Executive members and two Executive members of the Board. Senior representatives from the external investment and property managers routinely attend meetings and provide a comprehensive performance update.

Significant matters considered by the Committee

The Committee's key areas of focus during 2025 were:

- Overseeing the duration matching of the Group's assets and liabilities, and considering ways in which this could be optimised further including through the use of the new derivative contracts to help reduce market and interest rate risk, and
- Considering investment policy in the light of the new Tier 2 capital.

Risk & Compliance Committee Report

Key Responsibilities

The Risk & Compliance Committee assists the Board in its leadership and oversight of risk, they do this by:

1. Reviewing, monitoring and challenging the Society's risk management framework in respect of all areas of risk, including strategic, financial, regulatory and operational risks, and ensuring these align with our strategic objectives and statutory obligations.
2. Making recommendations concerning the Society's overall risk appetite, tolerances and strategy.
3. Review the Society's procedures for the prevention and detection of bribery and corruption; oversee anti-money laundering and financial crime systems and controls.

The Committee reviews the whole risk management framework at least annually and receives regular reports from the Executive Risk Working Group.

Committee Membership and Attendance

The Committee comprises three Non-Executive members and three Executive members of the Board. In addition, regular attendees include the Society's Head of Legal and Compliance, Chief Risk Officer and Head of Internal Audit.

Significant matters considered by the Committee

The Committee's key areas of focus during 2025 were:

- Review and refreshing the Society's risk management framework, including risk appetite statement, reporting and policies & procedures.
- Ongoing review of the implementation and embedding of the Consumer Duty within the Society and its subsidiary.
- Assisting with further development the Society's third-party oversight framework, covering all external partnerships including critical outsourcers, other outsourced relationships, key suppliers, intermediaries and IFAs.
- Reviewing the Anti-money laundering, financial crime, anti fraud and sanctions checking oversight.
- Identifying and reviewing new emerging risks, focusing on cyber risks and the impact that AI could have on the Society, to coincide with the ongoing IT transformation project.
- Reviewing the Society's operational resilience scenario test and self-assessment which was undertaken in 2025 and ensuring that recommendations to improve operational resilience are implemented.
- Developing a plan to manage climate risk within the Society to improve our reporting and understanding of the impacts of climate change both on the Society and its members.
- Receiving the Society's Annual risk Management Report, Annual Compliance Report and Anti-Money Laundering/Financial Crime Report.

With-Profits Advisory Arrangement Report

Key Responsibilities

The primary responsibilities of the With-Profits Advisory Arrangement ("WPAA") are the following:

1. Monitor and bring independent oversight to the Society's compliance with the requirements contained within the FCA Handbook relating to the management and governance of With-Profits business.
2. Review compliance with the Principles & Practices of Financial Management ("PPFM") and recommending to the Board any changes to the PPFM.
3. Guard the rights, interests and expectations of different classes and generations of With-Profits policyholders.
4. Identify surplus within the with-profits fund (the portfolio of assets allocated to back the Society's with-profits business), the merits of its distribution or retention and the proposed distribution policy.
5. Review proposals from the With-Profits Actuary in respect of bonus rates, smoothing, surrender values, market value adjustments and projection assumptions in respect of With-Profits policies, and recommending these to the Board for approval.
6. Monitor any significant changes to the risk or investment profile of the With-Profits fund including the management of material illiquid investments and the Society's obligations in relation to strategic investments.
7. Advise the Board in relation to the way in which the Society exercises discretion in the conduct of the With-Profits business.

Committee Membership and Attendance

The WPAA comprises three Non-Executive Directors, and its meetings are attended by the With-Profits Actuary, as well as Executive Directors and other managers, as appropriate. It met four times during the year.

Significant matters considered by the Committee

The Committee's key areas of focus during 2025 were:

- Receiving the annual With-Profits Report from the With-Profits Actuary advising the Board on the discretionary allocation of surplus.
- Receiving the PPFM Compliance Report and other annual reviews undertaken by the With-Profits Actuary, and recommending their approval to the Board.
- Reviewing compliance with COBS20 in relation to the with-profits business being written.

Nominations Committee Report

The Nominations Committee meets as appropriate to review the structure, size and composition of the Board (including the necessary balance of skills, experience and diversity) and to make recommendations to the Board with regard to any adjustments that are deemed necessary. Nominations for appointment to the Board are considered for approval by the full Board.

Independent executive recruitment consultants can be and are consulted to ensure that an extensive and robust search is undertaken to identify suitable candidates for non-executive Board vacancies.

The Nominations Committee comprises two Non-Executive Directors and the CEO. However, membership of the Committee may be altered as appropriate in particular to address circumstances where one of its members is being considered for re-appointment.

During the year, the Committee oversaw the selection process leading to the appointment in May of Mike Joyce. The Committee also has oversight/recommendation responsibilities to the Board of the election process of Director's and appointment of the Chair and Senior Independent Director as required in addition to providing recommendations to the Board pertaining to Committee composition.

At all times, the Committee has ensured best practice has been followed in the recommendation of new Board Director appointments and has taken responsibility for managing the processes necessary in ensuring the relevant outcomes have been achieved on behalf of members.

Remuneration Committee Report

Key Responsibilities

The primary responsibilities of the Remuneration Committee are the following:

1. Oversight of the Remuneration Policy and remuneration structures within the Society, ensuring that they are competitive and will attract and retain competent, experienced and skilled colleagues. Design the Chief Executive's remuneration package and review the Chief Executive's remuneration recommendations for fellow executive directors and members of the broader executive management team, ensuring compliance with the Society's Remuneration Policy.
2. Review the achievement or otherwise of the corporate objectives set to support that year's business plan within the agreed performance management remuneration framework, and the Chief Executive's recommended annual adjustment to base salaries.

Committee Membership and Attendance

The Committee comprises three Non-Executive Directors. The Chief Executive attends meetings as required to facilitate remuneration discussions but is not present for any discussions relating to his own remuneration.

Significant matters considered by the Committee

The committee reviewed the Society's performance against the agreed corporate objectives for the purposes of the 2025 variable pay scheme, the Chief Executive's executive pay recommendations and the remuneration of the Executives in respect of 2025. The details of the remuneration for all Directors in 2025 and 2024 are set out in the Directors' emoluments information on page 38.

Remuneration Policy

The Society's Remuneration Policy rewards both corporate and individual performance as well as providing a competitive package to attract and retain high calibre individuals. The policy complies with all relevant regulatory obligations, the relevant principles of the AFM Code and seeks to embrace best corporate governance practice.

Base salaries

Executive base salary levels are set commensurate with that of similar sized businesses in our sector, and to reflect the skills and experience of the individual.

Base salaries are normally reviewed annually in April. Pay rises are not guaranteed, but the review will take into consideration any increase in cost of living and other external market factors (where appropriate). The Committee may consult with external advisors as appropriate.

Variable pay: Short Term Incentive Scheme

In 2021 the Society introduced a performance management remuneration framework. For all non-sales staff a variable pay component may be payable if approved at the relevant Remuneration Committee meeting post the relevant scheme year. This would typically be concurrent with completion of the Society's annual valuation for the previous financial year, and would determine whether the conditions for a discretionary bonus to be payable have been met.

The variable pay scheme consists of two component parts:

- A personal/behavioural component which reflects an individual's performance against agreed individual objectives and fulfilment of the Society's Values.
- A corporate component which reflects achievement or otherwise of primary aspects of the corporate business plan for the year as measured by a corporate balanced score card.

For our most junior colleagues any variable pay award is dominated by the personal component, the corporate component increasing with seniority until at the executive level the corporate component dominates. This reflects the principle that the more senior someone is the more they can ultimately influence achievement or otherwise of the business plan for the year.

Remuneration Committee Report (continued)

Variable pay: Long Term Incentive Scheme

From January 2024 a Long Term Incentive Plan ("LTIP") scheme was introduced, for all staff. This takes into account the Society's performance in terms of growth in Excess Own Funds over a 3 year time horizon, aligning the interests of staff with the interests of members, and promoting good management of risk.

Senior Executive Remuneration – 2025

Salary

The Remuneration Committee is keen to ensure our Executives are remunerated at a level commensurate with their experience and job role, and are competitive in relation to similar organisations. In line with the Society's Remuneration Policy salaries were reviewed and the salaries of both the Chief Executive and Chief Actuary were noted as out of kilter with the market and were increased accordingly.

Performance Bonus

The same corporate scorecard structure as has applied for 2022 to 2024 was continued for 2025 although individual component weightings were slightly modified. Key areas of performance which were incentivised were the delivery of:

- sustained sales growth in line with the Society's adopted business plan
- the continued transformation agenda & associated projects
- strong & dynamic risk management
- evolution of member engagement with a strong emphasis on the delivery and monitoring of consumer duty outcomes
- cultural development and evolution of the Society's employees, demonstrating in practice the Society's core values and associated behaviours.

For 2025 the potential reward component for driving increased sustained sales growth given the strategic importance of achieving critical mass was marginally increased and the transformation agenda and associated projects reduced. Out of a maximum potential score of 100%, the weighted corporate score card performance was 93% for 2025 (65% 2024)

The combined personal and corporate bonuses payable were recommended by the Committee to the Board for approval.

Recognising best practice a proportion, 30%, of the executive bonus payments are deferred for 2 years to underpin the importance of rewarding performance that underpins the long-term sustainability of the Society. Also (with the exception of retirement) if an executive leaves before the deferred bonus payment due date, the deferred bonus is forfeited.

Retirement and Related Benefits

The Executive Directors are members of a defined contribution pension scheme which is available to all employees. The Society contributes up to a maximum of 12% of base salary per Director, dependent upon personal contribution levels. The Chief Executive receives an allowance in lieu of a contribution to a defined contribution pension scheme, the cost to the Society is the same as a 12% contribution to a pension scheme.

Other Benefits

Executive Directors are entitled to death in service benefit of four times basic salary, a cash car allowance, and (in common with all other colleagues) private medical insurance.

Remuneration Committee Report (continued)

Directors' Contract

The Executive Directors have service agreements which incorporate their terms and conditions of employment. Executive Directors are employed on contracts subject to no more than twelve months' notice in accordance with corporate governance best practice.

Non-Executive Directors

Fees for Non-Executive Directors are determined by the Executive Directors and are subject to approval of the Board as a whole. The fees were reviewed in 2025.

The fees are based on current market rates and set to attract individuals with the necessary skills and experience to contribute to the sound governance of the Society. No element of the Non-Executive Directors' remuneration is performance related nor pensionable.

Directors' Emoluments

The following table shows the breakdown of total remuneration for Directors in 2025 and 2024. The total remuneration shown relates to the amount declared in respect of each accounting year. Note that the Performance Related Pay component is paid out in the subsequent accounting year to that which it relates.

	2025 (£000s)				2024 (£000s)			
	Salaries & Fees	Performance Related Pay ¹	Other Benefits ²	Total	Salaries & Fees	Performance Related Pay ¹	Other Benefits ²	Total
Executive Directors ("EDs")								
Julian Ellacott	161	94	30	285	149	67	28	244
Oliver Jones	138	75	27	240	135	56	23	214
Graham Singleton	251	151	39	441	209	150	34	393
Total EDs	550	320	96	966	493	273	85	851
Non-Executive Directors ("NEDs")								
Geoff Brown ³	34	-	-	34	58	-	-	58
Rebecca Hall ⁴	39	-	-	39	3	-	-	3
Michael Joyce ⁵	26	-	-	26	-	-	-	-
Mark Searles (chair)	64	-	-	64	51	-	-	51
Simon Thomas	51	-	-	51	46	-	-	46
Victoria Wentworth ⁶	-	-	-	-	27	-	-	27
Total NEDs	214	-	-	214	185	-	-	185
Total	764	320	96	1,180	678	273	85	1,036

¹ Performance related pay for Executive Directors includes any deferred component, which is payable if the Director is still employed by the Society at the end of the deferment period. The performance related pay shown is the amount earned and accrued in respect of the year shown.

² Other benefits include pension scheme contributions, car benefits and allowances, medical and other benefits in kind or equivalent monetary value.

³ Geoff Brown retired 12 September 2025.

⁴ Rebecca Hall was appointed as a Non-Executive Director on 1 December 2024.

⁵ Michael Joyce was appointed as a Non-Executive Director on 1 May 2025.

⁶ Victoria Wentworth resigned on 4 September 2024.

Directors' Report

Statement of Responsibilities of the Directors

The Board is required to prepare financial statements for each financial year, which 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 results for that year. In preparing these financial statements the Board is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the statements on a going concern basis, unless it is inappropriate to assume that the Society will continue in business.
- Prepare the financial statements in accordance with the Friendly Societies (Accounts and Related Provisions) Regulations 1994 and in accordance with the applicable accounting standards in the United Kingdom.

In following the Friendly Societies (Accounts and Related Provisions) Regulations 1994, this includes the updates to this regulation: the Friendly Societies (Accounts and Related Provisions) (Amendment) Regulations 2005.

The Directors confirm that the financial statements comply with the above.

The Directors are responsible for keeping appropriate accounting records which disclose with reasonable accuracy, at any time, the financial position of the Society and to enable it to ensure that the financial statements comply with the Friendly Societies Act 1992. They are also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The maintenance and integrity of the National Deposit Friendly Society Limited and Group website is also the responsibility of the Directors.

Disclosure of Information to Auditors

The Directors that held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Society's auditors are unaware, and each Director has taken all the steps they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

Going Concern

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 for the year. The financial position of the Society, its cash flows, liquidity position, capital position and borrowing facilities have also been considered by the Board. The Society's policies and processes for managing capital are highlighted in note 2 to the financial statements. The Society has adequate financial resources, supported by long-term relationships with its policyholders and suppliers. Therefore, the Directors believe that the Society is well placed to manage its business risks in respect of liquidity and cash flows. After making enquiries, the Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for a period to 30 June 2027. Accordingly, the financial statements have been prepared on a going concern basis.

Directors' Report (continued)

Annual General Meeting

The 2024 Annual General Meeting was held both in person in Bristol and online on 12 September 2025 and was attended by Board Members and Officers of the Society.

A number of resolutions were voted on including:

- The Annual Accounts;
- The Board Report; and;
- The Auditor's Report for the year ended 31 December 2024. These form part of the Annual Report and Financial Statements
- To approve the Directors' Remuneration Report
- Re-appointment of Ernst & Young LLP as Auditors
- To elect Rebecca Hall as Non-Executive Director
- To elect Mike Joyce as Non-Executive Director

The response from members submitting their postal/proxy forms was 2.35% of members eligible to vote electing to do so.

In 2026, the AGM is planned to be in person with members invited to attend the event. Members will also be able to submit questions ahead of the date and during the meeting.

Charitable Donations

The Society made charitable donations of £7,581 (2024: £11,192). There were no political donations (2024: £nil).

Re-appointment of Auditors

A resolution to re-appoint Ernst & Young LLP as the Society's external auditors will be proposed at the forthcoming AGM.

Approved by Order of the Board



Graham Singleton

Chief Executive

24 June 2026

Independent Auditor's Report to the members of National Deposit Friendly Society Limited

Opinion

In our opinion:

- National Deposit Friendly Society Limited's Group and Society financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Society's affairs as at 31 December 2025 and of the Group's and Society's income and expenditure for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the Society financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Friendly Societies Act 1992.

We have audited the financial statements of National Deposit Friendly Society Limited (the "Society") and its subsidiaries (the "Group") for the year ended 31 December 2025 which comprise:

Group	Society
Consolidated balance sheet as at 31 December 2025	Balance sheet as at 31 December 2025
Consolidated income statement for the year then ended	Income statement for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of comprehensive income for the year then ended
Related notes 1 to 29 (except for those parts of note 2 which are marked as unaudited) to the financial statements, including a summary of significant accounting policies	Related notes 1 to 29 (except for those parts of note 2 which are marked as unaudited) to the financial statements including a summary of significant accounting policies

The financial reporting framework that has been applied in the preparation of the Group and Society financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

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 Group and Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report to the members of National Deposit Friendly Society Limited (continued)

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 Group and Society's ability to continue to adopt the going concern basis of accounting included

- obtaining and reviewing management's going concern assessment paper which assesses the liquidity, future cashflows and solvency position for a period through to 30 June 2027;
- corroborating the information in the assessment where relevant to support our opinion;
- obtaining and reviewing the latest Board approved Own Risk and Solvency Assessment ("ORSA"), assessing the consistency of this with management's going concern assessment;
- assessing the plausibility of available management actions to mitigate the impact of the key risks by comparing them to our understanding of the Group and Society;
- performing inquiries of management and those charged with governance to identify risks or events that may impact the Group and Society's ability to continue as a going concern. We also reviewed management's assessment approved by the Board, minutes of meetings of the Board and its committees; and
- assessing the appropriateness of the going concern disclosures and ensuring they are consistent with management's assessment and in compliance with the relevant reporting requirements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Society's ability to continue as a going concern for a period to 30 June 2027, being at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of the Society and audit procedures on specific balances for the two subsidiaries of the Society, National Friendly Financial Solutions Limited and National Friendly Software Solutions Limited. • These three components, where we performed full or specific audit procedures, accounted for 100% of the Gross Written Premium and 100% of Total assets and Total liabilities.
Key audit matters	<ul style="list-style-type: none"> • Valuation of long term business provision, comprising the following risk areas; <ul style="list-style-type: none"> ○ Inappropriate key actuarial demographic assumptions for morbidity, mortality, longevity and persistency ○ Inappropriate actuarial expense assumptions
Materiality	<ul style="list-style-type: none"> • Overall Group materiality of £879k which represents 2% of Adjusted Fund for Future Appropriations (adjusted for the value of the subordinated loan).

Independent Auditor's Report to the members of National Deposit Friendly Society Limited (continued)

An overview of the scope of the Society and Group audits

Tailoring the scope

We have followed a risk-based approach when developing our audit approach to obtain sufficient appropriate audit evidence on which to base our audit opinion. We performed risk assessment procedures to identify and assess risks of material misstatement of the Group financial statements and identified significant accounts and disclosures. When identifying components at which audit work needed to be performed to respond to the identified risks of material misstatement of the Group financial statements, we considered our understanding of the Group and its business environment, the applicable financial framework, the Group's system of internal control at the entity level, the existence of centralised processes, applications and any relevant internal audit results.

We determined that the Group audit team would perform the audit procedures on all three components of the Group, being the Society and its two subsidiaries for all audit areas.

For those individually relevant components, we identified the significant accounts where audit work needed to be performed at these components by applying professional judgement, having considered the Group significant accounts on which centralised procedures will be performed, the reasons for identifying the financial reporting component as an individually relevant component and the size of the component's account balance relative to the Group significant financial statement account balance.

We then considered whether the remaining Group significant account balances not yet subject to audit procedures, in aggregate, could give rise to a risk of material misstatement of the Group financial statements.

Having identified the components for which work will be performed, we determined the scope to assign to each component.

Of the three components selected, we designed and performed audit procedures on the entire financial information of one component ("full scope component") being the Society. For the remaining two components, we designed and performed audit procedures on specific significant financial statement account balances or disclosures of the financial information of the component ("specific scope components").

Our scoping to address the risk of material misstatement for each key audit matter is set out in the Key audit matters section of our report.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Independent Auditor's Report to the members of National Deposit Friendly Society Limited (continued)

Climate change

Stakeholders are increasingly interested on the impact climate change will have on companies. The Group and Society has determined that the most significant future impacts from climate change on its operations will be from physical and transitional risks. These are explained on pages 55 and 56 under the Basis of preparation section. They have also explained their climate commitments on page 20 within the Strategic Report which forms part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's and Society's business and any consequential material impact on its financial statements.

The Group and Society has explained in its Basis of preparation section how the impact of climate change has been considered for their financial statements.

Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, including physical and transitional risk and the resulting conclusion that there was no material impact from climate change and the adequacy of the Group's disclosures on page 55 of the financial statements which explain the rationale.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, 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 our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of the Long term Business Provision (2025: asset of £138k; 2024: liability of £11,405k)

Refer to the Audit Committee Report (page 30); Accounting policies (page 57); and Note 23 of the Consolidated Financial Statements (pages 89 and 90).

We considered the valuation of the long term business provision to be a significant and fraud risk for the Group and Society. Specifically, we considered the key actuarial assumptions that are applied, as these involve complex and significant judgments about future events, both internal and external to the business, for which small changes can result in a material impact to the resultant valuation.

We have identified two components of the significant risk relating to the valuation of the long term business provision being:

- Risk of inappropriate key actuarial demographic assumptions for morbidity, mortality, longevity and persistency;
- Risk of inappropriate actuarial expense assumptions

The specific audit procedures performed to address the significant risk are set out below. In addition, we assessed management's analysis of movements in the long term business provision.

Independent Auditor's Report to the members of National Deposit Friendly Society Limited (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Inappropriate key actuarial demographic assumptions for morbidity, mortality, longevity and persistency</p> <p>The assumptions underpinning the valuation of the long term business provision as at 31 December 2025 are disclosed in note 23 to the financial statements.</p> <p>The valuation of the long term liabilities the Society holds is inherently uncertain due to the dependency on a number of key demographic assumptions, being morbidity, mortality, longevity and persistency and the risk resides around these assumptions, in aggregate, being inappropriate. Given the size of the Long Term Business Provision, small changes in these assumptions can have a material impact on the Group's Fund for Future Appropriations</p> <p>Demographic assumptions are set based on internal and market experience, overlaid with the application of judgement in particular around expectations of future trends and external factors.</p> <p>Due to the inherent judgement required to determine the demographic assumptions we also consider the assumptions to be susceptible to management bias.</p>	<p>To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, we engaged our actuaries as part of our audit team and performed the following procedures:</p> <ul style="list-style-type: none"> • We obtained an understanding of and tested the design and implementation of key controls over management's process for setting and updating the demographic actuarial assumptions. • We tested that the policy records data used in the process for setting and updating demographic assumptions was complete and accurate by agreeing a sample of policies back to the policy administration system. • We assessed the results of management's experience analysis to assess whether this justified the adopted assumptions. We also checked that the assumptions were consistent with both the experience analysis and management's explanations for changes in experience. This included reviewing the judgements applied, such as the weighting placed on recent years' experience and the exclusion of data affected by the pandemic, to ensure they were reasonable. • Critically assessed managements rationale for the assumptions determined and challenged the expert judgement applied by considering the reasonableness of management's assertions against our understanding of the business, the products and our wider market experience. • Benchmarked management's assumptions to available market data and challenged the rationale for deviations from these. • We concluded on whether the final assumptions were within a reasonable range based on our expert judgement, management's internal experience analysis and benchmarking to peers. 	<p>We determined that the key demographic assumptions for morbidity, mortality, longevity and persistency, are in aggregate within a reasonable range based on the analysis of experience to date, industry practice and the financial reporting and regulatory requirements.</p>

Independent Auditor's Report to the members of National Deposit Friendly Society Limited (continued)

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Inappropriate actuarial expense assumptions</p> <p>The assumptions underpinning the valuation of the long term business provision as at 31 December 2025 are disclosed in note 23 to the financial statements.</p> <p>We consider the expense assumptions, determined on a per policy basis, to be a key part of the actuarial valuation.</p> <p>Expense assumptions are set based on the anticipated costs associated with administering the business, including expenses inflation as well as the split between acquisition / maintenance and between different classes of business. The per policy expense assumption is then derived by making assumptions as to future policy volumes.</p>	<p>To obtain sufficient audit evidence to conclude on the appropriateness of actuarial assumptions, we alongside our actuaries, performed the following procedures:</p> <ul style="list-style-type: none"> • We obtained an understanding and tested the design and implementation of key controls over management's process and governance for setting expense assumptions. • We tested the budgeted expenses included in the model including by reference to board approved forecasts and prior year actuals. • We tested the reasonableness of split between maintenance and acquisition expenses, and the allocation of expenses between various product by testing the allocation methodology. • We assessed the judgements around new business volumes and potential growth in policy counts impacting the allocation of overheads. • We considered the appropriateness of the methodology to derive the expense inflation assumptions and considered the reasonableness of the resulting assumptions. • We concluded on whether the final assumptions were reasonable based on our work and expert judgement. 	<p>We determined that the expense assumptions are reasonable in the context of the business and the board approved forecasts.</p>
<p>How we scoped our audit to the risk and involvement with component teams</p> <p>We performed full audit procedures over this risk in the UK, which covered 100% of the risk amount.</p> <p>All audit work performed to address this risk was undertaken by the Group audit team.</p>		

Independent Auditor's Report to the members of National Deposit Friendly Society Limited (continued)

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group and Society to be £879k (2024: £532k), which is 2% of adjusted Fund for Future Appropriations (adjusted for the value of the subordinated loan) (2024: 2% of the Fund for Future Appropriations). The Society issued a subordinated loan during the period which has been approved by the PRA as qualifying as Tier 2 Capital and hence contributing to the solvency surplus of the Society. We believe that users of the financial statements are focussed on the capital strength of the Society and therefore FFA adjusted to add in the subordinated loan is the GAAP measure that is most closely aligned to this.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group and Society's overall control environment, our judgement was that performance materiality was 75% (2024: 75%) of our planning materiality, namely £659k (2024: £400k). We have set performance materiality at this percentage based on our assessment of the risk of misstatement.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £132k to £659k (2024: £70k to £400k).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £44k (2024: £27k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Independent Auditor's Report to the members of National Deposit Friendly Society Limited (continued)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Friendly Societies Act 1992

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the annual accounts and this report has been prepared in accordance with the Friendly Societies Act 1992 and the regulations made under it.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the Society and its environment obtained in the course of the audit, we have nothing to report in respect of the following matters in relation to which the Friendly Societies Act 1992 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 39, 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 Group and Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Society or to cease operations, or have no realistic alternative but to do so.

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.

Independent Auditor's Report to the members of National Deposit Friendly Society Limited (continued)

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Society and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Society, and determined that the most significant are direct laws and regulations related to elements of the Friendly Societies Act 1992 and tax legislation, and the financial reporting framework. Our considerations of other laws and regulations that may have a material effect, as well as industry specific laws/regulations on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA").
- We understood how the Group and Society is complying with those frameworks by making enquiries of senior management and those charged with governance for their awareness of any non-compliance with laws or regulations. We also reviewed correspondence between the Society and its subsidiaries and UK regulatory bodies; reviewed minutes of the Board and its committees; and gained an understanding of the Group's approach to governance.
- We assessed the susceptibility of the Group and Society's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group and Society has established to address risks identified by the Group and Society, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the procedures over the demographic and expense assumptions noted under the key audit matters section above. With regard to revenue recognition fraud risk we tied back all but an immaterial amount of the gross premiums written to cash received during the year and additional procedures included testing a sample of manual journals. In addition we tested reconciliations performed by the Customer Services and Finance Teams with regards to collection of gross premiums written via direct debit.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items. For both direct and other laws and regulations, our procedures involved: making enquiry of senior management and the Audit Committee for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Group and Society's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA and reviewing minutes of the Board and its committees and the complaints log.

The Group and Society operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

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

Independent Auditor's Report to the members of National Deposit Friendly Society Limited (continued)

Other matters we are required to address

- Following the recommendation from the Audit Committee we were re-appointed by the Society on 4 August 2023 to audit the financial statements for the year ending 31 December 2023 and subsequent financial periods.
- The period of total uninterrupted engagement including previous renewals and reappointments is 9 years, covering the years ending 31 December 2017 to 31 December 2025.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Society and we remain independent of the Group and the Society in conducting the audit.
- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with Part VI of the Friendly Societies Act 1992. 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.

Signed by:

Jonathan Bell

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Jonathan Bell (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
25 June 2026

Consolidated Income Statement

For the year ended 31 December 2025

	Notes	Group				Society			
		2025		2024		2025		2024	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Technical account – Long term business									
Gross premiums written		56,703		45,742		56,703		45,742	
Outward reinsurance premiums		(16,323)		(11,007)		(16,323)		(11,007)	
Earned premiums net of reinsurance	4		40,380		34,735		40,380		34,735
Investment income	5		2,059		2,318		2,059		2,318
Unrealised gains on investments	6		4,550		-		4,550		-
Other technical income, net of reinsurance	7		520		505		128		19
Total technical income			47,509		37,558		47,117		37,072
Claims paid – gross amount		34,333		26,825		34,333		26,825	
Claims paid – reinsurers' share		(16,526)		(11,325)		(16,526)		(11,325)	
Net claims paid			17,807		15,500		17,807		15,500
Change in the provision for claims – gross amount		970		(511)		970		(511)	
Change in the provision for claims – reinsurers' share		(157)		-		(157)		-	
Change in the provision for claims – net			813		(511)		813		(511)
Claims incurred, net of reinsurance			18,620		14,989		18,620		14,989
Change in other technical provisions:									
Long term business provision – gross amount	23	(11,543)		(9,934)		(11,543)		(9,934)	
Long term business provision – reinsurers' share		1,642		3,321		1,642		3,321	
Long term business provision – net of reinsurance			(9,901)		(6,613)		(9,901)		(6,613)
Provision for linked liabilities – insurance contracts	24		(45)		(227)		(45)		(227)
Provision for linked liabilities – investment contracts	24		(2)		(102)		(2)		(102)
Bonuses and rebates, net of reinsurance			-		1		-		1
Net operating expenses:									
Acquisition costs	8	23,747		17,525		23,279		16,984	
Administrative expenses	8	4,684		4,576		4,684		4,577	
			28,431		22,101		27,963		21,561
Investment expenses	9		4,662		221		4,662		221
Unrealised losses on investments	6		361		3,341		437		3,341
Loss on investment in subsidiary	6 & 15		-		-		-		54
Other technical charges, net of reinsurance			361		411		361		411
Tax attributable to long term business	12		-		-		-		-
Transfer to the fund for future appropriations	22		5,022		3,436		5,022		3,436
Total technical expenditure			47,509		37,558		47,117		37,072
Balance on the technical account - long term business			-		-		-		-

The information on pages 55 to 95 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2025

	Notes	Group		Society	
		2025 £'000	2024 £'000	2025 £'000	2024 £'000
Actuarial loss on pension scheme	25	(307)	(209)	(307)	(209)
Revaluation of occupied land and buildings	14	43	75	43	75
Total comprehensive income		(264)	(134)	(264)	(134)
Transfer from the fund for future appropriations	22	(264)	(134)	(264)	(134)
Total comprehensive income after transfer		-	-	-	-

The information on pages 55 to 95 form an integral part of these financial statements.

Consolidated Balance Sheet

As at 31 December 2025

	Notes	Group				Society			
		2025		2024		2025		2024	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ASSETS									
Intangible assets	13		4,099		3,290		39		50
Investments									
Land and buildings	14	5,330		5,210		5,330		5,210	
Investments in subsidiaries	15	-		-		400		476	
Other financial investments	16	60,563		52,006		60,563		52,006	
			65,893		57,216		66,293		57,692
Assets held to cover linked liabilities	17		1,355		1,379		1,355		1,379
Reinsurers' share of technical provisions – claims outstanding	18		1,426		1,269		1,426		1,269
Technical provisions - Long term business provision	23		138		-		138		-
Debtors									
Debtors arising out of direct insurance operations	18	384		405		381		361	
Debtors arising out of reinsurance operations	18	123		47		123		47	
Other debtors	18	1,276		1,185		1,276		1,185	
			1,783		1,637		1,780		1,593
Other assets									
Tangible assets	19	559		603		559		603	
Cash at bank and in hand	18	3,211		2,380		3,177		2,277	
			3,770		2,983		3,736		2,880
Prepayments and accrued income									
Accrued interest and rent	18	335		648		335		648	
Other prepayments and accrued income		403		160		4,286		2,532	
			738		808		4,621		3,180
Total assets			79,202		68,582		79,388		68,043

The information on pages 55 to 95 form an integral part of these financial statements.

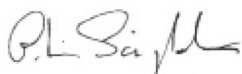
Consolidated Balance Sheet (continued)

As at 31 December 2025

	Notes	Group				Society			
		2025		2024		2025		2024	
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
LIABILITIES									
Subordinated liabilities	21		12,566		-		12,566		-
Fund for future appropriations	22		31,397		26,639		31,397		26,639
Technical provisions									
Long term business provision	23		-		11,405		-		11,405
Claims outstanding			3,889		2,919		3,889		2,919
Provision for bonuses and rebates			29		29		29		29
			3,918		14,353		3,918		14,353
Technical provision for linked liabilities – insurance contracts	24		922		967		922		967
Technical provision for linked liabilities – investment contracts	24		219		221		219		221
Reinsurers' share of technical provisions – long term business provision			11,498		9,856		11,498		9,856
Provision for liabilities									
Provisions for pensions and similar obligations	25		6,739		6,935		6,739		6,935
Creditors									
Creditors arising out of direct insurance operations	21		99		-		99		-
Creditors arising out of reinsurance operations	21		-		16		-		16
Financing liability	21		8,054		5,855		8,054		5,855
Other creditors including taxation and social security	26		1,098		848		1,310		840
			9,251		6,719		9,463		6,711
Accruals and deferred income			2,692		2,892		2,666		2,361
Total liabilities			79,202		68,582		79,388		68,043

The information on pages 55 to 95 form an integral part of these financial statements.

The financial statements on pages 51 to 54 were approved by the Board on 24 June 2026.



Graham Singleton

Chief Executive



Nicola Moore

The Society's Secretary

Notes to the financial statements

For the year ended 31 December 2025

(1) Accounting policies

These accounting policies have been applied consistently in the preparation of the financial statements.

General information

National Deposit Friendly Society Limited ("The Society") is a registered friendly society incorporated and domiciled in the United Kingdom. The address of its registered office is 11-12 Queen Square, Bristol, BS1 4NT.

Statement of compliance

The Group (which comprises the Society and its two subsidiaries, National Friendly Financial Solutions Limited and National Friendly Software Solutions Limited) and Society financial statements of National Deposit Friendly Society Limited have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103"), the "Friendly Societies Act 1992" and "The Friendly Societies (Accounts and Related Provisions) Regulations 1994".

Basis of preparation

The financial statements have been prepared on a going concern basis. The Society's business activities, together with the factors likely to affect its future development, performance and position are set out in Strategic Report for the year. The Board has also considered the Society's financial position, its cash flows, liquidity position and capital position. The Society's policies and processes for managing capital are highlighted in note 2 to the financial statements. The Society has adequate financial resources, supported by long-term relationships with its policyholders and suppliers.

The Directors believe that the Society is well placed to manage its business risks in respect of liquidity and cash flows, have considered stresses to the solvency and liquidity of the entity to 30 June 2027 and are satisfied that these appropriately demonstrate the resilience of the business after considering the stresses and any mitigating actions to manage such risks to 30 June 2027.

The Society makes extensive use of reinsurance to mitigate the impact of various business risks and from June 2023 this has included financial reinsurance to mitigate the new business strain arising from writing increasing levels of new business. The product pricing allows for the economic cost of such financing which is transitional whilst the in-force portfolio grows to a level where new business strain becomes self-funded.

The Directors have a reasonable expectation that the Society has adequate resources to continue in operational existence for a period to 30 June 2027. Accordingly, the Society continues to adopt the going concern basis in preparing the annual report and financial statements.

The financial statements have been prepared under the historical cost convention except for those measured at fair value.

In preparing these financial statements the Directors have considered the impact of the physical and transition risks of climate change and identified this as a principal risk as set out on page 14, but have concluded that it does not have a material impact on the recognition and measurement of the assets and liabilities in these financial statements as at 31 December 2025. The Group and Society financial assets are reported at fair value except those reported at amortised costs (as set out in note 18), and their financial liabilities are reported at fair value except those reported at amortised costs (as set out in note 21). Therefore these utilise market prices at the period end. These market prices will include the current expectations of the impact of climate change upon these investments. Insurance liabilities are determined based upon experience of past insurable events, overlaid with judgement as to future trends, on which climate change is one influence.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(1) Accounting policies (continued)

Basis of preparation (continued)

Future valuations of assets may differ as the market responds to any impact or assesses the impact of current requirements differently and the frequency and magnitude of future insurable events linked to the effect of climate risks could change. The Directors further recognise that government and societal responses to climate change risks are still developing, and may partially mitigate, fully mitigate or even overcompensate for the primary effects.

As part of an exercise to make the financial statements more user-friendly, the notes to the financial statements have been reordered compared to the prior year. The notes are now presented in a more systematic sequence, following the order in which the primary statements and the related line items appear.

Basis of consolidation

The Group financial statements comprise the assets, liabilities and income and expenditure account transactions of the Society and its subsidiaries National Friendly Financial Solutions Limited ("NFFS") and National Friendly Software Solutions Limited ("NFSS"). The Society controls its subsidiaries as they are wholly owned and the Society has all the voting rights. The net results are included in the fund for future appropriations for the Group. The activities of the Society and Group are accounted for in the income statement and statement of comprehensive income.

Premiums

Premiums are accounted for when due for payment.

Insurance commission

Insurance commission represents the value of commission receivable to the Society's subsidiary, NFFS, recognised on the effective commencement or renewal date of the policy, with a small amount within the Society relating to an annual rebate on a reinsurance treaty. All commission received relates to insurance business transacted in the United Kingdom.

Reinsurance contracts

The Society cedes reinsurance in the normal course of business. The cost of reinsurance is recognised in the income statement at the date of issue. Premiums ceded and claims reimbursed are presented on a gross basis in the income statement and balance sheet as appropriate. Reinsurers' share of technical provisions – claims outstanding include balances due from reinsurance companies for ceded insurance contract liabilities. Reinsurers' share of technical provisions are measured in line with the best estimate approach used in the long term business provisions.

If the technical provisions on policies with a quota share reinsurance treaty are negative then the reinsurer's share of these provisions can be a liability. Reinsurance liabilities represent future premiums and/or fees which will be ceded to reinsurers, in excess of future receipts from the reinsurer.

Realised and unrealised gains and losses

Realised investment gains and losses represent the difference between the sale proceeds and carrying value at the date of disposal. Unrealised investment gains and losses represent the net movement in the market value of investments during the year after allowing for realised gains and losses recognised in the income statement.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(1) Accounting policies (continued)

Investment return

Investment return comprises the investment income and fair value gains and losses derived from assets held at fair value through profit or loss, rental income and fair value gains and losses derived from investment property and interest income derived from cash at bank and in hand.

Investment income derived from assets held at fair value through profit or loss includes dividends and interest income. Dividends are accounted for on the date the shares become quoted ex-dividend. UK dividends are shown excluding their irrecoverable associated tax credit. Interest income is recognised based on the coupon rate of the securities. Income from rents and securities is taken into account on an accruals basis. Interest on cash at bank and deposits with credit institutions is accrued in the period in which it arises.

Claims

Maturity claims and annuities are charged against income when due for payment. Claim payments whose beneficiaries cannot be traced are held in a suspense liability for an appropriate period of time, depending on the age of the customer and the nature of the policy, and then released if still unclaimed. Surrenders are accounted for when paid or, if earlier, on the date when the policy ceases to be included within the calculation of the long term business provision. Death claims and all other claims are accounted for when notified.

Long term business provision

The long term business provision is determined by the Society's Board and is calculated on a Solvency UK basis. It is calculated to be consistent with the PRA Rulebook.

The Solvency UK technical provisions, on which the long term business provision is based, are defined as the sum of the best estimate of liabilities ("BEL") and the risk margin ("RM"). The BEL and RM are calculated separately. The BEL is calculated on a policy-by-policy basis for all contracts accepted on risk at the valuation date using a cash flow approach and generally accepted actuarial practises, plus allowance for related liabilities which are calculated in aggregate across all policies. The calculations generate probability weighted cash flows for each monthly time period within a policy's contract boundary. The cash flows are discounted using the PRA's risk-free yield curve and thus make allowances for the time value of money. The BEL can be either an overall liability or asset, depending on the underlying cashflows that underpin its calculation. In the instance where the net present value of premiums is greater than the net present value of claims and per policy expenses the BEL would be an overall asset. The BEL presented in the balance sheet reflects the overall net position and does not separate the positive and negative cashflows associated with different product types.

The RM is calculated as the sum of the present values of the cost of capital rate applied to the Solvency Capital Requirement ("SCR") of a reference undertaking willing to take on the Society's insurance portfolio, in each future year until the obligations are extinguished and there is no remaining SCR. The long term business provision reported in the financial statements does not take account of any transitional measures approved by the PRA in respect of the transition from Solvency I to Solvency II, which continue to apply for Solvency UK when it has a non-zero value.

Cash at bank and in hand

Cash at bank and in hand comprise cash at bank and demand deposits – funds withdrawal at any time without material penalty.

Bonuses

Bonuses charged to the long term business technical account in a given year comprise new reversionary bonuses declared in respect of that year which are provided within the calculation of the long term business provision.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(1) Accounting policies (continued)

Claims outstanding

The outstanding claims reserve provides for all the estimated (based on actuarial calculations) claims payable as at 31 December on medical and income protection policies, and represents the estimated ultimate cost of settling all claims which have occurred up to the balance sheet date.

Other tangible fixed assets

Tangible fixed assets other than land and buildings are held at cost less accumulated depreciation.

Depreciation has been provided at the following rates calculated to write off each asset over its estimated useful life:

- Computer equipment is depreciated at 25% per annum on a straight line basis;
- Office equipment is depreciated at 12.5% per annum on a straight line basis; and
- Motor vehicles are depreciated at 33.33% per annum on a straight line basis.

Intangible assets

Costs are capitalised as intangible assets, where the outcome is assessed to be reasonably certain as regards viability and feasibility and they meet the criteria laid out in Section 18 "Intangible Assets other than Goodwill" of FRS 102. Amortisation is charged once the economic benefits of the project start to be realised.

Intangible assets represent the intellectual property rights for computer software and a customer book acquired from a third party from which future revenue is expected. Intangible assets are held at cost less accumulated amortisation and any accumulated impairment losses.

Computer Software is amortised on the straight-line basis over its remaining useful economic life, which is deemed to be 10 years. Each year the remaining useful economic life is reconsidered by the Directors, in prior year the deemed life was 8 years. The impact of this change is immaterial.

Software under Construction is not amortised until completed.

The customer book is amortised on the straight-line basis over its useful economic life, which is 10 years.

The website is amortised on the straight-line basis over its useful economic life, which is 3 years.

The Society assesses at each reporting date whether there is any indication that an intangible asset may be impaired. If any such indication exists, the Society estimates the recoverable amount of each intangible asset and recognises an impairment loss for any shortfall below carrying amount.

Land and buildings

Investment properties

Investment properties are initially recognised at cost and subsequently measured at fair value at each reporting date. Changes in fair value are recognised in the income statement in the period in which they arise. When there are unrealised gains, these are recognised as income, and when losses these are recognised as expenses. Investment properties have been valued by independent professional valuers in accordance with the requirements of the Royal Institution of Chartered Surveyors' Valuation – Global Standards 2024 (the 'Red Book'), effective 31 January 2025.

Held for own use

The owner-occupied floors of 11-12 Queen Square, Bristol used by the Group and Society as a head office are held as land and buildings in the financial statements. The property is held at fair value at the balance sheet date with revaluation gains recognised through other comprehensive income.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(1) Accounting policies (continued)

Land and buildings (continued)

Land and buildings are not depreciated as the opinion of the Directors is that the depreciation is not material and the property is revalued annually on a fair value basis, being valued by independent professional valuers in accordance with the requirements of the Royal Institution of Chartered Surveyors' Valuation – Global Standards 2024 (the 'Red Book'), effective 31 January 2025.

Acquisition costs

Acquisition costs represent commission payable and other related expense of acquiring insurance policies written during the financial year.

Operating leases

The Group leases office machinery and equipment under contracts of operating leases. The lease expenses are accounted for as an operating expense as incurred.

Pension costs

The Society operates a defined benefit pension scheme. This scheme closed to new entrants and future accrual on 31 May 2009. A pension asset or liability is calculated as the recoverable amount of the scheme's assets less the present value of the scheme's liabilities in accordance with the principles set out in the Section 28 "Employee Benefits" of FRS 102. The Society is currently making contributions to the scheme at the level agreed with the trustees with the objective of having sufficient assets to meet its liabilities.

The pension cost for the scheme is analysed between current service cost, past service cost and net return on pension scheme. Current service cost is the actuarial calculated present value of the benefits earned by the active employees in each year. Past service costs relating to employee service in prior years arising in the current year as a result of the introduction of, or improvement to, retirement benefits, are recognised in the income statement account on a straight-line basis over the year in which the increase in benefits vest.

The actuarial gains and losses which arise from a valuation and from updating the latest actuarial valuation to reflect conditions at the balance sheet date are taken to the statement of comprehensive income for the year to the extent they are attributable to members. The attributable deferred taxation is shown separately in the statement of comprehensive income. Payments made to the defined contribution scheme for current employees are charged as an expense as they fall due.

Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. It is calculated at rates expected to be applicable when the asset or liability crystallises on a non-discounted basis. Deferred tax assets are recognised only to the extent that there will be sufficient foreseeable future taxable profits from which the future reversal of timing differences can be deducted.

Fund for Future Appropriations

The fund for future appropriations incorporates amounts which have yet to be allocated to participating policyholders. Any surplus or deficit arising in the income statement or statement of comprehensive income is transferred to or from the fund on an annual basis. When circumstances are deemed to justify the distribution of surplus, surpluses are allocated by the Directors to participating policyholders by way of bonuses. Any unallocated surplus is carried forward in the fund for future appropriations.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(1) Accounting policies (continued)

Contract classification

The Society classifies its products for accounting purposes as insurance contracts, investment contracts or investment contracts with discretionary participation features. Insurance contracts are those contracts that transfer significant insurance risk. Contracts that do not transfer significant insurance risk are investment contracts.

A discretionary participation feature is a contractual right held by a policyholder to receive additional payments as a supplement to guaranteed benefits:

- that are likely to be a significant proportion of the total contractual payments; and
- whose amount or timing is contractually at the discretion of the issuer and that are contractually based on:
 - the performance of a specified pool of contracts, or a specified type of contract, or
 - realised and/or unrealised investment returns on a specified type of contract, or
 - the profit or loss of the insurer that issues the contracts.

Such contracts are more commonly known as “with-profits” or as “participating contracts”.

Insurance contracts and investment contracts with discretionary participation features

The liabilities for insurance contract and investment contracts with discretionary participation features are determined annually in accordance with regulatory requirements.

The liabilities for investment contracts with discretionary participation features include an assessment of any future options and guarantees included in this business and are measured on a fair value basis.

The estimation techniques and assumptions are periodically reviewed, with any changes in estimates reflected in the income statement as they occur.

The Long term business provision is calculated by the Society's Chief Actuary, having due regard to the actuarial principles laid down in the PRA Rulebook, and is approved by the Board.

Investment contracts

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are accounted for using deposit accounting. Premiums and claims are not recognised in the income statement in respect of these policies. The investment gain or loss on these policies is shown through the movement in the investment contract liabilities in the income statement and the liabilities are measured at fair value as designated upon initial recognition.

Financial instruments

Financial instruments comprise financial assets and financial liabilities, see the following sections. The Society applies the recognition and measurement provisions of International Accounting Standard 39 “Financial Instruments” as it stood immediately prior to IFRS 9 “Financial Instruments” superseding it (“IAS 39”). IAS 39 is applied to all financial instruments as permitted in Section 11 “Basic Financial Instruments” in FRS 102.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(1) Accounting policies (continued)

Financial assets

The financial assets are initially recognised at transaction price, net of directly attributable transaction costs. These are classified as financial assets as fair value through profit or loss, or as loans and receivables. Assets held at fair value through profit or loss are measured at fair value based on the active market price with gains and losses recognised in the income statement, whilst loans and receivables are held at amortised cost. Financial assets are derecognised when the rights to receive future cash flows from the investments have expired or have been transferred and the Society has transferred substantially all risks and rewards of ownership. All financial assets are held at fair value through profit or loss other than cash, deposits with credit institutions, mortgages, debtors arising from (re)insurance operations, other debtors and, accrued interest and rent which are measured at amortised cost using the effective interest method.

Investments in subsidiaries

Investments in subsidiary companies are held at fair value. The change in fair value through the year is recognised through gain or loss on investments in subsidiaries in the income statement. When there are unrealised gains, these are recognised as income, and when losses these are recognised as expenses.

Other financial investments

Derivative contracts in the form of a total return swap and an interest rate swap derivative are initially recognised at fair value on the date the derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in the income statement, when there are unrealised gains, these are recognised as income, and when losses these are recognised as expenses. Derivative financial liabilities are reported under "Other creditors including taxation and social security" in the balance sheet.

Fixed interest securities are shown in the financial statements at bid price and Open-Ended Investment Companies ("OEICs") are valued at the proportion owned of the net asset values of the OEICs.

The change in fair value through the year is recognised in the income statement as unrealised gains/losses. When there are unrealised gains, these are recognised as income, and when losses these are recognised as expenses. Net realised gains are recognised as Investment income and net unrealised losses are recognised as Investment expenses.

Financial liabilities

The Society classifies issued financial instruments in accordance with FRS 102 Section 22, based on the substance of the contractual terms. Regulatory capital categorisation (e.g. Tier 2 under PRA rules) does not affect accounting classification. Instruments that contain unavoidable contractual obligations to deliver cash, such as subordinated debt used as Tier 2 capital, are classified as financial liabilities. A financial liability is derecognised when, and only when, it is extinguished. A liability is considered extinguished when the obligation specified in the contract is discharged, cancelled, or expires.

Subordinated liabilities

The financial liabilities are initially recognised at fair value being the value of the proceeds received, net of directly attributable transaction costs. The liabilities are subsequently carried at amortised cost using the effective interest rate. The effective interest charge is included in the income statement within "Investment expenses - Investment management expenses, including interest". The subordinated liabilities are denominated in Euros, see foreign currency accounting policy below.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(1) Accounting policies (continued)

Financial liabilities (continued)

Financing liability

This financial liability is initially recognised at fair value, net of directly attributable transaction costs. The liability is subsequently carried at amortised cost using the effective interest rate.

Subsequently, the advance claims are recognised at amortised cost which is the amount at which financial liability is measured at initial recognition, minus the principal repayments, and minus any adjustments to the liability as agreed with the reinsurer. The interests accruing on the liability due are charged to income statement at the effective interest rate and added to the outstanding liability.

Prepayments

Prepayments are recognised when the Society pays for goods or services in advance of receiving them. They are recorded as assets at the amount paid and released to expenditure over the period to which they relate, in a manner that reflects the pattern of benefit consumed. Prepayments are reviewed at each reporting date and adjusted if they no longer represent future economic benefit. The most significant prepayment is where the Society re-licences software from National Friendly Software Solutions Limited over ten years.

Foreign currency

Functional and presentational currency

The Society's and the Group's financial statements are presented in pound sterling and rounded to thousands. The Society's functional and presentation currency is the pound sterling and rounded to thousands.

Transactions and balances

Foreign currency transactions are translated into the functional current using the spot exchange rates at the dates of the transactions. At each period end foreign currency monetary items are translated using the closing rate.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. The foreign exchange gains and losses will be reported in investment income or investment expenses as appropriate.

Cash flow statement

The Society, being a mutual life insurer, is exempt from the requirement under Section 7 "Statement of Cash Flows" of FRS 102 to produce a cash flow statement.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(1) Accounting policies (continued)

Key estimates and judgements

Technical provisions - valuation of investment and long term insurance contracts

Technical provisions are calculated using policy data held on the Society's administration systems and assumptions set using internal and external data as inputs to actuarial valuation models. The Society calculates its technical provisions based on the best estimate of liabilities plus a risk margin, using the regulatory solvency (Solvency UK) basis. Solvency UK requires a best estimates provision, adjusted for a risk margin to reflect the uncertainty of cashflows.

The assessment of the appropriate value of the technical provisions requires the Society to make significant judgements when determining the underlying assumptions. The principal assumptions where material judgement is relied upon are in relation to per policy expenses, mortality, morbidity and lapses. Non-economic assumptions are set based on the Society's own experience; wherever possible other reference points, such as industry statistics, are also used in the setting of assumptions. Economic assumptions are based on observed market conditions wherever possible.

Due to the long-term nature of these obligations, the estimates are subject to significant uncertainty. Further details on specific assumptions are provided in note 23 to these financial statements. Note 2 contains the results of sensitivities on key risks (which also include those assumptions where estimates have been made), showing the financial impact if outcomes differ from the assumptions being made.

Valuation of investment properties

The Society owns two investment properties which are held for long-term rental yield and capital growth. These properties are valued annually on a fair value basis by chartered surveyors appointed by the Society. The valuations have been prepared in accordance with the Royal Institution of Chartered Surveyors' Valuation – Global Standards 2024 (the 'Red Book'), effective 31 January 2025. In preparing these valuations, data and information available concerning rental yields, lease terms, voids and floor areas and enquiries within local marketplaces have been used as contributing factors to each individual property's valuation. The most significant inputs into these valuations are the rental income and yield assumptions. Further information is provided in note 14.

Defined benefit pension scheme

In determining the pension cost and the defined benefit obligation of the Society's defined benefit pension schemes, a number of assumptions are used. These assumptions include an appropriate discount rate, the level of salary escalation, price inflation and mortality rates. Further details are contained in note 25.

Valuation of investments in subsidiaries

Investments in subsidiaries are held at fair value. The change in fair value through the year is recognised through the income statement. Judgement is required in assessing the fair values of the subsidiary companies which are not considered to be materially different from the net asset values in the respective subsidiary financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(2) Capital management

The regulatory capital requirement for the Society is determined by the solvency regime ("Solvency UK") set out in the PRA Rulebook. This is a risk-based approach to the assessment of capital requirements whereby technical provisions are calculated as the sum of the best estimate of liabilities plus a risk margin. The Solvency Capital Requirement ("SCR") is the additional capital the Society is required to hold to withstand a set of adverse events (covering market, underwriting, counterparty and operational risks) with a 99.5% level of confidence. The Society aims to manage its capital to ensure that there is an appropriate level of surplus over the SCR, in line with its solvency risk appetite. This is monitored formally through the Board and Risk & Compliance Committee on a quarterly basis and on an ongoing basis by the Actuarial Function.

The Society calculates its SCR in accordance with the Standard Formula. The liabilities are discounted using risk free discount rates prescribed by the PRA. These rates do not necessarily reflect the rates earned on the financial assets held by the Society.

The Society maintains a single long term business fund. The available capital for the fund is represented by the fund for future appropriations which represents the difference between the assets and liabilities of the Society and Group. For regulatory solvency purposes certain assets are deemed inadmissible for meeting the capital requirements. At the balance sheet date £0.04m (2024: £0.05m) of intangible assets could not be included for regulatory capital purposes.

In addition, for statutory purposes under FRS 102/103, the Society calculates its FRS 102/103 liabilities on the same basis as for the regulatory solvency. The Society is eligible to use a Transitional Measure on the risk-free Interest Rate (TMIR) for its regulatory solvency reporting to the PRA. The TMIR applies only to policies in force prior to 01/01/2016 and amortises over a 16-year period. At the balance sheet date, the TMIR adjustment is nil (2024: nil).

The subordinated liability is measured at amortised cost for statutory purposes under FRS 102, however for Solvency reporting it is measured at its fair value and is reported as Tier 2 capital in accordance with the PRA requirements. In addition, the PRA Regulations impose a restriction on the value of this Tier 2 capital, whereby the sum of this, and any Tier 3 instruments of which the Society has none, cannot exceed more than 50% of the SCR as set out in the "Own Funds" part of the PRA's Solvency UK Rulebook.

Assumptions used in the valuation of the technical provisions

The assumptions used in the valuation of the technical provisions, including those used to value options and guarantees, are determined by conducting an analysis of the Society's past experience and overlaying this with expert judgement. Further details are included in note 23.

Capital resource sensitivities

The Society's capital position is sensitive to changes in economic conditions and demographic assumptions, due to both changes in the value of the assets and the value of the liabilities. The main sensitivities arise from:

Market risk:

The Society is exposed to reductions in the value of its assets.

The risk is reduced by matching fixed interest assets to the expected profile of the liabilities so that the assets and liabilities move in the same way under a fixed interest market stress scenario.

For with-profits business, the risk to available capital is further reduced by the fact that asset shares will reduce in a market risk scenario. This reduces exposure under the equity and property stresses in particular.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(2) Capital management (continued)

Capital resource sensitivities (continued)

Lapse risk:

The Society is exposed to the risk that lapses are higher or lower than expected. Whether this increases or reduces available capital varies by product. The highest impact Standard Formula lapse risk is the risk of a mass lapse scenario.

This risk is partly mitigated by using mass lapse reinsurance for the Guaranteed Partially Underwritten Life Assurance/Over 50s and income protection business, but the Society is still exposed to residual mass lapse risk on this product, and on other products.

In the event of an adverse lapse scenario, management actions can be taken on some legacy health contracts to increase the available capital. These are premium increases, increases to "own share" percentages (the proportion of claims that are paid by the members deposit account) and reduction to asset shares under market stresses.

New health contracts have annually reviewable premiums to reduce exposure to underwriting risks.

Longevity risk:

The Society is exposed to the risk that mortality rates reduce, particularly on annuity business. This risk is largely mitigated using reinsurance for the immediate needs annuity business, but the Society is exposed to residual longevity risk on this product, and on other products.

Expense risk:

The Society is exposed to the risk that expenses are higher than expected. This could materialise by lower than expected volumes of new business meaning the per policy expenses are increased.

The management actions as described under the lapse risk section can equally be applied in an expense risk scenario to increase the available capital.

In addition, an expense stress in relation to with-profits business can be charged to asset shares, further reducing the impact.

Morbidity risk:

The Society is exposed to the risk that there are more morbidity claims than expected, or that they are of higher value.

This risk is partly mitigated by quota share and excess of loss reinsurance arrangements on some health products, but the Society is exposed to residual morbidity risk on these and other products.

The management actions as described under the lapse risk section can equally be applied in a morbidity risk scenario to increase the available capital.

Mortality risk:

The Society is exposed to the risk that mortality increases. The Society's exposure to mortality risk is expected to increase as we continue to sell Over 50s contracts.

The following table shows the sensitivity of the Society's available Own Funds to changes in assumptions. The assumption changes shown are those as per the Solvency UK Standard Formula. The Total Own Funds & SCR Coverage Ratio are set out in page 8.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(2) Capital management (continued)

Capital resource sensitivities (continued)

	Society 2025 Impact (Unaudited) £'000	Society 2024 Impact (Unaudited) £'000
Baseline Eligible Own Funds:	43,588	26,403
Property risk		
Decrease in property values of 25%	(138)	(218)
Interest rate risk		
Increase in risk free yield curve as specified by the PRA (average +1%)	(1,370)	(2,451)
Decrease in risk free yield curve as specified by the PRA (average -1%*)	360	241
Equity risk		
Decrease in equity values of 46.8% (2024: 42.0%)	(208)	(378)
Credit spread risk		
Decrease in corporate bond values of 3.9% (2024: 4.3%)	(130)	(154)
Lapse risk **		
Increase in lapse rates of 50%	(13,374)	(6,828)
Decrease in lapse rates of 50%	(358)	(440)
Mass lapse of 40%	(19,646)	(14,278)
Longevity risk		
Decrease in mortality rates of 20%	(1,580)	(1,109)
Expense risk		
Increase in per policy expenses of 10% and expense inflation of 1% p.a.	(2,773)	(2,606)
Morbidity risk		
Increase in morbidity rates of 5% and claim inflation of 1% p.a.	(5,892)	(2,539)
Mortality risk		
Increase in mortality rates of 15%	(7,886)	(6,779)

* For a 10-year term, which is the approximate average duration of the Society's liabilities.

** The PRA Rulebook requires that the lapse stresses are applied only to lines of business where the stress would result in a decrease in Own Funds. As such, all of the lapse stresses reduce the available Own Funds.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(3) Risk management

The key risks that the Society and Group are exposed to, and the way the Society and Group manage them is set out as follows:

Insurance risk

Insurance risk is the risk that arises from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Long term insurance risk arises from morbidity, persistency, mortality and expense variances. Systems are in place to measure, monitor and mitigate exposure to all these risks.

The valuation assumptions have been recommended by the Chief Actuary and approved by the Board. See note 23 for details of assumptions used in the calculation of the long term business provision.

The Society does not consider that there are material concentrations of insurance risk in its portfolio, given the nature of its products (i.e. individual policies, with very few group policies) and the breadth of its distribution network.

Financial risk

The Society is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and insurance liabilities. The most important components of this financial risk are market risk (including interest rate risk, inflation risk, exchange rate risk and equity price risk), credit risk and liquidity risk. The Society also faces financial risks in respect of property valuations, concentration of investments and counter-party exposures.

Each of the exposures to risk are analysed regularly to assess their likely impact and probability.

i. Market risk

Market risk is the risk that as a result of market movements, the Society may be exposed to fluctuations in the value of its assets, the amount of its liabilities, or the income from its assets. Sources of general market risk include movements in interest rates, equities, exchange rates and real estate prices.

The Society has a low appetite for market risks and this is reflected in its investment strategy. The investment strategy is kept under regular review as part of the capital management plan.

a) Interest rate risk

Changes in interest rates impact the value of the Society's assets and liabilities. The risk to the fund for future appropriations from changes in interest rates is reduced by close matching of assets to liabilities. In the year the Society entered into a number of derivative contracts to manage interest rate arising from these activities. These instruments are used solely for risk-management purposes and form part of the Society's broader financial risk management framework.

b) Inflation risk

The Society is exposed to increasing inflation through the inflation linked pension benefits payable through the Staff Superannuation Fund, through its own expense base and through income protection contracts which have inflation linked benefits. This risk is managed through a combination of holding some inflation linked assets, and the ability to vary premiums on some contracts (including policy fees) in line with inflation.

c) Exchange rate risk

The Society's subordinated liability is denominated in Euros. Investments are held in Euros to reduce the impact of foreign exchange risk. Assets denominated in Euros, which are measured at fair value, were £12,880,000 as at 31 December 2025 (2024: £nil). Liabilities denominated in Euros, which are measured at amortised costs were £12,566,000 as at 31 December 2025 (2024: £nil).

Notes to the financial statements (continued)

For the year ended 31 December 2025

(3) Risk management (continued)

Financial risk (continued)

ii) Credit risk

Credit risk is the risk of loss incurred whenever a counterparty fails to perform its contractual obligations including failure to perform them in a timely manner. The Society has a low appetite for credit risk on cash is spread over a number of highly rated banks with a maximum limit on the exposure to any one financial institution.

The terms of the investment funds require an appropriate spread of holdings within specified parameters, with the majority of assets being 'A' rated bonds or higher. There are also limits on the maximum exposure to any single counterparty and on the level of exposure to lower rated bonds.

This results in a relatively modest exposure to lower rated and possibly riskier assets within the investment funds. However, the Society considers regular reviews from the fund manager so that the risk within the funds remains appropriate relative to the Society's appetite for credit risk. The Society currently has a low level of exposure to re-assurer security, due to the nature of the reinsurance arrangements in place. Therefore, there are no specific actions envisaged to manage the risks in this section.

	Group		Society	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
The assets bearing credit risk are summarised and analysed by credit rating below:				
Fixed interest securities	29,885	31,205	29,885	31,205
Derivative financial assets	202	-	202	-
Deposits with credit institutions	584	1,646	584	1,646
Mortgages	47	47	47	47
Reinsurers' share of technical provisions – claims o/s	1,426	1,269	1,426	1,269
Debtors arising from direct insurance operations	384	405	381	361
Debtors arising out of reinsurance operations	123	47	123	47
Other debtors	1,276	1,185	1,276	1,185
Cash at bank and in hand	3,211	2,380	3,177	2,277
Accrued interest and rent	335	648	335	648
Total assets bearing credit risk	37,473	38,832	37,436	38,685
AAA	50	49	50	49
AA	24,578	24,371	24,578	24,371
A	9,759	10,612	9,725	10,509
BBB	524	1,017	524	1,017
Not rated	2,562	2,783	2,559	2,739
Total assets bearing credit risk	37,473	38,832	37,436	38,685
Other assets not bearing credit risk:				
Open-Ended Investment Companies ("OEICs") – Own fund investments	13,340	16,077	13,340	16,077
Equity investments	-	3,031	-	3,031
OEICs – Euro denominated	12,880	-	12,880	-
Other OEICs	3,625	-	3,625	-
Assets held to cover linked liabilities (note 17)	1,355	1,379	1,355	1,379
Total financial assets	68,673	59,319	68,636	59,172

As part of an exercise to make the financial statements more user-friendly the prior year figures have been represented. This revised presentation makes the above more reconcilable to note 18 'Financial assets', and this includes a reassessment that the OEICs in prior year are not subject to credit risk. The reconciling items, which are not subject to credit risk, are noted in the above table.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(3) Risk management (continued)

Financial risk (continued)

iii) Liquidity Risk

Liquidity risk is the risk that the Society either does not have available sufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. For example, liquidity risk can arise from mismatching between expected asset and liability cash flows or from the inability to sell assets quickly.

The Society has a low appetite for liquidity risk and the risk is controlled by maintaining a prudent cash holding and primarily investing in liquid assets. The Society will continue to monitor its emerging cash flow requirements.

Financial assets held over five years are long-term assets aiming to match the duration of liabilities. It is not possible to invest in fixed income investments with no maturity date. However, the Society carries out regular checks so that assets and liabilities are well matched by duration.

Maturity data for the Society's Group Financial and insurance liabilities as at 31 December 2025	Group 2025				
	No maturity date	Within 1 year	1 – 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Subordinated liabilities (see note 21)*	-	1,231	6,574	19,061	26,866
Claims outstanding**	-	3,889	-	-	3,889
Provision for bonuses and rebates**	9	6	10	4	29
Technical provision for linked liabilities – insurance contracts**	922	-	-	-	922
Technical provision for linked liabilities – investment contracts**	219	-	-	-	219
Reinsurers' share of technical provisions – long term business provision**	10,100	-	1,398	-	11,498
Creditors arising out of direct insurance operations*	-	99	-	-	99
Financing liability*	-	8,054	-	-	8,054
Other creditors including taxation and social security*	-	747	128	223	1,098
Total financial and insurance liabilities	11,250	14,026	8,110	19,288	52,674

* These amounts are on an undiscounted basis as required by FRS 102 and hence will not always reconcile to the balance sheet.

** As permitted by FRS 103 these take the form of an analysis, by estimated timing, of the amounts recognised in the balance sheet.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(3) Risk management (continued)

Financial risk (continued)

iii) Liquidity Risk (continued)

Maturity data for the Society's Group Financial and insurance liabilities as at 31 December 2024	Group 2024				
	No maturity date £'000	Within 1 year £'000	1 – 5 years £'000	Over 5 years £'000	Total £'000
Long term business provision**	-	715	947	9,743	11,405
Claims outstanding**	-	2,919	-	-	2,919
Provision for bonuses and rebates**	-	-	-	29	29
Technical provision for linked liabilities – insurance contracts**	-	967	-	-	967
Technical provision for linked liabilities – investment contracts**	-	221	-	-	221
Reinsurers' share of technical provisions - long term business provision**	-	-	9,850	6	9,856
Financing liability*	-	5,855	-	-	5,855
Creditors arising out of reinsurance operations*	-	16	-	-	16
Other creditors including taxation and social security*	-	848	-	-	848
Total financial and insurance liabilities	-	11,541	10,797	9,778	32,116

Maturity data for the Society's Group Financial assets as at 31 December 2025	Group 2025				
	No maturity date £'000	Within 1 year £'000	1 – 5 years £'000	Over 5 years £'000	Total £'000
Fixed interest securities	-	2,202	7,472	20,211	29,885
Open-Ended Investment Companies ("OEICs") – Own fund investments	13,340	-	-	-	13,340
OEICs - Euro denominated	12,880	-	-	-	12,880
Other OEICs	3,625	-	-	-	3,625
Derivative financial assets	-	202	-	-	202
Deposits with credit institutions	584	-	-	-	584
Mortgages	47	-	-	-	47
Assets held to cover linked liabilities	1,355	-	-	-	1,355
Reinsurers' share of technical provisions – claims outstanding	-	1,426	-	-	1,426
Technical provisions – Long term business provision**	(25,601)	(537)	(989)	27,265	138
Debtors arising from direct insurance operations	-	384	-	-	384
Debtors arising out of reinsurance operations	-	123	-	-	123
Other debtors	-	1,276	-	-	1,276
Cash at bank and in hand	3,211	-	-	-	3,211
Accrued interest and rent	-	335	-	-	335
Total financial and insurance assets	9,441	5,411	6,483	47,476	68,811

Notes to the financial statements (continued)

For the year ended 31 December 2025

(3) Risk management (continued)

Financial risk (continued)

iii) Liquidity Risk (continued)

Maturity data for the Society's Group Financial assets as at 31 December 2024	Group 2024				
	No maturity date	Within 1 year	1 – 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Equity investments	3,031	-	-	-	3,031
Fixed interest securities	-	828	9,356	21,021	31,205
OEICs – Own fund investments	-	16,077	-	-	16,077
Deposits with credit institutions	-	1,646	-	-	1,646
Mortgages	47	-	-	-	47
Assets held to cover linked liabilities	1,379	-	-	-	1,379
Reinsurers' share of technical provisions	-	1,269	-	-	1,269
Debtors arising from direct insurance operations	-	405	-	-	405
Debtors arising out of reinsurance operations - claims outstanding	-	47	-	-	47
Other debtors	-	1,185	-	-	1,185
Cash at bank and in hand	2,380	-	-	-	2,380
Accrued interest and rent	-	648	-	-	648
Total financial assets	6,837	22,105	9,356	21,021	59,319

Maturity data for the Society's Financial and insurance liabilities as at 31 December 2025	Society 2025				
	No maturity date	Within 1 year	1 – 5 years	Over 5 years	Total
	£'000	£'000	£'000	£'000	£'000
Subordinated liabilities (see note 21)*	-	1,231	6,574	19,061	26,866
Claims outstanding**	-	3,889	-	-	3,889
Provision for bonuses and rebates**	9	6	10	4	29
Technical provision for linked liabilities – insurance contracts**	922	-	-	-	922
Technical provision for linked liabilities – investment contracts**	219	-	-	-	219
Reinsurers' share of technical provisions - long term business provision**	10,100	-	1,398	-	11,498
Creditors arising out of direct insurance operations*	-	99	-	-	99
Financing liability*	-	8,054	-	-	8,054
Other creditors including taxation and social security*	-	959	128	223	1,310
Total financial and insurance liabilities	11,250	14,238	8,110	19,288	52,886

Notes to the financial statements (continued)

For the year ended 31 December 2025

(3) Risk management (continued)

Financial risk (continued)

iii) Liquidity Risk (continued)

Maturity data for the Society's Financial and insurance liabilities as at 31 December 2024	Society 2024				
	No maturity date £'000	Within 1 year £'000	1 – 5 years £'000	Over 5 years £'000	Total £'000
Long term business provision**	-	715	947	9,743	11,405
Claims outstanding**	-	2,919	-	-	2,919
Provision for bonuses and rebates**	-	-	-	29	29
Technical provision for linked liabilities – insurance contracts**	-	967	-	-	967
Technical provision for linked liabilities – investment contracts**	-	221	-	-	221
Reinsurers' share of technical provisions – long term business provision**	-	-	9,850	6	9,856
Financing liability*	-	5,855	-	-	5,855
Creditors arising out of reinsurance operations*	-	16	-	-	16
Other creditors including taxation and social security*	-	840	-	-	840
Total financial and insurance liabilities	-	11,533	10,797	9,778	32,108

Maturity data for the Society's Financial assets as at 31 December 2025	Society 2025				
	No maturity date £'000	Within 1 year £'000	1 – 5 years £'000	Over 5 years £'000	Total £'000
Fixed interest securities	-	2,202	7,472	20,211	29,885
Open-Ended Investment Companies ("OEICs") – Own fund investments	13,340	-	-	-	13,340
OEICs – Euro denominated	12,880	-	-	-	12,880
Other OEICs	3,625	-	-	-	3,625
Derivative financial assets	-	202	-	-	202
Deposits with credit institutions	584	-	-	-	584
Mortgages	47	-	-	-	47
Assets held to cover linked liabilities	1,355	-	-	-	1,355
Reinsurers' share of technical provisions - claims outstanding	-	1,426	-	-	1,426
Technical provisions – Long term business provision**	(25,601)	(537)	(989)	27,265	138
Debtors arising from direct insurance operations	-	381	-	-	381
Debtors arising out of reinsurance operations	-	123	-	-	123
Other debtors	-	1,276	-	-	1,276
Cash at bank and in hand	3,177	-	-	-	3,177
Accrued interest and rent	-	335	-	-	335
Total financial and insurance assets	9,407	5,408	6,483	47,476	68,774

Notes to the financial statements (continued)

For the year ended 31 December 2025

(3) Risk management (continued)

Financial risk (continued)

iii) Liquidity Risk (continued)

Maturity data for the Society's Financial assets as at 31 December 2024	Society 2024				
	No maturity date £'000	Within 1 year £'000	1 – 5 years £'000	Over 5 years £'000	Total £'000
Equity investments	3,031	-	-	-	3,031
Fixed interest securities	-	828	9,356	21,021	31,205
OEICs – Own fund investments	-	16,077	-	-	16,077
Deposits with credit institutions	-	1,646	-	-	1,646
Mortgages	47	-	-	-	47
Assets held to cover linked liabilities	1,379	-	-	-	1,379
Reinsurers' share of technical provisions - claims outstanding	-	1,269	-	-	1,269
Debtors arising from direct insurance operations	-	361	-	-	361
Debtors arising out of reinsurance operations	-	47	-	-	47
Other debtors	-	1,185	-	-	1,185
Cash at bank and in hand	2,277	-	-	-	2,277
Accrued interest and rent	-	648	-	-	648
Total financial assets	6,734	22,061	9,356	21,021	59,172

Fair value estimation

The basis for determining the fair value hierarchy is as follows:

Level 1 – Valued using unadjusted quoted price in active markets for identical financial instruments.

Level 2 – Valued using techniques based significantly on observed market data.

Level 3 – Valued using techniques incorporating information other than observable market data.

Fixed Interest Securities

Fixed interest securities are made up of debt securities issued by sovereign governments ("gilts") and debt securities issued by corporate entities ("corporate bonds"). Gilts are highly liquid and traded in active markets resulting in a Level 1 classification. Their value is determined with reference to the latest available market price prevailing at the valuation point. Corporate bonds are classified as Level 2 instruments because they do not have quoted prices in active markets for identical securities and therefore do not meet the criteria for Level 1 classification. Their fair value is determined using observable market inputs — such as benchmark yield curves, credit spreads and prices for similar bonds — supplemented, where available, by independent price quotations from external pricing sources. These observable inputs ensure that valuations are based on independent and verifiable data, without reliance on significant unobservable assumptions.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(3) Risk management (continued)

Fair value estimation (continued)

OEIC Investments

The Society invests in Open-Ended Investment Companies ("OEICs"). These investments do not have quoted prices in active markets for identical instruments and therefore do not meet the criteria for Level 1 classification under the fair value hierarchy. Instead, OEIC holdings are valued using observable inputs, primarily the latest single dealing price or net asset value (NAV) published by the relevant fund manager at the valuation point. As such, OEIC investments are classified as Level 2 within the fair value hierarchy.

The valuation reflects the most recent price available and incorporates all observable market data used by the fund manager in determining the NAV. No significant unobservable inputs are used in the valuation process, and therefore no OEIC investments are classified as Level 3.

Derivatives financial instruments

The Society enters into derivative contracts for risk-management purposes. Derivative instruments are classified within the fair value hierarchy according to the observability of the inputs used in their valuation. Over-the-counter (OTC) derivatives — including swaps, forwards and standard option contracts — are classified as Level 2 because their valuation uses observable market inputs, such as forward rates, yield curves, implied volatilities and credit spreads, rather than quoted prices for identical instruments. These observable inputs ensure valuations are based on independently verifiable market data.

Assets held to cover linked liabilities

Assets held to cover linked liabilities consist of equity instruments held in funds which are measured based on their published net asset value they are classified as Level 2.

Financial assets hierarchy

The financial assets held at 31 December 2025, analysed by their fair value hierarchies are:

2025	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
- Fixed interest securities	21,994	7,891	-	29,885
- Open-Ended Investment Companies ("OEICs") – Own fund investments	-	13,340	-	13,340
- OEICs – Euro denominated	-	12,880	-	12,880
- Other OEICs	-	3,625	-	3,625
- Derivatives financial assets	-	202	-	202
- Assets held to cover linked liabilities	-	1,355	-	1,355
Total assets	21,994	39,293	-	61,287

The financial assets held at 31 December 2024, analysed by their fair value hierarchies were:

2024	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
Financial assets at fair value through profit or loss				
- Equity investments	3,031	-	-	3,031
- Fixed interest securities	22,298	8,907	-	31,205
- OEICs – Own fund investments	-	16,077	-	16,077
- Assets held to cover linked liabilities	-	1,379	-	1,379
Total assets	25,329	26,363	-	51,692

Notes to the financial statements (continued)

For the year ended 31 December 2025

(3) Risk management (continued)

Fair value estimation (continued)

Financial assets hierarchy (continued)

The financial liabilities held at 31 December 2025, analysed by their fair value hierarchies are:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
2025				
Liabilities				
Financial liabilities at fair value through profit or loss				
- Investment contracts on linked liability fund	-	219	-	219
- Derivative financial liabilities (see note 26)	-	351	-	351
Total liabilities	-	570	-	570

The financial liabilities held at 31 December 2024, analysed by their fair value hierarchies are:

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
2024				
Liabilities				
Financial liabilities at fair value through profit or loss				
- Investment contracts on linked liability fund	-	221	-	221
Total liabilities	-	221	-	221

(4) Earned premiums net of reinsurance

	Group & Society					
	2025 Periodic £'000	2025 Single £'000	2025 Total £'000	2024 Periodic £'000	2024 Single £'000	2024 Total £'000
Assurance	14,331	-	14,331	12,347	-	12,347
Income protection	3,794	-	3,794	1,164	-	1,164
Immediate needs annuities	-	30,298	30,298	-	23,560	23,560
Health insurance	7,980	-	7,980	8,271	-	8,271
Bonds and other	-	29	29	-	87	87
Payments to deposit	253	-	253	292	-	292
Unit linked	18	-	18	21	-	21
Total gross premiums written	26,376	30,327	56,703	22,095	23,647	45,742
Outward reinsurance premiums			(16,323)			(11,007)
Earned premiums net of reinsurance			40,380			34,735

All business is direct insurance.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(4) Earned premiums net of reinsurance (continued)

The gross new premiums written in the year are detailed below:

Gross new premiums written	Group & Society					
	2025 Periodic £'000	2025 Single £'000	2025 Total £'000	2024 Periodic £'000	2024 Single £'000	2024 Total £'000
Assurance	2,445	-	2,445	5,486	-	5,486
Income protection	3,327	-	3,327	1,164	-	1,164
Immediate needs annuities	-	30,298	30,298	-	23,433	23,433
Health insurance	528	-	528	910	-	910
Bonds and other	-	9	9	-	87	87
	6,300	30,307	36,607	7,560	23,520	31,080

The Society only transacts long term business within the United Kingdom.

(5) Investment income

	Group		Society	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Income from land and buildings	8	406	8	406
Income from other investments	1,686	923	1,686	923
Total Income from investments at fair value through profit or loss	1,694	1,329	1,694	1,329
Interest on cash and deposits held with credit institutions	169	164	169	164
Mortgages	2	1	2	1
Income from other investments	171	165	171	165
Total income from investments	1,865	1,494	1,865	1,494
Net gain realisation of land and buildings	-	626	-	626
Net gain realisation of Assets held to cover linked liabilities	194	-	194	-
Net gain realisation of other investments	-	198	-	198
Net gains on realisation of investments at fair value through profit or loss	194	824	194	824
Total Investment income	2,059	2,318	2,059	2,318

Notes to the financial statements (continued)

For the year ended 31 December 2025

(6) Unrealised gains on investments and Unrealised losses on investments

	Group		Society	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Unrealised gains on investments				
- Land and buildings	56	-	56	-
- Total return swap derivative contracts	571	-	571	-
- Other investments	3,923	-	3,923	-
Total unrealised gains on investments at fair value through profit or loss	4,550	-	4,550	-

	Group		Society	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Unrealised losses on investments				
- Land and buildings	-	(165)	-	(165)
- Interest rate swap derivative contracts	(351)	-	(351)	-
- Other investments	-	(3,141)	-	(3,141)
- Assets held to cover linked liabilities	(10)	(35)	(10)	(35)
- Investments in subsidiaries* (see note 15)	-	-	(76)	-
Total unrealised losses on investments at fair value through profit or loss	(361)	(3,341)	(437)	(3,341)

When investments are sold, all gains and losses recognised over the period during which the investments were held must be reclassified from unrealised to realised as required by FRS 102. As a result, the 'unrealised gains on investments – other investments' are largely offset by the realised losses reported in note 9, reflecting the reversal of unrealised losses that had been recognised in prior years.

* In prior year the "Loss on investment in subsidiary" was disclosed as a separate line item on the face of the income statement. This balance is no longer material, and was not material in prior year either, and hence is now reported within the above figure for 2025.

(7) Other technical income, net of reinsurance

	Group		Society	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Insurance commission	402	487	10	1
Other income	118	18	118	18
Other technical income, net of reinsurance	520	505	128	19

Notes to the financial statements (continued)

For the year ended 31 December 2025

(8) Net operating expenses

	Group		Society	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Included in operating expenses are:				
Fees payable to external auditors:				
- Audit of the Group and Society financial statements	510	331	501	336
Fees payable to internal auditors in respect of:				
- Internal audit *	-	10	-	10
- Actuarial fees	-	20	-	20
Depreciation of tangible assets (see note 19)	147	116	147	116
Amortisation of intangible assets (see note 13)	280	342	-	-

* The current year audit fee included overruns in respect of prior year.

(9) Investment expenses

	Group		Society	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Investment management expenses, including interest	1,332	168	1,332	168
Investment property direct costs	106	53	106	53
Realised losses on other investments at fair value through profit or loss	3,219	-	3,219	-
Foreign exchange losses	5	-	5	-
	4,662	221	4,662	221

In 2025 "Investment management expenses, including interest" includes the interest on the Financing liability, in prior year (£492,000), this was included in "Other technical charges, net of reinsurance", the prior year balance is not material. Due to the increase in the Financing liability in the early part of the year, the interest charged has increased accordingly and forms the majority of the "Investment management expenses, including interest".

When investments are sold, all gains and losses recognised over the period during which the investments were held must be reclassified from unrealised to realised as required by FRS 102. As a result, the 'realised losses' above are cumulative losses incurred over the period in which these instruments were held, and these are largely offset in the 'unrealised gains on investments – other investments' reported in note 6.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(10) Staff information

	Group		Society	
	2025	2024	2025	2024
Average monthly number of employees:				
Administration	53	51	53	51
Acquisition and distribution	39	42	35	38
	92	93	88	89

The average full-time equivalent is 87 (2024: 88) for the Group and 83 (2024: 84) for the Society. This excludes Non-Executive Directors of 4 (2024: 4).

	Group		Society	
	2025	2024	2025	2024
	£'000	£'000	£'000	£'000
Wages and salaries (inc. bonuses)	5,875	5,424	5,632	5,139
Social security costs	760	665	735	641
Pension costs	364	324	346	306
Total staff costs	6,999	6,413	6,713	6,086

The above includes emoluments for Directors, see note 11.

(11) Directors' Emoluments

	Group & Society	
	2025	2024
	£'000	£'000
Aggregate emoluments	1,180	1,036

There are no retirement benefits accruing for Directors as at 31 December 2025 (2024: none) under a defined benefit scheme. Included in the aggregate emoluments above is the aggregate amount of pension contribution made by the Society to a defined contribution scheme being £36,000 (2024: £31,000). Included in the above are the emoluments of two directors (2024: three), being £87,270 (2024: £95,185) which were in respect of their services as directors of the Society's subsidiary undertaking NFFS. All other requirements of Schedule 13D of the Friendly Societies Act 1992 are disclosed in the information provided on page 38.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(12) Taxation

(a) Tax attributable to long term business

Tax (credited)/charged in the long term business technical account comprises:

Current tax:

UK corporation tax

Total current tax

Deferred tax:

Origination and reversal of timing differences

Total deferred tax

Total tax charged in the long term business technical account

	Group		Society	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
UK corporation tax	-	-	-	-
Total current tax	-	-	-	-
Deferred tax:				
Origination and reversal of timing differences	-	-	-	-
Total deferred tax	-	-	-	-
Total tax charged in the long term business technical account	-	-	-	-

(b) Factors that may affect future tax charges

The deferred tax assets which have not been recognised due to the uncertainty of their recoverability in the foreseeable future comprise:

Realised and unrealised capital losses

Expenses deductible in future years

Trade losses

Short term timing differences

Deferred tax asset not recognised

	Group		Society	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Realised and unrealised capital losses	76	178	76	178
Expenses deductible in future years	1,704	1,637	1,704	1,637
Trade losses	1,577	1,565	-	-
Short term timing differences	2	2	-	-
Deferred tax asset not recognised	3,359	3,382	1,780	1,815

The tax charge for the Society which pays tax on its Basic Life Assurance and General Annuity Business (BLAGAB) is provided at a rate of 20% (2024: 20%) computed in accordance with the legislation applicable to mutual life assurance companies whereby no tax is charged on pension business profits or permanent health insurance business profits. There is no tax on exempt Friendly Society business. For subsidiaries of the Group, tax is provided at a rate of 25% (2024: 25%).

The tax expense for the subsidiaries is affected by current tax and the non-recognition of current year tax losses, as well as other timing differences. A reconciliation of the total tax expense can be found in the individual statutory accounts in each of the Society's subsidiaries where material differences between accounting and taxable profits arise.

Unrecognised deferred tax assets may be realised, and therefore reduce future tax payable, when net gains chargeable to corporation tax are realised or when there is sufficient taxable income with which to offset carried forward expenses and/or losses. This will therefore depend substantially upon future movements in the stock market and on future taxable income which cannot be predicted with certainty. There are unused gross capital losses of £960,512 (2024: £1,133,542).

Expenses deductible in the Society in future periods are primarily driven by excess management expenses carried forward of £4,549,145 (2024: £4,223,492) and loan relationship deficits carried forward of £nil (2024: £1,222,898). The Pension Scheme deficit gives rise to £3,974,046 of potential future tax deductions (2024: £2,742,961). Trade losses not recognised are made up of £6,305,313 (2024: £6,257,096) of trading losses incurred in the subsidiaries.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(12) Taxation (continued)

	Group		Society	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
(c) Balance sheet				
The deferred tax balance included within other assets comprises:				
Realised capital losses	132	76	132	76
Excess management expenses	3	4	3	4
Unrealised capital gains	(132)	(76)	(132)	(76)
Pension scheme surplus and short term timing differences	(3)	(4)	(3)	(4)
Trade losses	-	-	-	-
Deferred tax asset balance	-	-	-	-

(13) Intangible assets

	Group				
	Software under Construction £'000	Customer Book £'000	Website £'000	Computer Software £'000	Total £'000
At 31 December 2024					
Cost	50	429	4	5,408	5,891
Accumulated amortisation and impairment	-	(247)	(4)	(2,350)	(2,601)
Carrying amount	50	182	-	3,058	3,290
Year ended 31 December 2025					
Opening net book value	50	182	-	3,058	3,290
Additions	1,089	-	-	-	1,089
Amortisation	-	(41)	-	(239)	(280)
Transfer	(1,100)	-	-	1,100	-
Carrying amount	39	141	-	3,919	4,099
At 31 December 2025					
Cost	39	429	4	6,508	6,980
Accumulated amortisation and impairment	-	(288)	(4)	(2,589)	(2,881)
Carrying amount	39	141	-	3,919	4,099

Notes to the financial statements (continued)

For the year ended 31 December 2025

(13) Intangible assets (continued)

	Society	
	Software under Construction £'000	Total £'000
At 31 December 2024		
Cost	50	50
Accumulated amortisation and impairment	-	-
Carrying amount	50	50
Year ended 31 December 2025		
Opening net book value	50	50
Additions	1,089	1,089
Transfer	(1,100)	(1,100)
Carrying amount	39	39
At 31 December 2025		
Cost	39	39
Accumulated amortisation and impairment	-	-
Carrying amount	39	39

(14) Land and buildings

	Group and Society		
	2025 £'000	2025 £'000	2025 £'000
Fair value	Investment property	Held for own use	Total
Freehold land and buildings			
At 1 January	2,000	2,400	4,400
Transfers	(559)	559	-
Net (losses)/gains on revaluation	107	43	150
At 31 December	1,548	3,002	4,550
Long leasehold land and buildings			
At 1 January	810	-	810
Additions	22	-	22
Net (losses)/gains on revaluation	(52)	-	(52)
At 31 December	780	-	780
Total freehold and long leasehold land and buildings:			
At 31 December	2,328	3,002	5,330
At 1 January	2,810	2,400	5,210

Notes to the financial statements (continued)

For the year ended 31 December 2025

(14) Land and buildings (continued)

The historical cost of the land and buildings is £4,273,000 (2024: £4,251,000 restated) including £1,573,000 (2024: £1,353,000 restated) in respect of land and buildings held for own use. The prior year figures have been restated which only impacted on this disclosure note. There was an amount missing from prior year in respect of an investment property, and the amount included in prior year did not include a late reclassification from Held for own use to Investment property.

The Society's land and buildings are included at fair value. The land and buildings are valued by Rapleys LLP as at 31st December 2025 in accordance with the requirements of the Royal Institution of Chartered Surveyors' Valuation – Global Standards 2024 (the 'Red Book'), effective 31 January 2025. The critical assumptions made relating to the valuations are set out below:

	2025	2024
Yields	7.25%-8.4%	7.25% - 8.0%

Under the fair value measurement hierarchy, land and buildings are classed as level 3 as they are valued using techniques incorporating information other than observable data.

(15) Investments in subsidiaries

The Society has two wholly owned subsidiary companies incorporated in the United Kingdom: National Friendly Financial Solutions Limited and National Friendly Software Solutions Limited.

National Friendly Financial Solutions Limited operates a call centre giving financial advice, it is authorised and regulated by the Financial Conduct Authority. National Friendly Financial Solutions Limited is held by the Society at a fair value of £295,000 (2024: £371,000) after a revaluation loss of £75,000 (2024: £54,000) in the year.

National Friendly Software Solutions Limited licences a policy administration system to its customers and is held by the Society at a fair value of £105,000 (2024: £105,000)

The results of all subsidiaries for the year ended 31 December 2025 have been consolidated into the Group financial statements.

	Society	
	2025	2024
	£'000	£'000
Fair value of investments in subsidiaries at 1 January	476	530
Unrealised loss in value of subsidiaries*	(76)	(54)
Fair value of investments in subsidiaries at 31 December	400	476

* In prior year the above loss was included in the "Loss on investment in subsidiary" line item on the face of the income statement. This balance is no longer material, and was not material in prior year either, and hence is now reported within the above figure for 2025.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(16) Other financial investments

	Group & Society			
	2025	2025	2024	2024
	£'000	£'000	£'000	£'000
	Cost	Valuation	Cost	Valuation
Fixed interest securities	29,432	29,885	33,960	31,205
Open-Ended Investment Companies ("OEICs") – Own fund investments				
OEICs – Euro denominated	13,061	13,340	15,933	16,077
Other OEICs	12,908	12,880	-	-
Listed shares	2,731	3,625	-	-
Derivative financial assets	-	-	2,652	3,031
Deposits with credit institutions	-	202	-	-
Mortgages	584	584	1,646	1,646
	47	47	47	47
	58,763	60,563	54,238	52,006

Of the fixed interest securities £7,891,000 (2024: £6,517,000) relates to fixed interest securities by foreign issuers (denominated in GBP), with the remainder relating to UK fixed interest securities.

Of the OEICs - Euro denominated £12,880,000 (2024: £nil) are issued in Ireland and are denominated in Euros. All other (2024: All) financial investments are issued in the UK and are denominated in GBP.

(17) Assets held to cover linked liabilities

	Group & Society			
	2025	2025	2024	2024
	£'000	£'000	£'000	£'000
	Cost	Valuation	Cost	Valuation
Assets held to cover unit linked insurance contracts	599	1,095	574	1,085
Assets held to cover unit linked investment contracts	142	260	155	294
	741	1,355	729	1,379

Included within assets held to cover linked liabilities is £179,000 (2024: £168,000) representing units not yet purchased by policyholders.

An analysis of total financial assets, including assets held to cover linked liabilities is provided in note 18 'Financial assets'.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(18) Financial assets

	Group			
	2025	2025	2024	2024
	£'000	£'000	£'000	£'000
	Cost	Valuation	Cost	Valuation
Financial assets at fair value through profit or loss	58,873	61,287	53,274	51,692
Loans and receivables	7,386	7,386	7,627	7,627
Total financial assets	66,259	68,673	60,901	59,319
Included in the balance sheet as:				
Fixed interest securities	29,432	29,885	33,960	31,205
Open-Ended Investment Companies ("OEICs") Own fund investments	13,061	13,340	15,933	16,077
OEICs – Euro denominated	12,908	12,880	-	-
Other OEICs	2,731	3,625	-	-
Derivative financial assets	-	202	-	-
Listed shares	-	-	2,652	3,031
Deposits with credit institutions	584	584	1,646	1,646
Mortgages	47	47	47	47
Other financial investments (note 16)	58,763	60,563	54,238	52,006
Assets held to cover linked liabilities (note 17)	741	1,355	729	1,379
Reinsurers' share of technical provisions – claims outstanding	1,426	1,426	1,269	1,269
Debtors arising from direct insurance operations	384	384	405	405
Debtors arising out of reinsurance operations	123	123	47	47
Other debtors	1,276	1,276	1,185	1,185
Cash at bank and in hand	3,211	3,211	2,380	2,380
Accrued interest and rent	335	335	648	648
Total financial assets	66,259	68,673	60,901	59,319

Notes to the financial statements (continued)

For the year ended 31 December 2025

(18) Financial assets (continued)

	Society			
	2025	2025	2024	2024
	£'000	£'000	£'000	£'000
	Cost	Valuation	Cost	Valuation
Financial assets at fair value through profit or loss	58,873	61,287	53,274	51,692
Loans and receivables	7,349	7,349	7,480	7,480
Total financial assets	66,222	68,636	60,754	59,172
Included in the balance sheet as:				
Fixed interest securities	29,432	29,885	33,960	31,205
OEICs - Own fund investments	13,061	13,340	15,933	16,077
OEICs – Euro denominated	12,908	12,880	-	-
Other OEICs	2,731	3,625	-	-
Derivative financial assets	-	202	-	-
Listed shares	-	-	2,652	3,031
Deposits with credit institutions	584	584	1,646	1,646
Mortgages	47	47	47	47
Other financial investments (note 16)	58,763	60,563	54,238	52,006
Assets held to cover linked liabilities (note 17)	741	1,355	729	1,379
Reinsurers' share of technical provisions - claims outstanding	1,426	1,426	1,269	1,269
Debtors arising from direct insurance operations	381	381	361	361
Debtors arising out of reinsurance operations	123	123	47	47
Other debtors	1,276	1,276	1,185	1,185
Cash at bank and in hand	3,177	3,177	2,277	2,277
Accrued interest and rent	335	335	648	648
Total financial assets	66,222	68,636	60,754	59,172

(19) Tangible assets

	Group and Society			
	Computer	Office	Motor	Total
	Equipment	Equipment	Vehicle	
	£'000	£'000	£'000	£'000
At 31 December 2024				
Cost/Valuation	894	626	23	1,543
Accumulated depreciation and impairment	(662)	(255)	(23)	(940)
Net book amount	232	371	-	603
Year ended 31 December 2025				
Opening net book value	232	371	-	603
Additions	14	89	-	103
Disposals - cost	-	-	(23)	(23)
Depreciation	(86)	(61)	-	(147)
Disposals – accumulative depreciation	-	-	23	23
Closing net book amount	160	399	-	559
At 31 December 2025				
Cost/Valuation	908	715	-	1,623
Accumulated depreciation and impairment	(748)	(316)	-	(1,064)
Net book amount	160	399	-	559

Notes to the financial statements (continued)

For the year ended 31 December 2025

(20) Assets attributable to the long term business fund

All assets shown on the balance sheet on page 53 are attributable to the long term business fund.

(21) Financial Liabilities

	Group			
	2025	2025	2024	2024
	£'000	£'000	£'000	£'000
	Cost	Valuation	Cost	Valuation
Designated at fair value through profit or loss upon initial recognition*	219	219	221	221
At fair value through profit or loss (mandatory)	-	351	-	-
Other financial liabilities at amortised cost	21,367	21,466	6,703	6,703
Total financial liabilities	21,586	22,036	6,924	6,924
Included in the balance sheet as:				
Subordinated liabilities	12,467	12,566	-	-
Derivative financial liabilities (see note 26)	-	351	-	-
Investment contract liabilities on linked liability fund	219	219	221	221
Creditors arising out of direct insurance operations	99	99	-	-
Other creditors including taxation and social security (excluding Derivative financial liabilities) (see note 26)	747	747	848	848
Financing liability	8,054	8,054	5,855	5,855
Total financial liabilities	21,586	22,036	6,924	6,924
	Society			
	2025	2025	2024	2024
	£'000	£'000	£'000	£'000
	Cost	Valuation	Cost	Valuation
Designated at fair value through profit or loss upon initial recognition*	219	219	221	221
At fair value through profit or loss (mandatory)	-	351	-	-
Financial liabilities at amortised cost	21,579	21,678	6,711	6,711
Total financial liabilities	21,798	22,248	6,932	6,932
Included in the balance sheet as:				
Subordinated liabilities	12,467	12,566	-	-
Derivative financial liabilities (see note 26)	-	351	-	-
Investment contract liabilities on linked liability fund	219	219	221	221
Creditors arising out of direct insurance operations	99	99	-	-
Creditors arising out of reinsurance operations	-	-	16	16
Other creditors including taxation and social security (excluding Derivative financial liabilities) (see note 26)	959	959	840	840
Financing liability	8,054	8,054	5,855	5,855
Total financial liabilities	21,798	22,248	6,932	6,932

* Note that the 2024 Investment contract liabilities on linked liability has been updated to be included as financial liabilities designated at fair value upon initial recognition to more accurately reflect the historic accounting policy applied and for consistency with other areas in the financial statements.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(21) Financial liabilities (continued)

Financing liability

Financing liability includes the liability from the financing reinsurance treaty which is carried in the balance sheet at amortised cost. Their fair values are not materially different from the values shown above.

The financial liability is recognised at the initial funding received, net of the associated fees payable. The advance claim is recognised as a liability in the balance sheet and the interests due are in the income statement. Subsequently, the advance claims are recognised at amortised cost which is the amount at which financial liability is measured at initial recognition, minus the principal repayments, and minus any adjustments to the liability as agreed with the reinsurer. The interests accruing on the reinsurance liability due charged to income statement at the effective interest rate and added to the outstanding liability.

Subordinated liabilities

On 15th October 2025 the Society issued an unsecured floating rate loan, the principal amount of the loan was €15m and is repayable on 7th January 2036. The loan is listed on the official list of the Vienna MTF.

The loan is denominated in Euros and is recognised as a financial liability measured at amortised cost in accordance with FRS 102. Transaction costs have been deducted from the initial carrying amount and are amortised over the term of the loan using the effective interest method.

This debt qualifies as Tier 2 capital under the PRA's Solvency UK regime, although the full amount of the €15m is not permitted to be included due to the quantitative limits on Tier 2 instruments as set out in the "Own Funds" part of the PRA's Solvency UK Rulebook, as the eligible amount is dependent on the Society's SCR.

The fair value of the subordinated liabilities, the valuation of which is included in the Society's Solvency UK reporting, is £13,096k (2024:£nil).

(22) Fund for Future Appropriations

	Group		Society	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
As at 1 January	26,639	23,337	26,639	23,337
Transfer to the fund for future appropriations from income statement	5,022	3,436	5,022	3,436
Transfer from the fund for future appropriations from statement of comprehensive income	(264)	(134)	(264)	(134)
As at 31 December	31,397	26,639	31,397	26,639

The fund for future appropriations represents the estimated accumulated surplus in the funds that has not been allocated and is available to meet regulatory and other solvency requirements.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(23) Long term business provision

The long term business provision has been calculated on the basis of the following principal assumptions. Unless otherwise prescribed, these are all based on best estimates, informed by the Society's actual experience and industry data, as appropriate:

Rates of interest	
All contracts	Based on rates prescribed by the PRA.
Rates of mortality	
Life assurance	184%/193% (2024: 184%/193%) AMN00/AFN00, with variations according to factors including product type, age, smoker status and policy duration.
Care annuities	Individual assumptions based on individual underwriting
Other in payment annuities	100%-115% (2024: 100% - 115%) PNMA00/PNFA00
Deferred annuities	58.2% -71% (2024: 58.2% -71%) PNMA00/PNFA00
Rates of lapse	
All contracts	Lapse assumptions are bespoke to each product based upon the Society's actual experience, and vary according to factors including product subcategory, type of distributor and policy duration.
Rates of morbidity	
Health contracts	Morbidity assumptions are bespoke to each product based upon the Society's actual experience, and vary according to factors including product type, duration and age.
Income protection contracts	49.5%-110% (2024:45%-100%) IP11
Future morbidity claims cost inflation	
Health contracts	Morbidity claims cost inflation assumptions are based upon the Society's actual experience and expert judgement.

Expenses	
Death Benefits Only (DBO) contracts	£16.00 (2024: £3.25) per annum
Non-DBO Old Deposit contracts	£16.00 (2024: £26.50) per annum
Healthcare contracts	£33.00 (2024: £42.50) per annum
Other PMI contracts	£54.25 (2024: £28.50) per annum
All life assurance and pension policies	£16.00 (2024: £18.00) per annum
Immediate Needs Annuity contracts	£16.00 (2024: £26.50) per annum
Income Protection contracts	£22.75 (2024: £22.75) per annum
Friendly Shield	£23.25 (2024: £27.75) per annum
Per policy expense Inflation	A vector of rates varying by duration from the valuation date, starting at 2.95% (2024: 2.55%) in year 1, and reducing to 2.20% (2024: 2.25%) from year 10 onwards.
Tax relief on per policy expenses for taxable business	0% (2024: 0%)
Offset for with-profits life assurance policies	The value of expenses detailed in the terms and conditions for that particular policy.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(23) Long term business provision (continued)

	2025	2024
	£'000	£'000
	Group & Society	
Best Estimate Liability ("BEL") – product classes with negative net present value of cashflows	87,581	76,144
Best Estimate Liability ("BEL") – product classes with positive net present value of cashflows	(92,382)	(68,318)
Risk Margin ("RM")	4,663	3,579
Long Term Business Provision ("LTBP")	(138)	11,405

The Best Estimate Liability can be either an overall liability or asset, depending on the underlying cashflows that underpin its calculation. For product classes with a negative net present value of cashflows, the net present value of premiums is less than the net present value of claims and per policy expenses. Conversely, for product classes with a positive net present value of cash flows, the net present value of premiums exceeds that of the claims and per policy expenses.

(24) Technical provisions for linked liabilities

	Group & Society					
	Insurance contracts		Investment contracts		Total	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000	2025 £'000	2024 £'000
At 1 January	967	1,194	221	323	1,188	1,517
Change in technical provision as shown in the income statement	(45)	(227)	(2)	(102)	(47)	(329)
At 31 December	922	967	219	221	1,141	1,188

All movements in unit-linked insurance contracts including premium receipts and claims payments, are recorded in the income statement.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(25) Provisions for pensions and similar obligations

National Deposit Staff Superannuation Fund

Nature of the Fund

The Staff Superannuation Fund (the "Fund") operated by the Society is a funded defined benefit arrangement which provides retirement benefits based on final pensionable salary.

The Fund was closed to the future accrual of benefits with effect from 31 May 2009. For the staff that remained in employment with the Society at that point, their pension benefits could still increase in line with increase in their pensionable salary whilst they remained in employment with the Society. As at 31 December 2025, there were six members who were still employed by the Society, however for three out of these six the increases in their pension benefits had also stopped in previous years. As at 31 March 2026, the remaining three members' pension benefits have also now stopped accruing.

Funding Policy

Following the cessation of accrual of benefits with effect from 31 May 2009, regular contributions to the Fund are no longer required. However, additional contributions are still made to cover any shortfalls that arise following each valuation. The funding method employed to calculate the value of previously accrued benefits is the Projected Unit Method. The Trustees determine the level of contributions payable to the Fund following agreement from the Society and advice of the Fund's Actuary.

Valuations

The most recent triennial valuation of the Fund's liabilities for funding purposes, carried out as at 31 December 2022, indicated that the Fund's liabilities exceeded the assets, giving rise a shortfall on this basis. To eliminate the shortfall, the Society (as the employer) paid contributions of £20,000 each month in 2024 and then £18,000 per month from January 2025 until April 2027 (inclusive). The next triennial valuation of the Fund's liabilities for funding purposes will be based on the 31 December 2025 position.

The valuation of the Fund's liabilities carried out under FRS 102 as at 31 December 2025 for the purposes of these accounts results in a value which is higher than the value of the Fund's assets, giving rise to a deficit on this basis.

Buy-in transaction

In 2024 the Society completed a buy-in transaction in respect of most (by value) of the Scheme's pensions in payment. To achieve this, the Fund purchased individual annuity policies from the Society covering 59 pensioners and dependant members. The total premium of £8.6m for these policies was paid by the Fund to the Society on 15 December 2024. The benefit payments covered by the annuity policies remain liabilities of the Fund. However, the annuity policies themselves have not been valued as an asset of the Fund, in accordance with Section 28 of FRS 102. The result of the transaction was that the Fund's valuation was £8.6m lower than it would otherwise be, resulting in the Fund reporting a deficit. At the consolidated group level this is offset by an additional £8.6m of assets within the Society. The net effect is nil.

The amount recognised in the balance sheet as provisions for pensions and similar obligations are as follows:

	Group & Society	
	2025	2024
	£'000	£'000
Fair value of fund assets	5,474	5,591
Present value of funded obligations	(12,213)	(12,526)
Net under funding in fund	(6,739)	(6,935)
Provisions for pensions and similar obligations recognised on the balance sheet	(6,739)	(6,935)

Notes to the financial statements (continued)

For the year ended 31 December 2025

(25) Provisions for pensions and similar obligations (continued)

The amounts recognised in income statement are as follows:

	Group & Society	
	2025	2024
	£'000	£'000
Net Interest expense/(income)	361	(81)
Expense recognised in the income statement	361	(81)

	Group & Society	
	2025	2024
	£'000	£'000
Interest on obligation	675	603
Interest on assets	(314)	(684)
Net Interest expense/(income)	361	(81)

The amounts recognised as Remeasurements in the Statement of Comprehensive Income are as follows:

	Group & Society	
	2025	2024
	£'000	£'000
Return on assets (not included in interest)	(336)	(1,126)
Actuarial gains on obligation	29	917
Total remeasurements recognised in other comprehensive income	(307)	(209)
Cumulative amount of remeasurements recognised in other comprehensive income	(2,904)	(2,597)
Actual return on fund assets	(21)	(442)

The following other costs are included in the relevant sections of the accounts:

	Group & Society	
	2025	2024
	£'000	£'000
Administration expenses paid from the Fund	144	129
	144	129

The Society contributed £216,000 to the Fund over the year to 31 December 2025 (2024: £240,000). No contributions were paid by members of the Fund over the period.

The Society expects to contribute £254,000 to the Fund over the year from 1 January 2025 to 31 December 2025, based on the 31 December 2022 triennial valuation. However, a new triennial valuation is expected to be completed before the end on 2026 which would take into consideration the scheme position as at 31 December 2025 and any developments that have occurred before the valuation is formally completed. No contributions are expected by members of the Fund over the next year.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(25) Provisions for pensions and similar obligations (continued)

Changes in the present value of the Fund's Defined Benefit Obligation are as follows:

	Group & Society	
	2025 £'000	2024 £'000
Opening defined benefit obligation	12,525	13,979
Benefits paid	(959)	(1,140)
Interest on obligation	675	603
Experience losses	288	324
Gains from changes in assumptions	(316)	(1,241)
Closing defined benefit obligation	12,213	12,525

The weighted average duration of the liabilities of the Fund was 9 years as at 31 December 2025 (2024 9 years).

Changes in the fair value of the Fund assets are as follows:

	Group & Society	
	2025 £'000	2024 £'000
Opening fair value of fund assets	5,591	15,653
Interest on assets	314	684
Return on assets (not included in interest)	(336)	(1,126)
Contributions by employer	216	240
Benefits paid	(167)	(1,140)
Administration expenses	(144)	(129)
Closing fair value of fund assets before Buy-in	5,474	14,182
Insurance premium paid	-	(8,591)
Closing fair value of fund assets after Buy-in	5,474	5,591

The Benefits in 2025 has declined as the impact of the Buy-in resulted in £792,000 of the pension benefits being paid by the Society which consolidate out for these financial statements.

	Group & Society	
	2025 %	2024 %
The major categories of fund assets as a percentage of the total are as follows:		
Gilts	91	90
Cash	9	10

All the Fund's assets have a quoted market price in an active market. The Fund holds no financial instruments issued by the Society, nor does it hold any property or other assets used by the Society.

Notes to the financial statements (continued)

For the year ended 31 December 2025

(25) Provisions for pensions and similar obligations (continued)

Principal actuarial assumptions at the 31 December 2025 expressed as weighted averages (where applicable) are:

	Group & Society	
	2025 %pa	2024 %pa
Discount rate at 31 December	5.5	5.6
Discount rate at 1 January	5.6	4.5
Inflation (Retail Price Index)	2.5	2.9
Rate of increase in pensionable salaries	2.8	3.5
Rate of increase in deferred pensions	2.1	2.4
Rate of increase in pensions in payment – service pre 06/04/2005	2.5	2.9
Rate of increase in pensions in payment – service post 06/04/2005	1.8	2.1

Mortality assumptions

The mortality assumptions are based on standard mortality tables, which allow for future mortality improvements.

The assumptions are that a member aged 65 (2024: 65) will live on average until age 86 (2024: 86) if they are male and until age 89 (2024: 89) if female.

For a member currently aged 50 (2024: 50) the assumptions are that if they attain age 65 (2024: 65) they will live on average until age 87 (2024: 87) if they are male and until age 90 (2024: 90) if female.

Defined contribution scheme

The contributions to the defined contribution scheme made by the Society in the year amounted to £345,533 (2024: £306,311), and contributions made by the Group amounted to £363,517 (2024: £324,111).

(26) Other creditors including taxation and social security

	Group		Society	
	2025 £'000	2024 £'000	2025 £'000	2024 £'000
Derivative financial liabilities	351	-	351	-
Amounts owed to group undertakings	-	-	223	-
Other taxes and social security costs	252	756	247	752
Trade creditors	413	-	413	-
Other creditors	82	92	76	88
Total other creditors including taxation and social security	1,098	848	1,310	840

Notes to the financial statements (continued)

For the year ended 31 December 2025

(27) Operating lease commitments

The Society leases office equipment under cancellable operating lease agreements. Two new leases were entered into compared to the prior year figures. The lease terms were for up to six years, with penalty for early cancellation.

	Group & Society	
	2025	2024
	£'000	£'000
Total future minimum lease payments:		
Within one year	13	23
Between one and five years	52	1
After five years	3	-
Total	68	24

(28) Capital commitments

Amounts authorised and contracted for as at 31 December 2025 are £nil (2024: £nil)

(29) Related party transactions

National Friendly Financial Solutions Limited incurred charges of £736,000 (2024: £390,000) from the Society in respect of service charges for management, property, technology and shared support functions.

The Society paid National Friendly Financial Solutions Limited commission of £903,000 (2024: £657,000) for the sale of National Friendly products.

During the year the Society incurred licence fees of £239,000 (2024: £300,000) to National Friendly Software Solutions Limited for the policy administration system. On 31 December 2025 National Friendly Software Solutions Limited acquired £1,100,000 (2024: £958,000) of the Intellectual Property of Phase 3b of the policy administration system which the Society had developed. The Society will re-licence this software from National Friendly Software Solutions Limited over ten years (2024: eight years) and is accounted for as a prepayment for the Society.

As at 31 December 2025, the Society owed National Friendly Financial Solutions Limited £121,000 (2024: £50,000) and the Society owed National Friendly Software Solutions Limited £101,000 (2024: £857,000).

Key management personnel

All Directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total key management personnel compensation is £1,180,000 (2024: £1,036,000). Director's remuneration is disclosed in the Directors' emoluments disclosed on page 38.

In addition, the Directors of the Society may from time-to-time purchase insurance or investment products marketed by the Society in the ordinary course of business on the same terms as those prevailing at the time for comparable transactions with other persons. In 2025 and 2024, such transactions with the Society's Directors were not deemed to be significant both by virtue of their size and in context with the Directors' financial position. All of these transactions are on normal commercial terms.