

2024



Summary Financial Statement

Year Ended 31st March 2024

Including Notice of Annual General Meeting

esbs

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SUMMARY FINANCIAL STATEMENT

For the year ended 31st March 2024

This financial statement is a summary of information in the audited Annual Accounts, Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand at every office of the Earl Shilton Building Society (esbs) from 1st July 2024.

Approved by the Board of Directors on 20th May 2024.

A C ROBINSON	Board Chair
P TILLEY	Director & Chief Executive
S T WIGFULL	Deputy Chief Executive & Finance Director

CHAIR'S STATEMENT

1. Overview of the Society's results

I am delighted to report that the Society has had another good year, despite the challenging economic climate. Detailed below are the headline numbers. Paul Tilley, our Chief Executive, has provided more detail in the next section:

- Record mortgage advances of over £34 million;
- Continued positive feedback from our members;
- Healthy pre-tax profit of over £690,000;
- Mortgage book growth of over 11%; and
- Total asset growth of over 10%.

Although we delivered a healthy pre-tax profit this year, the Board continued to reward savers ahead of increases in interest rates for our borrowers. This did result in a similar profit to last year, but as part of our commitment to mutuality, and in the interests of our members and our long-term sustainability, we took the decision to reward savers with increased interest rates, but at the same time, be conscious of the impact of increased interest rates on our mortgage borrowers.

2. A review of the year

Overview

Throughout our financial year, the UK housing market has remained subdued, with housing completions down 11% from calendar year 2022 to calendar year 2023. UK Average house prices have tended to drop slightly for most months, although over the year, the Halifax House Price Index is actually up 0.3% from March 2023 to March 2024. Equally, inflation has remained above the Bank of England's target of 2% but it is falling. In particular, the Consumer Prices Index (CPI) rose by 3.2% in the 12 months to March 2024, down from 3.4% in February 2024. This compares to a level of 10.1% for the year to 31st March 2023 when I wrote my report last year.

The economy is also broadly flatlining with UK GDP at approximately the same level it was a year ago. However, the cost-of-living crisis continues to bite, and the increase in unemployment rate, which averaged 4.2% in the three months to February, up 0.3% compared to the previous three-month period is also not encouraging. Equally, it is unclear how Artificial Intelligence will affect the employment market and the wars in Palestine and the Ukraine could also worsen the economic outlook.

Interestingly, the increases in base interest rate have increased savers interest in interest (!) and the savings market has become more competitive.

Despite all this, our savings and mortgage teams have been busy, with both mortgage and savings balances up over 11%. We continued to remain prudent in our lending policy and, equally, our mortgage team are closely monitoring the market and mortgage arrears. The team are available and welcome contact from any borrowers who may be in difficulty. As part of our approach, we joined the Mortgage

Charter, which is designed to help borrowers with financial issues. We have also been busy embedding Consumer Duty, which was introduced by the FCA and is a useful framework to assess our customer-focused approach.

Climate Change

As part of our net zero carbon strategy, we have installed solar panels at our Head Office. We are also assessing our direct and indirect impact on climate and identify the corresponding level of offsetting carbon dioxide emissions – please see the Chief Executive's Report. We continue to support our borrowers who are interested in improving their home's energy efficiency or investing in lower carbon footprint technology by considering financing their investments via a home improvement mortgage advance. We also continue to have a watching brief on legislation and technology developments with the aim to support our members as alternatives evolve.

Core IT Systems

The Society continues to invest in developing our IT systems, having migrated to a cloud-based solution and upgraded our mortgage broking system. We are also reviewing our core mortgage and savings technology provider as our current supplier is migrating their core system to a new product in partnership with a third party. This work will require a considerable amount of the Society's resources, even if we stay with the existing provider, and so we have decided to review the market to assess whether there are more suitable alternatives available.

Board Changes

After successfully running the Society for the past 13 years and having been involved in the Building Society sector for over 40 years, our Chief Executive, Paul Tilley, has decided that he wishes to retire. Paul has made a huge difference to the Society and to our colleagues who work here. Our Board are highly appreciative of Paul's commitment, energy and drive that has made the Society what it is today. On a personal note, he will be missed, and we wish him well.

Paul has not yet left but we thought that we should update you of his news, his plans are to definitely leave before our next year end! It is therefore our challenge to find a worthy successor, who can build on Paul's legacy.

After 9 years of measured and insightful support, Ian Dale, our Senior Independent Director, will be retiring from the Board at the AGM in July 2024. I would like to thank Ian, on behalf of the Board, for his sage advice and support. He will be missed, and we wish him well. I would also like to welcome Helen Stevens to the Board, who is replacing Ian as part of our non-executive director rotation policy. Helen formally joined us on 1st March 2024, and she will be up for election at the AGM this year. Helen has a background in financial services and is familiar with large IT projects, which will come in handy as we migrate our core systems. The appointment of one of the current non-executive directors to Senior Independent Director, once Ian vacates this role, is in progress and an announcement will be made in due course.

Looking to the future, the Board as a whole values diversity and inclusion and within the retirement cycle, we will look to recruit suitable replacements.

Looking Forward

We continue to plan for our future even in these uncertain times. Our people and our members are paramount to our long-term sustainability. We will recruit additional colleagues to help with the systems migration and also to deliver our bespoke service and build our mortgage book. Costs remain a concern, particularly in relation to IT, where the migration and new systems are likely to increase both one-off and recurring costs. As part of the migration project, we will look to improve our processes to enhance our efficiency, to help off-set cost increases, and to improve our customer experience. We will continue to embed the Consumer Duty philosophy and also look to balance providing fair rates for both mortgages and savers. Finally, to help mitigate costs increases and as part of our sustainability strategy, we will continue to prudently grow the business and optimise profits.

Finally, I would like to thank all the Board Members and my colleagues for their continued support and dedication to deliver long-term sustainable value for our members.



A C ROBINSON
Board Chair

20th May 2024

CHIEF EXECUTIVE'S REPORT

Introduction

The Society has completed another highly successful financial year and continues to grow, develop, and change to meet the current and future needs of members. This is particularly pleasing given several challenging market factors including the continuing cost-of-living crisis, raised inflation levels, rapidly increased interest rates, moribund economic growth, and the wider geopolitical uncertainty, albeit consumer and business resilience has been much stronger than many commentators predicted back in 2023.

The Society achieved record new lending and improved retention of existing mortgage balances at maturity of products. Likewise, our savings accounts proved popular, and balances increased materially over the year.

As a business we continue to balance the competing needs of savers and borrowers in a considered manner, as evidenced by our net interest margin (the difference between average rates paid to savers and charged to borrowers) modestly falling over the last 12 months when compared to the preceding year. This is a clear demonstration of mutuality in action - we have no shareholders to pay dividends to.

The key deliverables of mortgage growth and optimised but not maximised profitability, allied to maintaining high-quality liquidity and robust capital measures continue to provide excellent financial stability for the Society, and confidence to you as a member.

Costs have increased this year on an actual money spent basis mainly due to inflation, which has driven higher IT costs and salary payments, but this was expected and managed within budget. The measure of expenses as a ratio to our size has pleasingly remained static, because of the growth in the Society's size.

I would like to take this opportunity to thank you once again, our members, for your ongoing support and for so readily using our products and services.

The Society is only as good as the people who work in it, and I continue to be delighted at the focus, commitment, professionalism, and collaborative approach that colleagues demonstrate every day to deliver good customer outcomes, and I would like to record my sincere personal thanks to everyone.



Growth

The last twelve months have seen the Society continue to grow the business, with increasing balances held by personal savers and owed by borrowers, despite the highly competitive mortgage and savings markets we operate in. The Society broke through the £180M assets barrier at the very end of the business year. Over the last two years the Society has grown over 20% in size, and continuing to grow remains a key deliverable in the coming years.

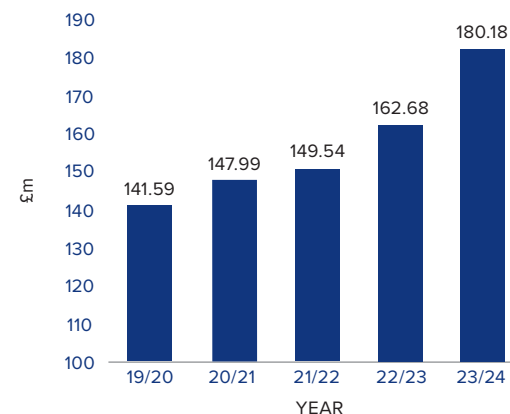
Sadly, it was necessary to restrict and suspend new saving account opening to manage retail inflow during the year; this was a deliberate policy to sensibly manage liquidity for financial efficiency and to retain its high quality and accessibility. However, it did demonstrate that our products remain competitive and relevant, and this funding was used, in part, to enable our mortgage programme to flourish.

The Society continues to evolve its lending proposition and is cognisant of the challenging economic situation to continue to effectively manage credit risk. Our aim remains to prudently lend through external challenges. In this respect, we seek out many underserved borrowing segments of the mass market – for example, we help those looking to build their own home and for those self-employed borrowers where an individual approach to affordability is taken.

Mortgage balances are at an all-time high of over £140 million and increased by over 11% year-on-year. Record new lending in any one year of nearly £35 million, which was 17% up from the previous year, drove this allied to improved retention of existing balances at product maturity, where the Society continued to offer fixed rate products, and accordingly mortgage redemptions reduced year-on-year. This was despite higher mortgage rates for most as the Bank of England consistently increased its base rate over the year to control higher inflation.

On the savings side whilst increasing interest rates on existing products was prevalent and the Select 120 Account gained traction, several new products were launched and proved popular including the 180 Day Notice ISA Account, several two year fixed rate bonds and the Bonus One Account where limited easy access to funds was permitted. Over the 12 month period overall balances pleasingly increased over £15 million.

Total Assets by Year



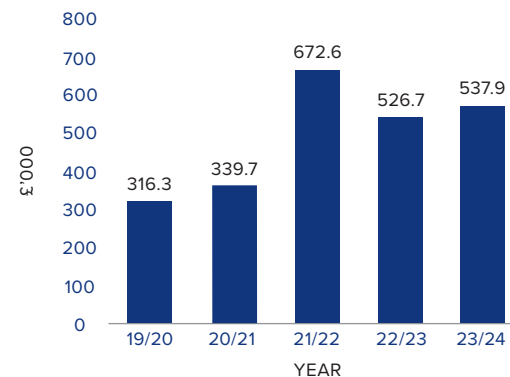
Profit / Capital

The level of operating profit reported this year shows a modest increase over last year, but the net (or final) profit is similar to the prior year following an increase in the Corporation Tax rate and an increase to collective loss provisions given the economic instability.

Profit is used to further strengthen our financial resilience – as a mutual we look, as mentioned earlier, to optimise but not maximise returns – and to allow investment in the business moving forward to enhance our proposition to members.

Capital, which is the accumulation of profit over the years, continues to increase as an absolute number and the various associated metrics remain robust, significantly greater than both regulatory and internal requirements. The Society remains in a very sound and stable financial position.

Profit for year after taxation in £'000

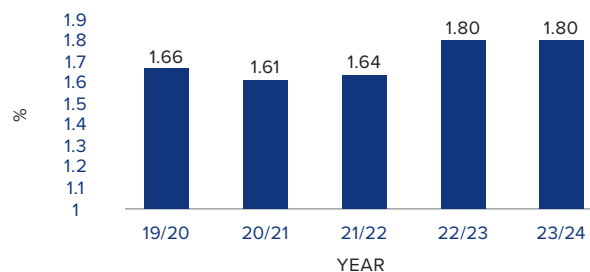


Management Expenses

As identified in the introduction, expenses in monetary terms have increased due to inflationary pressure but as a percentage of assets have remained stable due to growth. Cost increases have been particularly high within IT expenditure, and this is expected to continue in the medium term as investment continues.

Likewise, investment in people will always be a core strategy to ensure that the level of service we provide is what our members should expect from us. Having colleagues with relevant skills and experience through development techniques is an ongoing process. Budgetary discipline remains a key focus but some of our costs are relatively fixed and upon which control is limited to some degree.

Management Expenses as a % of average total assets



Members

The cost of living remains a significant financial impact to many, particularly borrowers. We continue to offer constructive assistance and forbearance to those affected and will continue to do so further into the future. Arrears have modestly moved up, but less than expected, during the year reflecting the impact of higher interest rates, but they remain within risk tolerance, and an effective and supportive collections process delivered by compassionate colleagues provides support to those in need. No property was repossessed during the year. During 2023 we joined the Government's newly launched Mortgage Charter to offer even further assistance and a small number of borrowers took up the forbearance options available and many have now exited these arrangements.

The number of customers with the Society remained broadly static during the last calendar year, which was pleasing given that for a period the Society had to suspend new savings account opening to control funds inflow. Furthermore, 97% of new members, when asked during the last business year, stated they would recommend the Society to others – a very pleasing result. As part of the Society's ongoing commitment to members a new customer journey survey has been recently deployed to widen feedback opportunities and I encourage members to use this facility – visit our website or contact us for more information.

Work remains ongoing to simplify the processes we use to further enhance the proposition to members and to build efficiencies.

Other Matters

The work undertaken in the community and charitable activities continues to play an important part in delivering a social contribution and retaining our heritage and culture. We continue to support many local organisations including support for alleviating homelessness.

The Society supports colleagues who wish to embark in charitable activity and additional leave is permitted for this purpose. In addition, the Society provides access to medical insurance and well-being mechanisms for all colleagues as a caring and compassionate employer. The Society remains committed to a diverse, equal, and inclusive workforce culture, where everyone can be heard and listened to.

In terms of awards, we have recently won for the fourth successive year the "Personal Finance Awards" "Best Self-Build Mortgage Lender" run by "The Money Pages" and was voted for by consumers.

I would also like to thank all our business partners, particularly the mortgage intermediary community, for assisting in the delivery of these results, and for their continued support.

At the Annual General Meeting we say a goodbye to Ian Dale, one of the Society's Non-Executive Directors, as he retires after 9 years' service as per the recommendation of the UK's Corporate Governance Code. Ian has provided valuable support and challenge to the business and his wise counsel delivered in a measured style will be sorely missed.

Finally, we wish Denise Warrington, a key member of our savings team, a well-earned retirement and hope she enjoys the rest after over 30 years of exemplary service. Many thanks Denise.

Looking Forward

The economic path forward remains uncertain due to cost of living challenges, higher interest rates, geopolitical factors, likely modest economic growth, and with the UK General Election due by the latest in very early 2025. However, I remain confident that business and consumer resilience will continue but the Society does plan several different stressed economic scenarios when forecasting, and the business is well positioned to remain financially stable. The Society can continue to grow and develop in a sensible and controlled manner, within defined risk appetites.

Our capital ratios remain very healthy, and they support our aspiration to continue to grow the Society at a controlled and prudent rate. Importantly, this will not be at the expense of taking on unknown and greater lending risk. Continuing to expand our mortgage distribution further, both direct to market and via the intermediated area, will help drive this growth aspiration.

Market conditions, particularly price competition, are expected to remain intense and how consumer confidence reacts to the affordability challenges will be vital to the performance of the economy. The Society is aware that borrowers may need ongoing support and it will be on offer. We will continue to provide a safe and secure home for savers' deposits and our objective is to continue to offer a consistent rate of interest across the product suite. Work will be undertaken to build relationships, primarily locally, to develop funding streams.

Our core system technology partner has notified us of their intention to retire its existing platform and they have partnered with another supplier to offer a replacement product. The Society is therefore commencing a transformation project to review the supplier market for value, functionality, and service to future proof the business for the benefit of members. This project will also encompass digital products such as savings account onboarding, the mortgage intermediary portal and ancillary but complementary integrated systems. Security remains uppermost in our minds to continue to protect members' personal data.

The above will not be without substantial cost and will likely take several years to complete. As such, whilst we are planning for steady operating profitability moving forward there will be exceptional costs to pay for this project which will impact overall profitability and / or capital. However, the Society is financially able to subsume the costs and remain sustainable into the future.

Continued development and reward of colleagues will remain a key focus as people are the key asset of the business.

Providing customer contact choice remains important – members should be able to decide how and when they communicate with us.

The Society continues to develop its climate change strategy and already permits borrowing to facilitate improvements to property to increase energy efficiency and reduce carbon footprint. For the first time the Society is reporting in the Annual Report and Accounts on how it calculates and manages its direct and indirect impact on climate and identify the level of offsetting carbon dioxide emissions.

As I conclude, it is worth reflecting we remain here to serve you to the best of our abilities and to thank you for being a member. There will be, as ever, demanding times ahead and I am confident colleagues will continue to rise to the challenge and succeed. I look forward to seeing you at the Annual General Meeting (AGM) in July. This will be my last attendance at the AGM as Chief Executive, as I have decided after a 40 year career to retire later this year. It has been an honour and a privilege to lead the Society over the last 13 years. There are so many people who I need to thank for what has been a fantastic and most enjoyable journey and I will do so over the coming months. I am looking forward to pursuing new paths with a different lifestyle balance.

P TILLEY
Chief Executive

20th May 2024

SUMMARY DIRECTORS' REPORT

Donations and Community Support

As a local Society the Directors believe that it is important to support worthwhile causes in a prudent manner. No donations were made for political purposes (2023: nil) and listed below are organisations that the Society has helped during the year to 31st March 2024. In total the Society made contributions of support amounting to £4,921 (2023: £3,600), including charitable donations of £3,146 (2023: £2,600).

Action Homeless; Samaritans of Leicester; Prostaed; WizeUp Financial Education; East Midlands Dog Rescue; MND Association; Bumblebee Conservation Trust; The Shuttlewood Clarke Foundation; Toys on the Table.

These donations include our token collector scheme where members decide on a quarterly basis how a fund is split between two worthwhile charities. The Society also makes one off donations to causes nominated by the public and on an annual basis makes a charitable donation for each vote received at its Annual General Meeting.

In addition, the Society and colleagues supported Macmillan Cancer Support, which was the Society's nominated charity for the year.

The Society allows staff an amount of additional fully paid leave to partake in volunteering opportunities. This has been used in the last 12 months to benefit Leicestershire Search & Rescue and a local school.

Conduct Risk and the Consumer Duty

The Directors expect the Society to treat its customers fairly at all times and consistently strive to achieve good outcomes. We would ask our members to let us know if they consider that we have not achieved this important commitment on any occasion. Do please contact our Chief Executive or the Senior Independent Director at the Society's Head Office in this regard. The Directors are determined to maintain the highest standards of honesty, integrity and fairness in the culture and conduct of the Society for the benefit of members.

The Society assesses and monitors culture via the Retail Conduct Risk Exposure and Consumer Outcomes management information report, emanating from the Retail Conduct of Business Risk Appetite Statement. Additionally, the Society has a Mission Statement and a Culture Statement. Cultural insights such as employee surveys, exit interviews, whistleblowing procedures and training data are also used to review culture.

The Consumer Duty regulation has been implemented at the Society which builds upon the service and protection of retail customers requiring firms to act to deliver good outcomes for retail customers. The Directors are satisfied that the desired culture has been embedded at the Society through processes, training and making expectations clear in job descriptions.

If a member has any significant matter they wish to bring to the attention of any Committee Chair they are invited to do so by contacting the Society's Secretary.

The Consumer Duty regulation requires the Society to communicate in a way that is clear, fair, not misleading and which is likely to be understood by customers. These financial statements aim to achieve this requirement by laying out the Society's results and other information in a straightforward manner while taking into account legal requirements. Members are encouraged to provide feedback by contacting the Society's Secretary so that this document can be further adapted to customer needs.

Colleagues

We believe in the value of personal service and have avoided a call centre approach to dealings with our members. The Directors know that our colleagues are the "front line" in dealing with our members and wish to thank all the team for their continued dedication and hard work.

The Society is committed to investing in and rewarding our workforce. There are schemes in place to promote and reward positive behaviours i.e. colleagues suggestion scheme, colleague recognition scheme. We are continually training and developing our teams and encourage promotions from within.

Financial Results and Key Performance Indicators

Key performance indicators for the last two years are shown below:

	2024	2023
Gross capital	£14.02m	£13.48m
Operating profit before impairment and provisions	£763,748	£732,844
Profit for the year after taxation	£537,925	£526,700
Total assets	£180.18m	£162.68m
Mortgage balances	£140.80m	£126.58m
Share balances	£158.69m	£140.76m
Liquidity ratio as a percentage of shares & borrowings	23.09%	23.55%
Management expenses as a percentage of average total assets	1.80%	1.80%

An explanation of the terms used above is as follows:

Gross capital represents the accumulation of profit for the Society over the years and provides protection for savers and a fund against future losses. This is referred to as general reserves on the Balance Sheet.

Operating profit before impairment and provisions shows the difference between interest charged to borrowers and paid to savers after allowing for fee and commission income/expenses and the expenses of running the Society.

Profit for the year after taxation takes into consideration provisions (or recoveries) on loans, investments and other assets and liabilities as well as Corporation Tax. It is added to general reserves each year.

Total assets indicate the overall size of the Society and the resources available to generate future returns.

Mortgage balances equate to the total amount owed to the Society by borrowers less accumulated impairment loss.

Share balances represent the total sum invested by personal savers.

Liquidity ratio as a percentage of shares & borrowings refers to the Society's liquid assets as per the balance sheet and is used to meet commitments as they fall due.

Management expenses as a percentage of average total assets provide a cost ratio when compared to the Society's average size over the year.

Capital and Profit

Whilst delivering asset growth the Society maintained a strong capital position throughout the year. The Society uses a number of measures of capital as shown in the following table.

	2024	2023
Gross capital total	£14.02m	£13.48m
Gross capital as a % of total assets	7.78%	8.29%
Operating profit before impairment and provisions total	£763,748	£732,844
Operating profit before impairment and provisions as a % of average total assets	0.45%	0.47%
Free capital total (note a)	£13.85m	£13.29m
Free capital as a % of shares and borrowings (note a)	8.36%	8.93%
Tier 1 capital as a % of shares and borrowings	8.46%	9.05%
Risk-weighted Common Equity Tier 1 ratio	23.11%	24.71%
Leverage ratio (note b)	9.17%	9.61%

Note a: Free capital is total reserves plus collective impairment provisions less tangible and intangible fixed assets.

Note b: The leverage ratio is a simplified measure of capital strength, calculated by dividing the core tier 1 capital by total assets plus mortgage commitments. Note that the prior year's figure has been restated due to a calculation methodology change.

The risk-weighted Common Equity Tier 1 (CET1) ratio and the leverage ratio are measures of capital strength defined under UK regulations, and in both cases the Society's ratio is significantly higher than that required by the regulators. It is important that the Society maintains healthy profit levels to support its growth and to be able to continue its lending programme. The Society's CET1 ratio fell by 1.6% during the year principally due to mortgage balances increasing by a larger percentage than tier 1 capital.

Interest Margin

The net interest margin represents net interest receivable as a percentage of average total assets. This year, that has decreased to 2.24% (2023: 2.27%).

Total Assets

Total assets increased to £180.18m (2023: £162.68m), an increase of 10.76% (2023: 8.79%).

Liquid assets, as at 31st March 2024 were £38.26m (2023: £35.04m) which is 23.09% (2023: 23.55%) of shares and borrowings. These liquid assets, which are not lent to mortgage borrowers, have decreased slightly during the year as a percentage of shares and borrowings. They are maintained at a level which balances operational efficiency whilst enabling the Society to meet all its commitments as they fall due. Liquid assets remain above the Board's internal assessment of its minimum requirements and the minimum regulatory requirement.

Mortgage Lending

During the year £34.74m (2023: £29.67m) was advanced to borrowers to buy, refinance or improve their properties. Total mortgage balances at the end of the year amounted to £140.80m (2023: £126.58m). Mortgage balances increased in the year by £14.22m (2023: £6.48m), an increase of 11.23% (2023: 5.40%).

In common with other building societies, we experienced a number of cases in which borrowers could not meet their mortgage commitments. It continues to be the Society's policy to look at each individual case

and try to make suitable arrangements which may include extending the term for repayment, temporary payment deferral or converting a capital and interest repayment mortgage to interest only. There were five (2023: two) mortgage accounts with forbearance measures at the end of the year. Provisions for impairment were £466,230 at the year-end (2023: £398,017). At 31st March 2024 there was one (2023: zero) mortgage account which was twelve or more months in arrears; more details on mortgage balances in arrears are given in note 22 on page 56 of the Annual Report and Accounts. There were no properties in possession (2023: nil) at the year end. The Society recognises a provision for the impairment of a mortgage asset where there is objective evidence that a loss event has occurred which may impact the future cash flows expected from the asset. This is explained further in note 1 of the Annual Report and Accounts.

Shares and borrowings

Total shares and borrowings, which includes amounts owed to credit institutions, increased by £16.86m (2023: increased by £12.65m) and amounted to £165.69m (2023: £148.84m), an increase of 11.33% (2023: increase of 9.30%). The retail savings market continues to account for substantially all of the Society's funding, although at 31st March 2024 the Society also held £0.50m of short-term wholesale borrowing from other financial institutions (2023: £0.51m).

Directors

The following persons were Directors of the Society during the year: Ian M Dale, Christopher R Greenwell, Darren J Hickman, Laura J Mackie, Alex C Robinson, John Stables, Helen Stevens, Paul Tilley and Stephen T Wigfull.

Ian M Dale is the Society's Senior Independent Director. Ian is an experienced former building society senior manager and will be pleased to look at any issues members might have that they would prefer not to raise in the usual way with the Society's Management Team or Board Chair.

Darren J Hickman and Alex C Robinson retire by rotation and, being eligible, offer themselves for re-election. In accordance with Rule 26(1), Helen Stevens also offers herself for election by the members. In the Notice of Annual General Meeting you will find brief biographical notes on the Directors standing for re-election.

At 31st March 2024 no Director had any interest in shares of any associated body of the Society.

On behalf of the Board of Directors
A C ROBINSON
Board Chair

20th May 2024

VOTING

We are going to donate 50p per valid vote received (up to a maximum of £1,000) to charity. As a mutual organisation, we do try to involve our members and we believe this is a tangible acknowledgement of membership participation.

Last year, as a result of your votes, we donated £189 to Samaritans, and £172 to Action Homeless. Once again two charities are on the Representative Form, and you decide which of the two receives 50p for your valid AGM vote. The choices are:-

ACTION HOMELESS - Charity Registration No. 702230 (www.actionhomeless.org.uk)

Action Homeless is a Leicester-based charity dedicated to improving the lives of those affected by homelessness, and has offered its support to individuals and families in the city and across Leicestershire for the past 40 years. Visitors to any of the charity's centres are given access to a broad range of services that aim to tackle the causes and consequences of homelessness, while the expert team of staff and volunteers work to ensure that people leave with a place to call home and the skills and resources to maintain independence.

Please consider giving your vote to ACTION HOMELESS

MACMILLAN CANCER SUPPORT – Charity Registration No. 261017 (www.macmillan.org.uk)

Macmillan is here to help everyone with cancer live life as fully as they can, by providing physical, financial and emotional support. Millions of supporters, professionals, volunteers, and campaigners come together to provide vital cancer services, research and campaign for better cancer care. In 2021, their services reached 2.4 million people affected by cancer, aided by donations totalling a tremendous £227.5 million.

Please consider giving your vote to MACMILLAN CANCER SUPPORT

SUMMARY STATEMENT

	2024	2023
	£	£
SOCIETY'S RESULTS FOR THE YEAR		
Net interest receivable	3,834,642	3,548,746
Other income and charges	22,396	(369)
Administrative expenses	(3,093,290)	(2,815,533)
Operating profit before provisions	763,748	732,844
Provisions for impairment of loans and advances	(68,213)	(75,917)
Profit for the year before taxation	695,535	656,927
Taxation	(157,610)	(130,227)
Profit for the year	537,925	526,700
FINANCIAL POSITION AT END OF YEAR		
Assets		
Liquid assets	38,263,392	35,044,556
Mortgages	140,798,165	126,583,393
Fixed and other assets	1,117,180	1,048,940
Total Assets	180,178,737	162,676,889
Liabilities		
Shares	158,688,868	140,760,939
Borrowings	7,004,397	8,077,154
Other liabilities	462,976	354,225
Reserves	14,022,496	13,484,571
Total Liabilities	180,178,737	162,676,889

SUMMARY OF KEY FINANCIAL RATIOS

	2024 %	2023 %
Gross capital as a percentage of shares and borrowings	8.46	9.06
Liquid assets as a percentage of shares and borrowings	23.09	23.55

As a percentage of mean total assets:

Profit after taxation	0.31	0.34
Management expenses	1.80	1.80

Gross capital as a percentage of shares and borrowings

Gross capital comprises general reserves. The gross capital ratio measures the proportion which the Society's capital bears to the Society's liabilities to holders of shares and deposits (investors). Gross capital provides a financial buffer against any losses which might arise from the Society's activities and therefore protects investors.

Liquid assets as a percentage of shares and borrowings

The liquid assets ratio measures the proportion that the Society's total assets held in the form of cash, short-term deposits and debt securities bear to the Society's liabilities to investors. The Society operates within a defined range of liquidity ratios which is sufficient to meet requests by members for withdrawals from their accounts and to make new mortgage loans.

Profit for the year as a percentage of mean total assets

The profit/assets ratio measures the proportion that the Society's profit after taxation for the year bears to the average of the Society's total assets during the year. The Society aims to make a reasonable level of profit in order to maintain its capital strength. However, a building society does not have to pay dividends to equity shareholders as a company does. The Society is therefore able to operate safely with lower profits than a bank.

Management expenses as a percentage of mean total assets

The management expenses ratio measures the proportion that the Society's administrative expenses bear to the average of the Society's total assets during the year.

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS AND DEPOSITORS OF EARL SHILTON BUILDING SOCIETY

Opinion on the Summary Financial Statement

On the basis of the work performed, as described below, in our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of Earl Shilton Building Society for the year ended 31 March 2024 and confirms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

We have examined the summary financial statement of Earl Shilton Building Society (the "Society") for the year ended 31 March 2024 which comprises the Results for the year and the Financial Position as at the end of the year, together with the summary Directors' report.

Basis for Opinion

Our examination of the summary financial statement consisted primarily of:

- Agreeing the amounts and disclosures included in the summary financial statement to the corresponding items within the full annual accounts, Annual Business Statement and Director's report of the Society for the year ended 31 March 2024, including consideration of whether, in our opinion, the information in the summary financial statement has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors Report of the Society for that year;
- Checking that the format and content of the summary financial statement is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors Report of the Society for the year ended 31 March 2024.

We also read the other information contained in the Summary Financial Statement and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Our report on the Society's full annual accounts is unqualified and describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

Directors' responsibilities

The directors are responsible for preparing the summary financial statement within the Summary Financial Statement in accordance with applicable United Kingdom law.

Auditor's responsibilities

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Summary Financial Statement with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement 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, and to the Society's depositors, as a body, for our work, for this statement or for the opinions we have formed.

Rakesh Shaunak (Senior Statutory Auditor) for and on behalf of MHA, Statutory Auditor
London, United Kingdom, 20th May 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

DIRECTORS' REMUNERATION REPORT

Introduction

The purpose of this Report is to inform members of the current policy for remuneration of the Society's Directors including the two Executive Directors. In particular, the Report provides details of the different elements of the Executive Directors' remuneration and explains the process for determining them. The Report also notes details of incentive payments where these are made to both the Executive Directors and members of staff.

An advisory resolution will be put to the Society's AGM inviting members to vote on the Directors' Remuneration Report.

The Society complies with the relevant aspects of the PRA's and FCA's Remuneration Code.

Remuneration Policy

The Society's Policy is to remunerate its Executive Directors through a combination of salary and benefits, which are regularly compared with other building societies and comparable financial institutions.

The Remuneration Committee

The Committee comprises of three Non-Executive Directors. It is responsible for determining the remuneration levels of the Executive Directors, as well as the Board Chair and senior staff within the Society.

The Committee recommends to the Society's Board fee levels for Non-Executive Directors and salary and benefit levels for all other members of staff. The Committee meets at least twice a year. The members of the Committee during the year are detailed on page 20 of the Annual Report and Accounts. Staff morale is subject to ongoing review by the Committee. Staff opinions are periodically sought via anonymised surveys.

The Committee takes account of the UK Corporate Governance Code 2024, as far as it is relevant and appropriate to an organisation of our size.

Executive Directors' Remuneration

This aspect of the Remuneration Policy is designed to attract and retain high calibre and well-qualified Executives, having the skills and experience necessary to lead a small but sophisticated business operating in a highly regulated market. To achieve this, the Committee seeks to ensure that the overall level of remuneration awarded to the Executive Directors is fair, competitive, simple and reasonable by comparison to remuneration offered by similar building societies and equivalent financial institutions, as well as the contribution made by the Executive Directors to the success of the Society during the year. Executive Director remuneration is considered alongside staff remuneration. The basis for the increase in Executive Director pay is determined by a "Competency Framework" which includes business and individual performance metrics. Staff are notified of the percentage increase in Executive Director pay.

The Remuneration Committee operates independently and its discussions and recommendations to the Society's Board are free from influence by the Executive Directors.

Basic Salary

Basic salaries are reviewed annually by reference to jobs carrying similar responsibilities in comparable organisations.

Incentives

A non-contractual payment calculated as a percentage of basic salary has been paid to all staff, including Executive Directors, in December for a number of years. The percentage amount is variable year on year with all staff receiving the same. This year a non-contractual payment of 3.00% of basic salary was paid (2023: 1.00% plus £850). The Society does not currently operate any incentive schemes linked to performance and hence has no malus or clawback provisions that would enable it to recover such sums.

Benefits

The Society offers other taxable benefits to Executive Directors including a fully expensed car, health care provision, life assurance and permanent health insurance. As an alternative, a cash allowance is available in substitution for a fully expensed car and will be included in basic salary.

Pension Benefits

The Society operates a contributory money purchase scheme and makes contributions for all qualifying staff, including Executive Directors. Pension contributions are calculated against basic salary only. The pension contribution rate for the Executive Directors is the same as the staff contribution rate.

Contractual Terms

The service contract terms for Executive Directors include a notice period of not less than six months by the individual and the same period by the Society. These terms are not alterable in the event of a transfer of engagements to another Society where employment is to be terminated.

Non-Executive Directors' Remuneration

All Non-Executive Directors are remunerated by fees which are reviewed annually and compared with other building societies and relevant comparable institutions. The Board Chair, Chair of the Audit Committee, Chair of the Risk & Compliance Committee, Chair of the Remuneration Committee and the Senior Independent Director also receive additional payments reflecting the additional duties and responsibilities of their roles. The Chair of the ALCO currently receives no additional payment given his concurrent role as Deputy Chief Executive & Finance Director.

Non-Executive Directors do not receive a salary or other taxable benefits and do not have service contracts, but are entitled to claim reimbursement of expenses incurred on behalf of the Society.

Material Risk Takers

In accordance with the Remuneration Codes, the Board has identified those staff whose professional activities have a material impact on the Society's risk profile. These are the Non-Executive Directors, the Executive Directors and other senior management who engage in control functions. Aggregate information on the remuneration of these staff for the period 1st April 2023 to 31st March 2024 is given below.

Category	Number	Fixed Remuneration	Variable Remuneration	Total Remuneration
Non-executive Directors	7	£145,781	-	£145,781
Executive Directors	2	£259,483	£6,465	£265,948
Other Remuneration Code staff	7	£367,496	£9,281	£376,777
Total	16	£772,760	£15,746	£788,506

Further Information

Further details of remuneration paid to all Directors are shown on the next page. No compensation arrangements are entered into which might reward poor performance.

The Remuneration Committee's complete Terms of Reference are available on request from the Society's Secretary and on the Society's website at www.esbs.co.uk.

During the period to which this report relates, the Chair of the Remuneration Committee was Laura J Mackie.

L J MACKIE

Chair of the Remuneration Committee

20th May 2024

DIRECTORS OF THE SOCIETY REMUNERATION DETAILS ARE SET OUT BELOW:

2024

	Fees	Salary	Benefits	Pension scheme contributions	Total
	£	£	£	£	£
Non-Executive Directors					
A C Robinson (Board Chair)	30,006	-	-	-	30,006
I M Dale	21,348	-	-	-	21,348
C R Greenwell	20,676	-	-	-	20,676
D J Hickman	25,340	-	-	-	25,340
L J Mackie	21,348	-	-	-	21,348
J Stables	25,340	-	-	-	25,340
H C Stevens	1,723	-	-	-	1,723
Executive Directors					
P Tilley (Chief Executive & Secretary)*	-	130,351	6,670	12,537	149,558
S T Wigfull (Deputy Chief Executive & Finance Director)**	-	102,430	4,600	9,360	116,390
Total 2024	145,781	232,781	11,270	21,897	411,729

2023

	Fees	Salary	Benefits	Pension scheme contributions	Total
	£	£	£	£	£
Non-Executive Directors					
A C Robinson (Board Chair from 13th July 2022)	25,663	-	-	-	25,663
I M Dale	20,139	-	-	-	20,139
C R Greenwell	19,506	-	-	-	19,506
D J Hickman	23,906	-	-	-	23,906
L J Mackie	20,139	-	-	-	20,139
M J Rice (Board Chair to 13th July 2022)	9,436	-	-	-	9,436
J Stables	23,906	-	-	-	23,906
Executive Directors					
P Tilley (Chief Executive & Secretary)*	-	119,704	17,598	11,700	149,002
S T Wigfull (Finance Director)	-	79,280	11,344	7,881	98,505
Total 2023	142,695	198,984	28,942	19,581	390,202

*P Tilley sold part of both his 2023/24 and 2022/23 annual leave entitlement and payment for this is included in the salary figures. In 2023/24 P Tilley switched his car to a hybrid model decreasing the benefit calculated.

**S T Wigfull elected to take a cash allowance in lieu of a company car benefit from August 2023 and payment for this is included in the salary figures.

Included in the salary of Executive Directors are incentive payments amounting in 2024 to 3.00% of base salary (2023: 1.00% plus £850). The benefits shown above relate to car and health care.

SUMMARY CORPORATE GOVERNANCE REPORT

Overview

The Board is committed to best practice in Corporate Governance as it affects the Earl Shilton Building Society. The Board has voluntarily chosen to follow most of the principles of the UK Corporate Governance Code 2024 where they are considered relevant (and the Board deems them appropriate) to an organisation of this size and lack of complexity.

The Board assumes full responsibility for the overall strategy, the operation of the Society and the monitoring of performance. The Directors continue to believe that members are best served by the Society retaining its mutual status.

The AGM provides members with an opportunity to engage with the Directors either formally or informally. To encourage voting, the Society will financially support two charities, each of which will receive a donation based on the number of votes received. We use member questionnaires to obtain views on the Society. In the event of a significant vote (20% or more) against any resolution at the AGM, the Society would seek feedback from the membership to identify if any remedial action was considered necessary by the Board.

Principal Functions Of the Board

The principal functions of the Board are to:-

- set the Society's strategy and risk appetite;
- measure its progress;
- ensure sufficient resources are available to meet the objectives;
- ensure the Society is prudently managed; and
- comply with all legal and regulatory requirements that affect the Society.

The Board meets at least nine times a year and separately undertakes two formal reviews of strategy a year. Additional Board meetings take place when required.

The Board Chair is responsible for the leadership of the Board, setting its direction and culture and ensuring effective contributions from all Directors.

The Board reviews the composition of the Committees on an annual basis to ensure each Committee has the appropriate expertise. Likewise, the Board reviews the Committees' Terms of Reference to ensure they remain relevant and up to date. These are available on request from the Society's Secretary and on the Society's website at www.esbs.co.uk.

The Board delegates certain functions and in some situations decision making to various Committees. During the year the following Committees were in operation:

- Assets & Liabilities Committee
- Audit Committee
- Risk & Compliance Committee
- Nominations Committee
- Remuneration Committee
- Lending Committee

Balance and Independence

The offices of Board Chair and Chief Executive are distinct and are required to perform different duties. No one person may fulfil both roles. The Board Chair is responsible for leading the Board, ensuring its effectiveness and communicating with the Society's members on behalf of the Board. The Chief Executive is responsible for implementing the strategy agreed by the Board and managing the Society's business and operations within the parameters set by the Board.

The Senior Independent Director is Ian M Dale who is available to members if they have concerns regarding their membership of the Society and do not wish to contact either the Board Chair or Chief Executive. The appointment of one of the current non-executive directors to Senior Independent Director, once Ian vacates this role, is in progress and an announcement will be made in due course.

The Non-Executive Directors periodically meet without the Executive Directors in attendance to provide further evidence of independent judgement.

Board Appointment and Professional Development

The Board regularly assesses the range of skills and experience of the Directors to determine if they match the needs of the business currently conducted and that being developed.

Recruitment of Directors follows a rigorous, formal and transparent procedure and once a Director is appointed an induction process is undertaken.

All Directors must meet the tests of fitness and propriety expected by the PRA and the FCA. All Directors who hold a Senior Management Function ("SMF"), as prescribed by the PRA and the FCA, must be registered with the regulators as an Approved Person. Directors who do not hold a SMF must be notified to the regulators.

The Board Chair ensures that the Directors are provided with sufficient information and training to enable them to discharge their duties as Directors.

Directors must stand for re-election at least every three years in accordance with Rule 26 of the Society's Rules. The Board expects that, in accordance with the UK Corporate Governance Code 2024, Non-Executive Directors will serve for a maximum period of nine years but in exceptional circumstances this may be extended and in those circumstances, the Non-Executive Director concerned will be required to stand for annual re-election. The Board considers all Non-Executive Directors to be independent in character and opinion except the person holding the role of Board Chair who can only be considered independent at the date of appointment.

In respect of Alex C Robinson and Darren J Hickman who are standing for re-election this year and Helen C Stevens who is standing for election, the Board considers that they continue to be effective, committed to the Society and provide the balance of skills and experience to enable the Board to discharge its duties.

All Directors are annually appraised individually with Directors taking responsibility for their development needs in conjunction with the Board Chair. The Board Chair evaluates the contribution made by all other Directors. The Board Chair is similarly evaluated by the other Directors led by the Senior Independent Director. The Board, ALCO, Audit Committee and Risk & Compliance Committee are individually subject to an annual self-evaluation.

The Board is responsible for the appointment and scrutiny of the Executive Directors as well as holding them to account and ultimately for their removal.

Prior to appointing a Director, and each year during their tenure, the Board assesses the capacity for each Director to undertake the role with the Society having due regard to time and external commitments. It is envisaged that an Executive Director would not hold more than one other significant appointment outside of the Society. Board approval is required prior to any Director taking on additional appointments after they become a Director of the Society.

Directors have access to the Society's Secretary who advises on governance matters. The appointment and removal of the Secretary is a matter for the whole Board.

A C ROBINSON
Board Chair

20th May 2024

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

A schedule of interest rates paid during the year ended 31st March 2024 is included in the AGM pack.

CONTACT AND OTHER INFORMATION

Postal address:	22 The Hollow, Earl Shilton, Leicester LE9 7NB
Website address:	www.esbs.co.uk
Telephone number:	01455 844422
Email address:	enquire@esbs.co.uk

DIRECTORS

Alexander (Alex) C ROBINSON MBA BEng, Board Chair

Ian M DALE ACA, Senior Independent Director

Christopher R GREENWELL LLB

Darren J HICKMAN FCCA ACIB

Laura J MACKIE BA BSC ACIB

John STABLES BA BFP FCA

Helen C STEVENS (Appointed 1st March 2024)

Paul TILLEY JP ACIB CeRGI CeMAP

Stephen T WIGFULL CA MMath MSc

CHIEF EXECUTIVE & SECRETARY

Paul TILLEY JP ACIB CeRGI CeMAP

DEPUTY CHIEF EXECUTIVE & FINANCE DIRECTOR

Stephen T WIGFULL CA MMath MSc

INTERNAL AUDITORS

RSM UK Risk Assurance Services LLP

EXTERNAL AUDITORS

MACINTYRE HUDSON LLP (MHA)

Chartered Accountants and Statutory Auditor

Member of the Building Societies Association

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the 167th Annual General Meeting of the members of Earl Shilton Building Society will be held on Wednesday 17th July 2024 in the Pitches Suite, Hinckley Rugby Club, Leicester Road, Hinckley, LE10 3DR at 6.00 p.m. for the purposes shown below.

- 1 To receive the Auditors' Report.
- 2 To approve the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31st March 2024.
- 3 To approve the Directors' Remuneration Report.
- 4 To appoint MacIntyre Hudson LLP as auditors until the conclusion of the next Annual General Meeting.
- 5 Election of Directors
 - (a) To re-elect ALEXANDER CHARLES ROBINSON
 - (b) To re-elect DARREN JAMES HICKMAN
 - (c) To elect HELEN CLARE STEVENS
- 6 To transact any other business permitted by the Rules of the Society.

By Order of the Board

PAUL TILLEY

Chief Executive and Secretary

20th May 2024

BIOGRAPHICAL NOTES OF THE DIRECTORS STANDING FOR ELECTION – AGM 2024

Alex Robinson – to be Re-Elected

Alex joined the esbs board in 2020 after an extensive career in the financial industry, and at Skipton Building Society. He chairs the Nominations Committee and is a member of the Risk and Compliance Committee and the Remuneration Committee, and in July 2022 became the Society's Chair. He is also a co-founder and chair of SREG, which was a network of individuals providing free mentoring to small businesses and has assisted over 200 businesses.

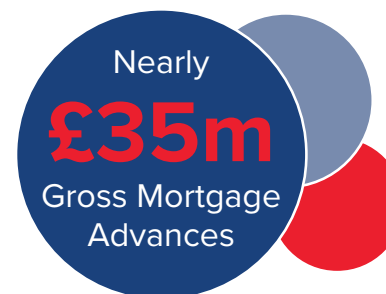
Darren Hickman – to be Re-Elected

Darren also joined the esbs board as a Non-Executive Director in 2020, chairing the Risk and Compliance Committee and as a member of the Assets and Liabilities Committee. He has a strong financial background, having worked for Santander Bank for 37 years, starting when it was known as Leicester Building Society. Having lived and worked in Leicestershire all his life Darren is a passionate supporter of esbs' local community-based approach.

Helen Stevens – to be Elected

Helen has joined the esbs Board as a Non-Executive Director and as a member of the Risk and Compliance Committee. She brings a wealth of experience to esbs with almost three decades in the financial sector, working for a variety of investment management firms, banks and asset servicing businesses. She is a strong supporter of the mutual model and believes that esbs' commitment to delivering fairly priced, clearly defined, high quality financial products and services is especially important in the current economic climate.

2024 Annual Results



Savers balances increased
by over 11%



**Total Assets
of over
£180m**



97%

of new members said
they would recommend
esbs to others



Total mortgage
balances up over **11%**
to an all-time high of

£140m

Savings and mortgages as individual as you.

esbs

22 THE HOLLOW, EARL SHILTON, LEICESTER LE9 7NB

 01455 844422  www.esbs.co.uk  enquire@esbs.co.uk

Branch office: Malt Mill Bank, Barwell, Leicester



Earl Shilton Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority