

Annual Report &
Accounts
Year ended 31 October 2024

Our performance *highlights*



£266m

Gross mortgage lending

2023: £275m



£131m

Savings balances growth

2023: £149m



£8.0m

Profit after tax*

2023: £7.3m

20.0%

Total capital ratio*

2023: 20.8%

71.4

Customer Net promoter score

Assets*

£1.65bn

2023: £1.55bn

Over
650
hours of volunteering
logged



We won the **Treating Customers Fairly Award** at the 2024 British Bank Awards, run by Smart Money People



£107k

Charitable donations

2023: £120k

*Key performance indicators (KPIs). For information on how these are calculated please see page 36.

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Strategic report

Chairman's statement



As an independent, member-driven, mutual business, your Society has much to be proud of. Newbury Building Society remains a safe, financially resilient and customer caring organisation, and is well placed to weather future challenges.

Piers Williamson

Chairman of the Board

I am delighted to report the Society continues to build on its solid customer and financial foundations, and has achieved yet another strong performance in 2023/24, our 167th year.

As an independent, member-driven, mutual business, your Society has much to be proud of. Our core purpose of helping our members build sustainable futures through the Society being the trusted provider of mortgages and savings in our communities has led to improved asset growth, a solid profit performance, and a strong capital position, something which has characterised so many of our performances in recent years.

Our 'Customer First Approach' continues to go from strength to strength, and supports our view that customers want to borrow and save with an organisation who understands their needs and delivers fair value. Therefore, a strong focus on providing excellent customer service through: investing in our branch service proposition, enhancing our digital capabilities by improving online services, the launch of a new mobile app, and looking after our people, remained front and centre in the Society's strategic plans. Our progression with our strategic investment programme continues to underpin our success.

I am also pleased to share that our care and focus on looking after and supporting our customers resulted in the Society winning two awards during the year – Treating Customers Fairly (British Bank Awards) and Consumer Duty Leadership in Retail Banking (Consumer Duty Leadership Awards). These two great achievements continue to demonstrate the value and importance we as a Board place on looking after its members and delivering great customer experiences.

Market conditions and the Society's performance

Trading conditions were mixed throughout the year, and both domestic and global economic challenges continued to dominate the markets in which we operate. A newly elected UK government added to the mix, and we have yet to fully understand the impact of any policy decisions on the markets we operate in as we head into 2025. However, back to 2024, a subdued property market resulting in a smaller, but highly competitive mortgage market, continued pressures on cost-of-living, and a higher interest rate environment, all played a part in making operating conditions challenging, although we did see the first downward Bank of England bank base rate reduction in August 2024. Notwithstanding these challenges, we delivered a strong financial performance, and I am pleased to report the Society achieved 6.6% asset growth, ending the year with a balance sheet of £1.65bn (2023: £1.55bn), with strong mortgage growth of 9.4% (2023: 11.6%).

The Society continued to raise retail funding through its branch network and online services, with balances increasing by almost £131m including capitalised interest (2023: £149m). As a result of the strong performance, I am pleased to report the Society was able to repay a further £36m of the Society's Bank of England's Term Funding Scheme (TFSME) borrowings, with the remainder of the funding, £49m as at 31 October 2024, due to be repaid by October 2025.

Repaying TFSME borrowing and enabling our strong mortgage growth, resulted in the Society ending the year with liquidity at 17.7% of shares and deposits (2023: 19.9%), and remains in line with our strategic plans to fully repay central bank funding, and continue to grow our mortgage book.

With both a strong mortgage and savings performance, the Society delivered a solid profit after tax of £8.0m (2023: £7.3m), enabling us to continue to invest in products and services to meet the needs of our customers.

In our community

A key element of the Society's purpose is to be socially responsible and to make a positive difference to our local communities. We continued throughout the year to support those who live and work in and around our Head Office and branch towns. Community is close to our hearts, and we offer support not only through the products and services we provide, but also by donating our time, skills, and resources.



Throughout the year we remained committed to providing support through our charity partners, with the Society being involved with many volunteering, sponsorship and fundraising activities. Many people need help, however small, and we do our best to make a difference to their lives. Your support, and the support from our people, in making this difference is both humbling and heartening. We provided £30k of financial aid following on from the £42k provided in 2023, and through our Community Support Scheme helped 38 different organisations provide vital services and care to people in their communities, by donating £13k (2023: £17k). We also make an annual donation to our member's preferred charities through our Charity Savings Account and this year paid £55k (2023: £78k).

It is always extremely pleasing to share how we continue to help our communities, and we will continue to make a difference and help others. Pages 24 and 25 provide more insights on the great work your Society does to help those in most need.

Board changes

The Board's responsibility is to ensure the Society delivers on long-term value for customers. In parallel, we must make sure the Society is sustainable and has strong financial foundations. The Board functions best when it is made up of a diverse group of directors, and I am pleased to report that we continue to be a strong, cohesive and member focussed Board.

During the year we said goodbye to Will Roberts who retired from the Society in February 2024 after serving 9 years as a non-executive director. Will had been our Senior Independent Director, Chair of Audit and Chair of Remuneration at times during his tenure. The Board thanks Will for his professionalism and considerable commitment to the Society over many years and wishes him well for the future.

Following Will's retirement, we are in the process of appointing a new non-executive director to join the Board.

Conclusion

The need to continue to support our members and communities remains at the heart of what we do as we enter our new financial year and beyond. Newbury Building Society remains a safe, financially resilient and customer caring organisation, and is well placed to weather future challenges, and take opportunities to deliver on our strategic aspirations.

To end I would like to thank the Board, the senior leadership team and all Society colleagues for making the Society the strong and successful organisation it is today, and for their on-going commitment in ensuring we remain relevant, sustainable and successful in the years to come. I would also like to thank you, our members, for your continued support and loyalty.

Piers Williamson, Chairman
18 December 2024



Chief Executive's *review*



Reflecting on the year's performance, I am enormously proud the Society has not only successfully navigated through the challenges and taken opportunities when they have arisen, but has continued to make your Society relevant and sustainable for the years to come.

Phillippa Cardno
Chief Executive

2023/24 Performance and Reflections

When I look back on the last year and the Society's performance and achievements, I am filled with a great sense of pride. I am proud of many of our achievements – how we have looked after our customers, both those that have been with us for many years and those who became members during the year, continued to care for the needs of both savers and borrowers, improved branch and digital services including the launch of a new mobile app, supported those in our communities in most need of help through our charity and volunteering work, and looked after our people who make all this happen.

The Society's financial performance in 2023/24 has also been remarkable despite the tougher trading conditions we have had to operate in, and we have once again strengthened our financial standing for our future. Last year, I reported we were a £1.55bn organisation, this year I can report we are a £1.65bn organisation, a great accomplishment, and achieved through balancing the needs of savers, borrowers, and our people simultaneously. Meeting these needs is at the centre of who and what we are, and this has been both challenging and rewarding for the Society.

Reflecting on the year's performance, I am enormously proud the Society has not only successfully navigated through the challenges and taken opportunities when they have arisen, but has continued to make your Society relevant and sustainable for the years to come.

Customer strategy, products and services

Our customer service strategy is to deliver service excellence where customer experience makes a positive and sustainable impact on customers, brokers, and our branch communities. Our strategy continues to support long term customer value. This is enabled by having a focused growth ambition which in turn is led by our purpose of helping our members build sustainable futures through the Society being the trusted provider of mortgages and savings in our communities. We have continued to build on our strengths as a customer-focused, community orientated organisation, whilst embracing the opportunities presented by digital transformation, product modification, and enhancing the service proposition through the distribution channels in which our customers want to engage with us.

We remain committed to having a strong branch presence, and as a mutual we remain passionate about the difference our proposition makes to our customers, therefore, modernisation of our branch network continued during the year. Following our Abingdon, Newbury and Winchester branch refurbishments in recent years, we refurbished our Thatcham branch in the summer of 2024. In Thatcham town we are the last remaining financial services provider, and as part of the refurbishment we not only doubled the footprint of the branch and increased the number of counter positions and interview rooms, but we also went further with our service proposition by providing better access to cash in the community. This means both our customers and non-Society customers can deposit and withdraw cash, to and from other financial institution accounts, via a terminal in the branch linking to the non-Society account. This is a new initiative for the Society and one we are keen to learn from. It is also another great example of how we continue to look after our customers and support the wider community with financial services.

We are also aware that we need to continue to drive efficiencies and greater productivity through process optimisation and digital transformation, and this is key to our future success as customer needs continue to change and adapt, and how customers want to receive a service. This continues to encompass both face-to-face and online access. Our desire remains to be a fast follower of digital initiatives that add value to our customer experience without losing the 'human touch'. We also need to leverage current systems further to gain greater process efficiencies to further improve the excellent service we provide.

Therefore, we continued with our strategy of increasing the use of digital solutions to make it easier for customers to engage with us. This year we launched a new mobile app, that complements our **myaccounts** online service, making it easier for our customers to manage their savings accounts whenever and wherever they want. This received an enthusiastic uptake from our customers with over 3,000 downloads for the mobile app by 31 October 2024. Chat and SMS messaging services for mortgage customers were also implemented, allowing customers different choices in the channels they wish to engage with us.

In July 2024 the Society implemented phase 2 of the Financial Conduct Authority's (FCA) new 'Consumer Duty' which legislates for higher standards in firms to ensure they act to deliver good outcomes for retail customers. Our Customer First Approach has evidenced good customer outcomes for many years and this duty strengthens our customer proposition. Consumer duty is not once and done, and we will continue to embed processes and practices into all we do to ensure our customers have the best outcomes.

Mortgages – the housing market has in recent years defied expectations and house prices have not fallen as heavily as previously forecast because of cost-of-living pressures and higher interest rates; in fact they have risen modestly throughout the year. That said, a higher interest rate environment, and a newly elected Government resulting in unknowns with regard to housing policy and the impact of fiscal policies, did slow potential homeowners' decisions to purchase. However, with a strong remortgage market and with over 80% of customers switching their mortgage rates to new pricing with the Society rather than move to a new lender, we achieved net lending of £117m (2023: £129m). A much higher performance than planned with growth of 9.4%, and together with the strong growth of 11.6% in the previous year, our mortgage book now stands at £1.36bn (2023: £1.24bn).

The Society's mortgage lending proposition continues to be based on the provision of a competitive range of fixed and discounted mortgages, mainly for owner occupiers but also for buy-to-let landlords. The Society believes its purpose and role as a mutual is to lend to all types of aspiring homeowners and therefore, in addition to the traditional core residential market, we also offered loans in areas of the residential market where appropriate returns for risk can be made, such as the first-time buyer products in the Help To Buy Affordable Housing range, to customers with credible repayment plans who require interest only mortgages and to those seeking mortgages beyond normal retirement dates.

Our focus on helping first-time buyers through Affordable Housing schemes, with Shared Ownership through Housing Associations being our particular specialism, whereby our borrower purchases up to 75% of the property and rents the remainder at a below private market rent remained a key strand of our lending strategy. This form of tenure is a vital option for first time buyers as the price of full property ownership is simply out of reach for the average first time purchaser.

In total we ended the year with £266m of gross lending (2023: £275m), with new shared ownership mortgages representing 23.7% (2023: 18.5%) of the total.

Arrears – Despite continued affordability pressures on household incomes and outgoings, our arrears statistics remained firmly under control and within our expectations. We ended the year with 50 cases two months or more in arrears, an increase of nine from the previous year. Arrears amounts increased from £302k to £324k, which out of a book of over £1.36bn, is extremely low. Whilst it has been comforting that borrowers have been collectively able to withstand a number of payment stresses created by the higher interest rate environment, the figures continue to provide tangible evidence of the underlying quality of the book as a result of our prudent lending policy.



The opening of our new-look branch in Thatcham on 31 May 2024, with Chief Executive, Philippa Cardno, cutting the ribbon.



We have also continued to support borrowers in need and offered a range of forbearance options, as well as remaining a signatory on the Government's voluntary Mortgage Charter, which provides support options to homeowners, for example by temporarily switching to interest only or extending a mortgage term.

Savings – the need to raise funding through retail savings was a key focus as the Society continued its strategy to enable mortgage growth and repay the Bank of England's TFSME borrowing, as our Chair has mentioned in his statement.

Our savings performance has been harder fought throughout the year as competition in the market intensified, and other financial service institutions also sought to repay their TFSME borrowing. However, we ended the year with a pleasing growth of £131m (including capitalised interest), primarily supported by Senior Saver, ISA and Fixed Rate Bond products. This increase in savings levels brought with it 2,948 new savings relationships.

As we compete in a decreasing Bank Base Rate environment, we will continue to be alive to customer needs and market changes and respond appropriately. Retaining the right balance between savings and lending is one of the key criteria of managing the Society successfully, and in doing so we have to consider what is best for the membership as a whole.

Financial performance

Our financial performance goes from strength to strength, and it is extremely pleasing to report on this performance. With a strong customer proposition, competitive and fair value pricing for both borrowing and saving customers, and services that meet the needs of our customers, the Society continues to grow sustainably. A strong asset growth performance of 6.6% has also allowed the Society to absorb continued cost pressures and enabled the Society to continue to invest in services, processes and systems, for the benefit of our customers and our people.

The Society has not been immune to cost pressures throughout the year, with management expenses increasing by over 10% in 2023/24 compared to the previous year. Not all the cost growth is attributable to inflationary pressures, as it includes investment in our branches, digital processes and systems and our people. We have continued to control our costs and ended the year with a management expense ratio of 1.01%.

The Society recorded a post-tax profit of £8.0m, an increase from the £7.3m reported last year. Operating in a higher Bank Base Rate environment for the majority of the year, we benefitted on earnings from the Society's liquid assets and derivatives.

As a mutual organisation we do not seek to maximise profits. However, we do need to achieve a level of profitability that is sufficient to balance member value and retain a robust capital position to fund future investment in our business. We have built up a strong capital position over many years by having a strategy of sustainable growth, low credit losses and sound cost control. The Society's capital ratio ended the year at 20.0%, a small decrease from the previous year of 20.8%, the main reason being the strong mortgage growth of 9.4%. This capital metric continues to place the Society in a strong position as we continue through a period of higher interest rates for longer and the likelihood of slow economic growth.

Further detail on the Society's financial position and year on year performance is contained in the Financial Review on pages 34 to 40.

Our people

The Society's strength lies in our people, and without the right people, with the right skills, behaviours, and values we cannot succeed. Our people are the solution to us offering the exclusive and meaningful customer experience that the Society is known and recognised for. The importance of our people to deliver our high standards of customer service within high quality policy and management standards is fully recognised. We retain a strong, vibrant culture, where our people feel empowered to deliver great customer service.

In the year, through an independently run employee survey, 90% of our people told us, 'they are inspired by our vision to be the trusted provider of savings and mortgages in our communities', and 97% told us, 'their team are committed to delivering a high quality service to both internal and external customers'. We also achieved an employee net promoter score of +32 (average financial services score*: +25), based on the question, 'would you recommend the Newbury as a place to work?'. We are proud of these achievements, and it is a great testament to the values and behaviours of our people and the culture within the organisation. However, we are not complacent and continue to drive forward an agenda for our people to be the best they can be. This requires us to focus our efforts into maintaining our inclusive and vibrant culture where people feel heard, recognised and supported to be their best.

* Source: CultureAmp Financial Services organisation eNPS July 2024.

A focus on our employees' wellbeing is an important element of our employee proposition. We continue to support our people through a range of support options such as an Employee Assistance Programme (EAP), a Cash Health Plan which provides support and access to a range of medical and health services, and access to mental health first aiders as well as training sessions on financial wellbeing.

Our Green Ambition

We aspire to be a sustainable business that works in a socially responsible and environmentally friendly way by minimising our carbon footprint and helping our customers and communities live more sustainably. The Society's Green Ambition has progressed around the three pillars of Greener NBS, Greener Homes and Greener Lives. Formed in 2021 these each pursued a series of specific objectives towards the Society's overall green ambition. These three pillars, continue to support activities across company, customer and community.

During the year we continued to reduce our own carbon footprint, through the adoption of a number of measures such as reducing our reliance on gas and the use of renewable energy across the majority of our sites.

We have also spent time in 2023/24 educating ourselves on trying to improve understanding and create initiatives and ideas that might meet member's needs. This included work with Severn Wye Energy Agency, a sustainability charity, to offer our members free home energy surveys. Eligible mortgage customers have been able to apply for a home energy survey which improves their knowledge on what they could do to their home, in what order and for what cost to improve the energy efficiency.

Our approach into 2024/25 continues to be one of increasing understanding and raising awareness and education both internally and for our customers. We will continue with offering home energy surveys, and widening the reach to include savings members.

Pages 16 and 17 lists some of the things we have achieved to date together with what is next.



We supported a 'Junior Citizen' event for Year 6 students in Thatcham, helping them to engage with the local community and gain valuable experience.

Our future

Your Society has a bright future, and in the coming year, we will continue to do what we do well – look after our customers by delivering great customer service and supporting our people. We are a capable, resilient, and financially strong organisation, and in a solid place to withstand economic uncertainty that continues to impact the markets in which we operate. Whilst cost-of-living pressures continue to exist in many households, there is cautious optimism that property trading conditions will be more favourable in the short to medium term. And, as interest rates decrease we will look after both our savers and our borrowers, something we have done for many years.

We will continue to build on services to support our customer proposition through face-to-face, telephone, mobile and online services, and these remain at the heart of our plans. Our core goal of serving our customers in any way they choose remains, by enjoying the advantages of a 'bricks and clicks' service.

The growth and profitability of recent years has provided the foundations for the Society to make investments, not only for the benefit of our current members, but also for those who will be our future members.

Our aspiration is for the Newbury Building Society brand to be instantly recognisable in our branch towns and synonymous with what differentiates the Society from banks: being a mutual, member centric organisation, with relevant, attractive products and exceptional customer service.

To end, I would like to thank all my colleagues for their contribution to a great 2023/24 performance, and I look forward to the opportunities that 2024/25 will bring and continuing to look after the needs of our customers and people.

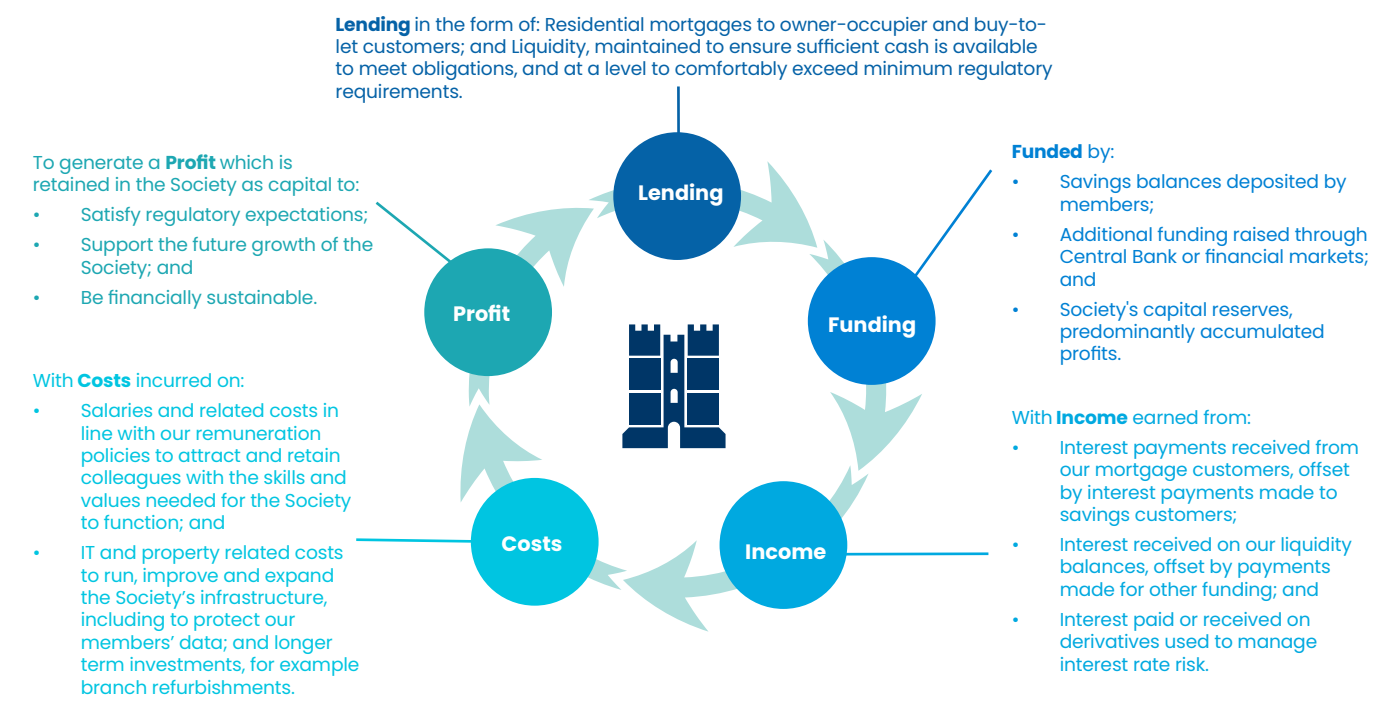
Phillippa Cardno, Chief Executive
18 December 2024

Our purpose and *strategy*

As a mutual the Society exists for the common benefit of its borrowing and savings members, who are collectively its owners. Members’ interests remain at the heart of everything we do and the Board continues to balance and serve those interests through operating in markets that deliver a sustainable financial performance within an agreed appetite for risk, whilst balancing the continued need to invest in the business for the benefit of future members.

Our business *model*

The Society operates a simple business model which continues to serve us well and remains largely unchanged. As a building society, we have no public or private shareholders demanding we maximise profits for distribution. This means we can strike an appropriate balance between long-term investment and profit retention to support and strengthen the business for current and prospective members, operating in a socially responsible way in our communities.



Lending	<p>The Society’s lending proposition is based on the provision of a competitive range of fixed and discounted mortgages in the UK offered through a network of approved mortgage brokers and directly from the Society.</p> <p>The Society does not use credit scoring as all loans are individually underwritten by an experienced team, based in Head Office, who have the authority to exercise some flexibility within our lending criteria in appropriate cases. The UK mortgage market is competitive and so the Society not only operates in the low margin mainstream residential market, but also operates in segments of the residential market where appropriate returns for risk can be made, including shared ownership and buy-to-let.</p>
Funding	<p>Funding is provided almost entirely through members’ deposits supplemented, where required, by funding from participation in the Bank of England’s Sterling Monetary Framework and, occasionally, by wholesale borrowings. Our philosophy for our savers is to operate fairly, with simplicity in product design, competitive terms and conditions, and to ensure existing members are treated at least as equally as new members.</p>
Income	<p>The Society’s income is generated principally through the difference in the interest rates charged to borrowers and paid to savings and depositing customers. Income is also earned on the Society’s liquid assets placed with the Bank of England and other selected counterparties.</p> <p>Whilst our products and services are considered to be sustainable, the Society keeps its product offerings and market positioning under constant review and makes changes accordingly. The Board continues to believe that savings members have been well served by our pricing policy and that they receive above average returns, coupled with fair terms and conditions on their products.</p>
Costs	<p>The income generated by the Society is used to efficiently run the Society, paying our people, suppliers and taxes and making the investments necessary to support the long-term sustainability of the Society.</p> <p>The Society remains fully committed to its branch network and is partway through a programme of modernisation which has seen the Society’s branch premises in Abingdon (2021), Newbury (2022), Winchester (2023) and Thatcham (2024) open with a brand new look. Further investment is planned for 2025 and beyond. The Board also recognise that our members have a choice in how to access and manage their personal finances and in March 2024 the Society extended its online “myaccounts” offering with the launch of a mobile app. The Society’s strategy involves continued, targeted investment in technology that will enhance the delivery and accessibility of the Society’s products and services.</p> <p>We also provide for any losses that may result from the Society’s lending activities.</p>

Profit	<p>Profit is generated through management of the net interest margin, cost efficiency and low risk lending to sustain the Society's strong capital position to allow it to continue to lend and invest with confidence.</p> <p>With retained profits the primary source of capital for the Society, the profitability of recent years has provided the foundations for the Society to confidently make these investments and continue lending activities for the benefit of both current and future members.</p>
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Our strategy

The Society's long-term strategy is designed to further strengthen the Society's purpose as a **trusted provider of mortgages and savings in our communities** and to continue to grow the Society as a successful, sustainable and relevant business.

Delivery will be achieved across seven activities:

 Customer	Ensure customers remain at the heart of our business, receive good service and experiences, and are supported to pursue their financial objectives.
 Service	Maintain a culture of service excellence where customer experience makes a positive and sustainable impact on customers, brokers and our branch communities.
 Product	Continue to offer product and service propositions that allow customers to meet their financial objective of owning their own home or meeting their savings goals.
 Digital	Make increased use of digital solutions to make it easier for customers to engage with us and employees to efficiently perform their roles.
 Data	Make better use of data, both external and internal, to support strategic business decision making and the management of the Society.
 People	Build a sustainable talent pipeline including skills and competencies for the future, developing an inspiring and empowering leadership whilst nurturing our inclusive and vibrant culture.
 Green	Operate as a sustainable Society that works in a socially responsible and environmentally friendly way.

A clear focus on delivering ‘good customer and employee outcomes’, supported by clear activity and time plans with achievable milestones, is key to our future success. The need to drive efficiencies and greater productivity through process optimisation, removing friction from processes supported by digital transformation, remains central to our plans as customer needs continue to change and adapt, and the manner in which customers want to receive a service continues to cross over both face-to-face and online methods. We continue to want to be a fast follower of digital initiatives that add value to our customer experience, making it easier for them to engage with us, without losing the ‘human’ touch that we excel at. We also need to leverage current systems further to gain greater process efficiencies to maintain the excellent service we provide and make it easier for employees to do their job.

We have invested in people and skills in recent years by increasing headcount across most business functions, as well as investing in new digital services for our customers. However, we are acutely aware that continued investment in both people skills and technology needs to remain a top priority, as both are key enablers to support our strategy going forward.

Delivery of the strategy is supported by financial objectives and clear customer and business outcomes across the seven workstreams listed above.

Our values

We are driven by our six core values, which represent what the Society stands for and form the basis for how it is governed. The values were developed with support from colleagues from across the Society and ensure the Society does the right thing by our customers, communities and people.

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Sustainability

Financially secure, operationally strong and environmentally conscious.

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- 

Trust

Open and honest, a building society relied on since 1856.

.....
- 

Respect

Value uniqueness and treat everyone as an individual.

.....
- 

Independence

Remain member-owned for your benefit.

.....
- 

Vibrancy

Encourage a happy, healthy culture for our people to be the best they can be.

.....
- 

Excellence

Offer a first-class professional service where you are at the heart of what we do.

A sustainable *future*

The Board believes that being a sustainable business that works in a socially responsible and environmentally friendly way is central to the Society's strategy and long-term success. These environmental and social commitments, coupled with an overarching governance framework combine to form the Society's approach to Environmental, Social and Governance (ESG) matters as summarised below.



Environmental

The Board recognises that the Society's activities have both a direct and indirect impact on the world around us and has continued to make progress against this important area of Society strategy. In addition to detailing the Society's ongoing activities to reduce its environmental impact, the climate-related risk disclosures set out on pages 13 to 21 also detail how climate change impacts the Society and sets out our approach to managing this long-term risk.



Social

We are committed to having a positive impact on the lives of our customers – the Society's mortgage and savings members and mortgage brokers – the communities in which we work and our people – the Society's employees. Pages 22 to 28 detail some of the ways in which we are delivering on this commitment.

Suppliers

The Society would not be able to fulfil its purpose and serve these three stakeholders without the help, support and services provided by third party suppliers, which includes trade bodies. In addition to doing business with the Society on commercial terms, our suppliers expect us to be simple and straightforward to deal with and to deliver a friendly and efficient service. Engagement with suppliers can take many forms from having suppliers present at Board strategy days to the more typical form of telephone calls and written communications. Wherever possible the Society will seek to select suppliers that:

- can be expected to operate to the high standards expected by the Society; and
- share and embody the Society's core values, including on matters related to climate change.

Over the course of the financial year ended 31 October 2024 the Society has purchased goods and services from 310 suppliers (2023: 284) with invoice values ranging from less than £10 to over £334,000 (2023: range from less than £10 to over £347,000).

Our suppliers expect to be paid promptly and it is the Society's policy to pay suppliers within agreed terms providing the supplier performs according to the terms of the contract or agreement. The number of creditor days at 31 October 2024 was 11 (2023: 18).



Governance

A successful and sustainable organisation starts with good governance. It is the foundation on which the Society has built to develop into the Society it is today and will continue to build on for the future. We remain committed to operating responsibly, ethically and transparently in everything that we do and consider this critical to delivering sustainable value for our members and central to our core purpose.

Our approach to corporate governance is set out in the Governance section which starts on page 41, including information on the Board of Directors, the Executive Team and Board Committees.

Regulators

Regulators expect the Society to act within the law and regulation at all times, in the interests of customers and with the highest levels of integrity and transparency. The Society considers that it adheres to the highest levels of governance with the Board and the senior management team maintaining open and transparent relations with industry regulators and appropriate trade bodies. The Society monitors publications from a range of regulatory and industry/trade bodies and considers the impact on the Society's operations and future plans.

Regulators also expect the Society to be financially strong and maintain adequate levels of capital and liquidity. The financial review set out on pages 34 to 40 demonstrate how this requirement continues to be met.

Anti-bribery and modern slavery

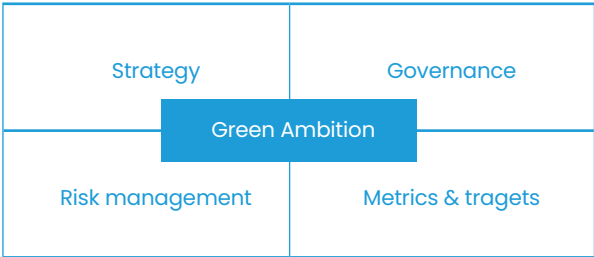
The Society has zero tolerance for any acts of bribery or corruption and has an anti-bribery policy to ensure that the Society complies with the Bribery Act 2021. All Society employees are also required to undertake mandatory training in this area when joining the Society and annually thereafter.

Climate *risk*

The risks posed by climate change are far reaching and may not crystallise for many years to come. The financial services industry has a role to play in mitigating the risks posed by climate change and the Prudential Regulation Authority (PRA) views climate change risk as one of their supervisory priorities.

The Society recognises that it has a small but important role to play whether minimising the carbon footprint of our operations or supporting our branch communities lead greener lives. In addition to detailing the Society’s ongoing activities to reduce its environmental impact, the report set out below shows how climate change impacts the Society and sets out our approach to managing this long-term risk.

As set out on page 11, sustainability is one of the Society’s seven key strategic pillars, with our approach referred to internally as our “Green Ambition”.



The Society continues to make good progress, as described in this report whilst at the same time recognising that more is required. It remains the Society’s intention to continue developing in these areas.



Governance

Oversight of climate change risks

The Board has overall accountability for the Society’s strategy, which includes the management of climate-related risks. The Board may also discharge this duty through committees, as summarised in the table below:

Committee	Role
Risk	Oversee the development of overarching policy and risk appetite. Oversee stress and scenario testing plans and policy.
Credit	Oversee lending policy. Consider data on the composition of the mortgage book, including analysing lending by Energy Performance Certificate (EPC) rating.
Sales, Marketing and Product	Oversee the development of mortgage and savings products.

The Executive Committee, who oversee delivery of the Society’s Green Ambition, also oversee the development of operational risk and resilience policies including the operational risks to the Society from climate change. The Society has a Green Committee, chaired by the Chief Financial Officer and reporting to the Executive Committee. The Committee meets at least four times each year and considers the Society’s activities and progress against its Green Ambition, as well as updates on related regulatory developments.

Senior Management Function

Responsibility for managing climate-related risks has been assigned to the Chief Financial Officer, as the appropriate Senior Management Function (SMF), under the PRA’s Senior Managers Regime. This includes ensuring that climate-related financial risks are adequately reflected in risk management frameworks and that the Society can identify, measure, monitor and report on its exposure to these risks.

Training and awareness

Through its Green Ambition strategy, the Society has raised awareness of climate change and called upon volunteers from across the Society to research and progress specific activities. The Board receive climate change-related data each month supplemented with more specific climate change training and awareness updates.

Risk management

Climate risk drivers and relevance and threat to the Society’s business model

The Society is a financial mutual which operates across England and Wales as a residential mortgage lender. Although the Society operates a simple business model, through a combination of independent data analysis and consideration at Risk Committee, it has been determined that the following climate risk drivers are of most relevance.

Physical risks: These risks comprise specific weather-related events or longer term events such as rising sea levels. A key element of these risks is to properties held as security for lending and, to a lesser extent, the Society’s own properties. Previous analysis of the Society’s mortgage assets have concluded that these risks pose a low risk to the Society and arise from three principal climate-related perils:

Flooding	Subsidence	Coastal Erosion
Future rises in temperature have the potential to adversely impact the value of mortgaged properties and/or the ability of borrowers to repay amounts owed.		
Flooding could impact the Society’s operations or those of suppliers through damage to our properties or infrastructure.		
Wider disruption may lead to increases in unemployment and falling house prices adversely impacting the Society’s profitability.		

External assessment of the Society’s mortgage portfolio against the risks and threats posed by climate change showed that less than 1% of the Society’s mortgaged properties were considered at risk of future from flooding, subsidence or coastal erosion. This increased to less than 1.5% under a high emissions scenario. Other climate-related perils such as heatwaves, wildfires, hurricanes, water stress or desertification were considered as posing negligible risk to the Society.

Transition risks: The process of adjustment towards a low-carbon economy leads to a changing regulatory expectation in terms of the way the Society is expected to run its own business, including who it uses as suppliers and the minimum EPC level that is acceptable on which it lends. The table below sets out the key transition risks faced by the Society:

Government Policy	Consumer Sentiment	Carbon Pricing
Changes in government policy could adversely impact house prices where properties do not meet new minimum standards and/or due to cost of making required energy efficiency improvements.	Profitability could be reduced if the Society fails to adequately adapt to changing consumer preferences for “green” products.	Rising carbon prices could lower profitability through increasing the cost required to offset carbon emissions.

Scenarios

The external assessment of the Society’s mortgage portfolio, carried out in 2022, used three climate related scenarios, considering an increase in temperatures from 0.9 to 5.4 degrees centigrade, all of which were consistent with the Climate Biennial Exploratory Scenarios for Early Action, Late Action and No Action. The scenario results are included in detail in the Society’s Internal Capital Adequacy Assessment Process (ICAAP) document and considered annually by the Risk Committee and Board when considering the longer term capital implications for the Society.

	Early Action	Late Action	No Action
Emissions Scenario	All countries implement Paris Accord	All signatories implement Paris Accord	Business as usual
Mean Global Warming	1.7 to 3.2 degrees	2.0 to 3.7 degrees	3.2 to 5.4 degrees

All scenarios considered the perils of flood, subsidence, coastal erosion, property height above sea level and an energy efficiency policy change over a long-range view out to the year 2060.

The assessment concluded: the Society has low potential exposure to the impacts of physical risks, even under the most severe (high emissions) climate scenario; and that transition risks posed a greater potential risk to the Society as the UK moves towards a low carbon economy requiring properties to undergo potentially expensive remediation.

The Society has subsequently incorporated the data from the assessment into regular reporting to Credit Committee.

Modelling of climate change risks remains complex and uncertain. With the assessment suggesting a non-material risk to the Society's long-term capital position, annual updates were not deemed as required.

Risk Management Framework

The Society's Board-approved Risk Management Framework (RMF) document includes consideration of climate risks. It also considers risk factors that have a bearing on existing risks across the Society's principal risks. The management and consideration of climate-related risks and opportunities has been incorporated into existing governance and risk management processes, where relevant and appropriate, ensuring that risks are being managed in line with Board-

approved risk appetite. The three lines of defence model also applies to the management of climate-related risks with the risk function overseeing the RMF and review of the ICAAP and scenario testing. An internal audit of compliance against SS3/19, "Enhancing banks' and insurers' approaches to managing the financial risks from climate change", was also undertaken in the year ended 31 October 2023 with all findings subsequently addressed.

Risk appetite

The Society's aim is to manage the impact of climate risk so that the Society's existing risk appetite across all its principal risks, but in particular in respect of credit and conduct risk, continues to be met, as climate risk materialises and matures. The Society's risk appetite will continue to evolve through the gathering of additional data and the monitoring of external developments and practices, making changes to policies where appropriate and necessary, to ensure an acceptable risk appetite is maintained. In addition, the Society will continue to focus on reducing its own carbon footprint and in helping members and our communities to reduce theirs.

The table below summarises the climate-related risks considered as part of each of the Society's principal risk categories set out in the RMF.

Principal risk exposure	Risk considerations
Strategic risk (business risk) The long term viability of the Society's business model	Reduction in capital from changes to property values or changes to regulatory framework Increase in member demands and expectations for greater climate change credentials Changes to strategy required to support the Society becoming more environmentally sustainable
Credit risk Underlying value of the property in lending decisions	Affordability and underwriting considerations of climate risk perils (flooding, coastal erosion etc) Physical damage to properties, impacting value Changes to government policy EPC composition of mortgaged properties
Funding and liquidity risk Inability to attract sufficient funding due to preference for climate related products	Liquidity management practices Treasury policy: Climate change credentials of treasury counterparties
Market / interest rate risk Changing mortgage or savings member behaviours or preferences	Stress and scenario testing Review of mortgage behavioural lives
Operational risk Damage to property or reputational damage through supplier relationships	Adequacy of Society insurances Operational risk and resilience policies Business Continuity Planning (BCP) and disaster recovery testing
Conduct risk Risks associated with advising on mortgage and savings products	Lending policy and product terms and conditions Compliance monitoring

Opportunities

Climate risk and the UK’s transition to net-zero also presents opportunities to support both our core purpose and commercial requirements.

Products	Communications	Partnerships
Be ready with financial products and services to support members to make improvements to their homes to become more energy efficient or comfortable	Engage with colleagues, members and suppliers to increase understanding and to improve the Society’s own emissions	Partner with organisations to continue developing knowledge and best practices

Strategy

The Society’s climate change vision is to be a sustainable business which works in a socially responsible and environmentally friendly way. This strategy was formed in 2021 and continues to split activities across the Society, customer and community.



Greener *Newbury Building Society*

Minimise our own carbon footprint
Continuing to improve the efficiency of our buildings and reducing the carbon emissions from our operations together with reductions in the consumption of paper, waste and plastics usage



Greener *Homes*

Improve the environmental standard of our borrowers’ homes
Supporting initiatives to make the homes on which we lend to become more energy efficient and better prepared for regulatory and environmental change, and mitigating the impact on properties which are most at risk through new products together with policies and support for homeowners



Greener *Lives*

Support our branch communities
Providing access to educational resources, community funding and volunteering for environmental initiatives and product development to help members with environmentally friendly home improvements and to lead greener lives

Our climate strategy is also determined with consideration of a wider group of the Society’s stakeholders, with **our people** encouraged to volunteer in environmentally friendly community events and improve their own carbon footprint, and our actions and our strategy delivered and articulated to be able to demonstrate proportionate compliance with the expectations of **our regulators**.

The Society’s Chief Executive and Chief Financial Officer are both engaged with third party organisations around climate change reporting and developments, and the Chief Executive chairs the Building Societies Association’s Green Taskforce.

Progress made and *planned*

The summary below illustrates the progress the Society has made since launching its Green Ambition to make the Society more sustainable.

To 2023	2023 - 2024
<ul style="list-style-type: none">• Embedded climate change risk into strategic planning and governance processes• Developed our base case data on energy usage• Developed our mortgaged-property related risk data• Average EPC of “C” on mortgage properties• Use of 100% renewable energy across majority of our operations• Improved EPC ratings of all our branch properties through initiatives such as either installing LED lighting and removing gas boilers	<ul style="list-style-type: none">• Further reduction in gas consumption through replacement of boilers• Installed EV charging points at a further three of our branches• Entered into a partnership(s) to support the greening of UK homes

To 2023	2023 – 2024
<ul style="list-style-type: none"> • Purchase and refurbishment of new Head Office site, achieving EPC rating of B • Installation of four EV charging points at Head Office • Replaced Society diesel vehicle with a hybrid • Reduced our water consumption since measuring began • Established “Our Green Community” website hub • Installed digital screens at all branches, reducing paper usage • Reduced measured scope 3 emissions by reducing branch courier mileage by c70k miles per annum • Verification of carbon emissions data presented in 2022/23 • Appointed Corporate Sustainability Apprentice 	<ul style="list-style-type: none"> • On Scope 3 emissions: <ul style="list-style-type: none"> • Undertook further research into emissions reporting • Developed scope 3 emissions reporting, increasing the scope of emissions reported on to include employee commuting, waste, leased assets and home working • Able to report on financed emissions for the first time

2024/25 onwards

- Further activities are planned for the coming financial year and beyond, including:
- Further branch refurbishments and upgrades
 - Improvements to our EV charging infrastructure
 - Electrification of remaining Society vehicles
 - Develop appropriate targets (see below), supported by further developments in analytical and reporting capability

Helping our members improve the warmth and efficiency of their homes

According to the Climate Change Committee (CCC), ‘efforts to adapt the UK’s housing stock to the impacts of the changing climate’ as well as reducing emissions, have stalled. As a mutual building society (one owned by its members), we believe it’s vital to support those members to retrofit their homes where needed, ensuring they’re comfortable and fit for the future.

In 2024 as part of our Green Ambition strategy, we launched a pilot offering home energy assessments to a small segment of mortgage members. Working in conjunction with Severn Wye Energy Agency, each assessment, worth approximately £500, was paid for by the Society.

The pilot aimed to help members better understand their homes, pinpointing areas for improvement. The goal was to help make homes warmer, reduce energy bills, and cut carbon emissions. The recommendations varied, from minor, affordable changes like fitting LED lights to significant upgrades like swapping old boilers or installing solar panels.

Each assessment provided:

- A review of the homeowner’s energy bills.
- An updated EPC report.
- A tailor-made report with recommendations to enhance warmth, reduce carbon, and save money, ordered by cost.
- A rundown of potential funding sources, such as government grants.
- Assistance in finding trusted installers for eco-friendly upgrades.
- Ongoing telephone support.

So far, we’ve carried out six energy assessments and we’re excited to continue the journey into early 2025.

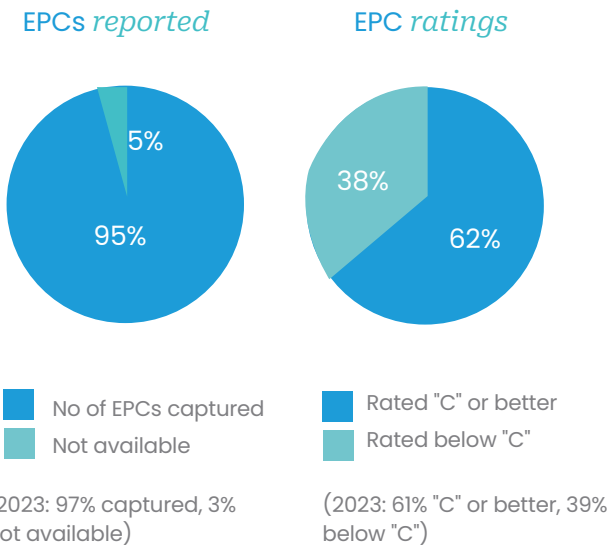
Metrics and targets

We recognise that climate change metrics and targets will be required to support the Society with its Green Ambition strategy and objectives, including minimising and reducing our own

emissions over the medium to long term. The Society uses a suite of metrics to help support the monitoring of climate risks through relevant governance channels. Targets and metrics will continue to be developed as more data becomes available, focusing on exposures to climate-risk perils and emissions and energy consumption.

Energy performance certificates (EPCs)

The Society uses EPC data as a way of assessing transition risk. An assessment was carried out by a third party using data at 30 June 2022 which determined the current EPC ratings for the Society’s mortgaged properties. The information was obtained either by retrieving EPC records from the EPC register or derived using information from neighbouring properties. Since the assessment, the Society collects EPC information for new lending as part of the mortgage underwriting process and reports the aggregate EPC position to Credit Committee at each meeting. EPC data as at 31 October 2024 is presented below.





Basingstoke branch helping maintain local green spaces.



Employees help out at Five a Day Market Garden in Englefield.

Greenhouse gas (GHG) reporting

The Society's GHG reporting has been completed in accordance with requirements of The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013. Reported emissions have been calculated using the UK Government Conversion Factors, as supplied by the Department for Business, Energy Industrial Strategy and the Department for Environment, Food and Rural Affairs. The Society has set its organisational GHG emissions boundary using the operational control approach, which captures GHG emissions from operations under our control.

Reported emissions encompass the seven GHGs defined under the Kyoto Protocol.

Scope 1 – Direct emissions

Direct emissions that originate from assets that the Society owns or controls

Scope 2 – Indirect emissions

Indirect emissions from the generation of purchased electricity

Scope 3 – indirect emissions

All other indirect emissions that occur across Society operations

Scope 3 emissions

Scope 3 emissions data is voluntary however, the Society has taken steps to improve the data collection and reporting of scope 3 emissions. Under the Kyoto Protocol there are 15 categories of scope 3 emission, although not all apply to the Society. This year, we have significantly increased the breadth of our scope 3 reporting to include emissions data across a greater number of categories, including estimation of the emissions from the Society's mortgaged assets. All of the scope 3 categories have been derived following the methodology provided by the Greenhouse Gas Protocol, which provides guidance for each of the 15 categories. Notwithstanding the methodologies followed, it is acknowledged that it remains difficult to compare the Society's scope 3 emissions data with that reported by other organisations and there remains significant challenges in data collection and verification for scope 3 disclosures, including reliance on third party suppliers.

Emissions assessment

The Society's total emissions for the year ended 31 October 2024 is 8,200.3 tonnes of carbon dioxide equivalent (tCO₂e) (2023: 160.3 tCO₂e). The significant increase can be attributed to the measurement and inclusion of a much wider range of scope 3 emission categories. The table on page 19 shows the breakdown between scopes 1, 2 and 3 and is presented using both a location and market based methodology, with market based taking into account the use of renewable energy sources.

Following the market-based methodology scope 1 and 2 emissions would be reduced from 91.5 to 16.4 tCO₂e (2023: reduced from 106.3 to 28.4 tCO₂e).

The Society's total emissions for 2023 have been independently verified by the Carbon Footprint Company. The 2024 totals are in the process of being independently verified.

Newbury Building Society – Annual Carbon Footprint Reporting

	2024	2023
Scope 1 (tCO₂e)		
Natural Gas	11.2	13.8
Company Vehicles	1.3	9.4
Scope 2 (tCO₂e)		
Electricity generation (location based)	79.0	83.1
Electricity generation (market based)	3.9	5.2
Scope 1 & 2 (tCO₂e)		
Scope 1 & 2 Total – location based (tCO₂e)	91.5	106.3
Scope 1 & 2 Total – market based (tCO₂e)	16.4	28.4
FTE	192	172
Total tCO₂e per FTE – location based	0.48	0.62
Total tCO₂e per FTE – market based	0.09	0.17
Scope 3 (tCO₂e)		
1. Purchased goods and services	0.3	0.3
3. Fuel and energy use	7.0	7.2
4. Upstream transport and distribution	13.6	22.0
5. Waste generated in company operations	0.5	not measured
6. Business travel	21.5	24.5
7. Employee commuting & Home Working	192.3	not measured
13. Downstream Leased Assets	20.2	not measured
15. Operation of investment	7,853.4	not measured
Scope 3 Total (tCO₂e)	8,108.8	54.0
Total		
Total emissions – location based (tCO₂e)	8,200.3	160.3
Total emissions – market based (tCO₂e)	8,125.2	82.4

Notes:

- (1) Of the 15 categories of Scope 3 emissions, only those measured by the Society are included in the above table.
- (2) The Society has considered the purchase of carbon offsets but has made no purchases to date due to the lack of accredited UK-based schemes. The Society will continue to explore these purchases whilst focusing efforts on reducing its own emissions.

The year-on-year reduction in Scope 1 emissions can be almost entirely attributed to the full year benefit from a reduction in usage of our pool vehicles. The continued switch away from gas-powered heating to electricity powered heating and ventilation systems has resulted in increased electrical consumption within some branches, however an overall reduction in Scope 2 emissions can be reported for this financial year. Due to the Society's electricity almost entirely being purchased from renewable sources, emissions measured on a market basis also shows an overall reduction. Previously measured Scope 3 emissions were at a similar level to the previous year as an increase in employee travel-related emissions back to pre-covid levels was offset by a reduction in the use of external couriers. The significant increase in reported Scope 3 emissions can be attributed to the inclusion of more emissions categories, with category 5, 7, 13 and 15 emissions being reported for the first time.

Measurement of *emissions*:

For all emissions data, the UK Government GHG Conversion Factors for Company Reporting was used to find the correct conversion rate for each utility and measurement, with the data used this year being published in July 2024.

Energy consumption	Kilowatt hours consumed from meter readings Gas: Kilowatt hours taken from the utility billing Travel: Business miles travelled by size of vehicle and fuel type used.
Fuel and energy transmission and distribution	The transmission and distribution (T&D) attributed to energy consumed at our premises is reported in our Scope 3 category 3 emissions. Using the electricity consumption from our scope 2 reporting, this is then multiplied by the conversion rate for T&D to find the total.
Upstream Transport and Distribution	Our courier service's emissions are calculated by the number of days in the month that they drive the set route for deliveries (which totals 150 miles per day) multiplied by the emissions rating for the type of van that they use (type III diesel).
Business Travel	Data is collated for business travel through mileage reported to our finance department for mileage claims from employees. Currently there is no information as to the type of vehicle used, so the conversion factor for average sized unknown fuel is used. In future we hope to increase the accuracy of this category by gaining insight into our employees' vehicle data.
Employee Commuting and Homeworking	<p>Data has been collected from an employee survey about the length of their commute to work, as well as the engine type of their vehicle and how many days a month they drive to the office. This generated their mileage for the year, which was then multiplied by the emission factor for their car, obtained from the Government's DVLA service, with electricity and T&D being considered for hybrid and electric vehicles. In future we hope to gain greater insight into engine size of each vehicle so that we can make a more accurate calculation of our commuting emissions.</p> <p>Homeworking has been determined through the number of employees (full time equivalent) who are contractually able to work from home. Within the survey, days working from home were submitted, as well as how many hours are worked each day. This was then calculated against the emission factor for equipment and heating for each working hour. This method of data collection was provided to us by Carbon Footprint.</p>
Downstream Leased Assets	These emissions are sourced from information provided on utility bills received from companies renting Society-owned premises, with one based at our Andover branch, and another at our Head Office. Limitations have been found collating these figures due to a lack of data from the tenants. Currently, our category 13 emissions can be attributed to the gas usage at the leased unit in our Andover branch, and the electricity usage at our Head Office.
Operation of Investment	<p>The emissions contributed by our mortgage portfolio have been recorded for the first time this year. Using mortgage book data (up to date as of 31/10/2024) we were able to calculate the emissions that we are responsible for based on the loan-to-value of the mortgage. We used the methodology provided by PCAF GHG Accounting and Reporting standard; with the calculation used being:</p> <p>Financed emissions = (Outstanding amount / Property value at origination) x Energy consumption x Emission factor</p> <p>In order to calculate an average utility usage for each of the properties, we used the Government postcode level datasheet for both domestic gas and electricity (https://www.gov.uk/government/statistics/postcode-level-electricity-statistics-2022, https://www.gov.uk/government/statistics/postcode-level-gas-statistics-2022) and matched each property to the addresses average consumption. The Outstanding amount and Property value at origination were both collected from the mortgage book, with the product of Outstanding divided by Origination being multiplied by the found average consumption for each utility, and then multiplied further by the conversion factor for each utility. With these assumptions, we have a general idea of the emissions contained in our mortgage portfolio. In future we aim to gain more accurate data if possible, as this allows us to understand how we can provide services to accelerate the sustainable changes within the UK housing market.</p>

Energy consumption

	2024	2023
Energy consumption - Natural Gas (kWh)	61,057	76,980
Energy consumption - Vehicles (kWh)	15,931	18,226
Energy consumption - Electricity (kWh)	380,799	401,963
Total energy consumption (kWh)	457,787	497,169

Water and waste *consumption*

Water: The Society monitors its water consumption across its Head Office and branch properties. Consumption data is derived from meter readings for each property and reported under category 1 (purchased goods and services). This year we have also reported on our water waste emissions, which are included in our category 5 emissions (waste generated in company operations). Waste water is reported at an average of 95% of our total water consumption.

	2024	2023
Water consumption (m3)	1,698	1,526
Water treatment (m3)	1,613	n/a

Waste: The Society has started to collect information on our waste usage; using invoices from third party waste management companies, we can use the weight of collection multiplied by the emissions factor for the respective waste deposit system (open-loop recycling, combustion etc). For this financial year, unreported data includes our Didcot branch due to insufficient data, and the glass collection from our Head Office, both of which are minimal.

As part of each branch refurbishment the Society is able to report on the amount of waste generated by the refurbishment that has been diverted away from landfill. In respect of the refurbishment of our Thatcham branch, completed in June 2024, 98% of all waste was recycled. The Winchester branch, completed in November 2023, diverted almost 96% of all waste.



Our customers

Embracing Consumer Duty

Consumer Duty is a substantial piece of legislation brought in by the Financial Conduct Authority, effective for open products from 31 July 2023, and closed products from 31 July 2024. The key principle is that “A firm must act to deliver good outcomes for retail customers”.

Good outcomes for customers have always been the Regulator’s expectation. However, the Duty sets out an even higher expectation for the standard of care given by financial service firms, and a particular focus on ensuring that customers with vulnerabilities get at least the same outcome as those without – so there is a level playing field for all.

Over the last two years we have been working on what the Society needs to do differently and have delivered in several areas to build on our customer first approach, either to further support customers, or ensure mechanisms are in place to identify where we can improve.

This can be summed up in four areas; our people, our products, our support and your feedback.

1 Our people

Everyone within our business has a role to play in ensuring customers have good outcomes, whether they interact directly with customers or support those who do.

Our first step has been to ensure all our colleagues are clear about Consumer Duty, what it is and their part to play. Our Customer Charter helps with this. The Charter was designed by our colleagues and gives clarity of behaviours expected of them when dealing with customers and each other.

We have dedicated learning around the Duty and have integrated the concepts into our existing customer service learning programs. For example, all new employees attend our Thinking Like Customers workshop which covers our Customer First ethos and expectations. The workshop also dives into what this looks like in practice, including an opportunity to mystery shop other organisations in Newbury town centre to assess good and poor practice, and apply that internally to what we do.

We also encourage our colleagues to think about our policies and procedures and the steps they can take to make or suggest changes to improve customer outcomes. We have dedicated change experts that actively seek out ways to improve what we do. This can be a material change, like introducing the mobile app or seemingly small changes which collectively make a big difference, such as supporting mortgage borrowers pay on time using text messages or removing the requirement for representatives to sign multiple forms to register the death of a loved one.

2 Our products

From a products perspective we have predominantly focused on extending governance around new, and changes to, mortgage and savings products, and changes to interest rates, in addition to a review of our existing products to ensure the right outcomes are being achieved.

We already have strong governance in place; however, the Duty has some prescriptive requirements around this, including fair value assessments that document what the price/rate of a product is, or the cost of a service and the benefit received. Benefits go beyond the terms of the product and includes for example, things like access to branches and level of service.

This has resulted in no material changes to products, however we have some examples of changes made including where we have changed an interest rate on a high loan to value mortgage product and removed a fee from another. We have also sent notifications to customers who have made high levels of savings withdrawals and incurred a charge because they are using our higher interest rate notice accounts as instant access accounts. This is a good example of where the Duty adds value, and we continue to look at contact strategies that nudge customers to think about the way they are using our products, to inform whether seeking an alternative is the right thing to do.

3 Our support

To create an inclusive online environment we are conscious that customers use the information we provide to decide whether a mortgage or savings product is suitable for them. With this in mind, we have updated our communications approach and aligned our approval and review process with the Duty’s expectations. This includes a review of each communication by an employee outside of the area of the business where the communication sits, and for bulk communications (e.g. rate change letters), feedback from our Member Forum.

To support a review of over 300 communications, we employed a dedicated Servicing Communications expert to work with the business to ensure there is a consistency in style and standard, and that we are communicating in a way customers understand, without jargon.

We have introduced ‘ReciteMe’ which is a digital accessibility tool for our website. The ReciteMe toolbar includes: screen reading functionality; multiple reading aids; customisable styling options; and live translation for 100 languages.

In addition to supporting customers access their online savings accounts on the move via a new mobile app, we have also extended our live chat service and use SMS for key updates to individual customers to support good outcomes e.g. reminding borrowers in arrears to make a payment or acknowledging payments from borrowers repaying their mortgage.

We continue to back the Government’s Mortgage Charter, with just over 100 borrowers benefitting from the scheme. Those that have ended their six-month concession have been supported back to capital and interest repayment. Our Help and Support hub remains accessible to borrowers on our website, and our dedicated Payment Support Team are also equipped to help those who need it.



Matthew

4 Your feedback

We are continually asking for your feedback to help us understand what is important to you and what changes we should consider. This year we ran our regular Institute of Customer Service (ICS) surveys, and commissioned customer experience experts Investors in Customers to issue an online survey specifically in relation to Consumer Duty. We also continue to use Smart Money People for regular temperature checks to inform how we are doing.

The ICS surveys, once again, reflected exceptional standards of customer service. We achieved a fantastic satisfaction score of 90.5 out of 100, which has been consistent since we started the surveys in 2017. Additionally, our Net Promoter Score (NPS) of 71.4 is 40 marks higher than the average for the Banks and Building Society sector. In 2025, we are due a re-assessment of our ServiceMark with Distinction accreditation – we are still the only bank/building society to hold this accolade.

The Consumer Duty survey comprised of 25 questions that covered all aspects of Consumer Duty, including whether customers thought they received fair value and were treated appropriately in relation to vulnerabilities. It was sent to 16,000 of our customers and 11% responded. Of those who answered the questions: 92% said that the Society understood their needs; 98% of customers thought the information provided by the Society is clear and easy to understand; and 97% said the Society is easy to contact when they needed support.

Whilst our surveys show most of our customers are completely happy with the outcomes they receive from the Society, there is always room for improvement. The areas that we continue to evolve are branch environment, online accessibility and ease of processes – refurbishment of Thatcham branch including the OneBanx terminal; the upgrade of our online platform and the introduction of the mobile app have been delivered in response to customer feedback.

Championing the Duty

At Newbury, we don't think of the Duty as just another piece of legislation. We see it as another opportunity to: achieve better customer outcomes; offer more enhanced customer experiences; and support the Society's long-term sustainability.

What is different is that we are even more accountable to our customers through this regulation, and we will be putting more emphasis on monitoring the outcomes customers receive. Our Quality Assurance team, for example, have introduced an internal testing program that looks at customer experiences throughout their time with the Society. Measuring against specific expected outcomes, this more proactive approach will mean we will be able to understand where we can improve at an earlier stage.

To add to our coveted ServiceMark with Distinction accreditation from The ICS, we were awarded two additional accolades in 2024. We were honoured with the Treating Customers Fairly award at the British Bank Awards run by Smart Money People. The award is voted for entirely by customers. We also won a Consumer Duty Leadership in Retail Banking award, which was voted for by a panel of experts and recognises firms that demonstrate exceptional leadership, innovation, and commitment to delivering good outcomes for their customers.

Please continue to tell us what you think

We encourage customers to give us feedback. You can rate and review the Society any time at www.smartmoneypeople.com and can apply for our Member Forum through our website www.newbury.co.uk. And, of course, look out for our ICS surveys in 2025 – and continue to talk to colleagues about your experiences. We are here to listen.



Colleagues from the Society volunteer at StyleAcre, an Oxfordshire charity supporting adults with learning disabilities and autism.



Our communities

Supporting our branch communities remains incredibly important, both to those who live and work in and around our branch towns, and to our people who identify strongly with our mutual approach.

Through our Charity savings account, the Society makes an annual donation of interest to each account holder's preferred charity in addition to the interest paid to the savings member. In 2024 the account generated £55,300 for the charity partners (2023: £77,600). In total, our members and employees raised £79,200 for our ten partner charities: Newbury Soup Kitchen, Helen & Douglas House, St Michael's Hospice, Prior's Court, Newbury Cancer Care, Trinity Winchester, Sue Ryder, Brecknock Hospice, Dementia Friendly Alton, and Swings & Smiles through fundraising, fund-matching, and the aforementioned charity account.

Our Community Support Scheme, which provides donations to community projects, supported 38 (2023: 41) different organisations, donating a total of £12,550 (2023: £17,200). Groups which benefitted from the scheme included:

£500 to the Wokingham and District Association for the Elderly (WADE) to pay for art sessions for the residents to improve memory, cognitive function, and self-esteem.

£500 to StyleAcre in Didcot to purchase gardening materials and tools for their gardening club, which provides a safe, calm space for adults with learning disabilities to take part in activities in nature.

£500 to Young People and Children First in Thatcham for fun activities for young people aged 16–25 who are soon to be homeless or leaving foster care, support.

£1,000 to Tower House Horses CIO in Winchester, to support the 'Horses Change Minds' programme, which provides equine-assisted wellbeing sessions to local people coping with stress, anxiety, and depression.

Our people undertook a range of fundraising activities during the year:

- Hungerford, Thatcham, Andover, and Abingdon branches held cake sales to raise money for their respective charity partners.
- Basingstoke branch completed a 10k Moonlight Walk, raising over £500 for St Michael's Hospice.
- Alton branch organised a quiz night in aid of Dementia Friendly Alton, raising over £900.
- Head Office employees took part in a sponsored sleepout for Newbury Soup Kitchen, raising a total of £7,350.
- A coffee morning at Head Office raised over £250 for Macmillan Cancer Care.
- Ana Clarke from Winchester branch undertook a skydive, raising over £900 for Trinity Winchester.

Financial education

We continue to provide support to primary and secondary school pupils in our branch towns. We did this through our Junior Newbury Building Society scheme and funding secondary school sessions with WizeUp in Newbury, Hungerford and Andover.

Society employees also attended a number of additional events at local schools, including:

- Mock interviews at Trinity School, Newbury
- Speedy Careers Day at The Downs School, near Newbury
- Careers Day at Didcot Girls School

Volunteering


Colleagues across the organisation volunteered at a range of local charities and community groups, including:

- Five a Day Market Garden
- The National Animal Welfare Trust
- Litter picking with Newbury Business Improvement District (BID) and Alton Climate Action Network
- Andover Trees
- Trinity Winchester
- The Argyles Care Home

Head Office teams also donated and wrapped Christmas presents for vulnerable families in partnership with HomeStart West Berkshire, whilst Basingstoke and Wokingham branches ran their popular 'Giving Tree' appeals to provide Christmas presents to children in challenging circumstances.




A WizeUp financial education session at John O Gaunt School.



The Basingstoke branch team get stuck in on a volunteering day at Beggarwood Park.

Sponsorship and donations totalling
£13,000



Supporting a cancer wellbeing session run by charity, The Pink Place.

Sponsorships and events

We sponsored a number of community, sporting, or cultural events in and around our branch towns, with donations totalling £13,000. These sponsorships enable the Society to reach a wider audience, build links within our communities, and support the longevity of local events and clubs that enrich the lives of people in our branch towns.

These included:

- Thatcham Family Fun Day
- Burghfest
- Didcot Bubble Rush Run
- Newbury Show
- Abingdon Air Show
- Newbury Rugby Club
- The Lights, Andover
- Hungerford's D-Day Convoy



Alton branch litter picking in the rain with Alton Climate Action Network.



Colleagues from the Society volunteer at StyleAcre, an Oxfordshire charity supporting adults with learning disabilities and autism.



Our people

Our people tell us they feel genuine connection to our purpose, and we proudly see that passion drive them to achieve great customer outcomes and what is needed to deliver a sustainable future for the Society.

Engaged with *our purpose*

We saw a testimony to our peoples' commitment and willingness to contribute to the Society's success in our biennial employee survey conducted in May. Our survey asked questions to encourage deeper insights about our ways of working. Our results were very positive and demonstrate that, against a backdrop of change and growth, we retain the things that make the Society a great place to work, and most importantly, our long-held customer values and inspiring mutual culture are felt strongly.

90% are inspired by our vision to be the trusted provider of savings and mortgages in our community.

97% say their "team are committed to delivering a high quality service to both internal and external customers".

96% understand how their job contributes to the success of the organisation.

Inspired and *empowered leaders*

We view developing our leaders as vital to the Society's success as we navigate through an external landscape of changing employee and customer expectations.

Since the launch of our leadership development programme, Leading for Our Future, 75% of our leaders have attended the programme and shown commitment and curiosity to develop the mindsets, skills and behaviours needed to continue to engage and motivate their teams.

Great leadership sets the tone for sustainable growth; and therefore stays prominent in our People Plan for next year and beyond.

Sustained commitment to *wellbeing*

Wellbeing remains an important part of our employment proposition. We know it matters to existing and prospective employees, making it imperative to find and retain talented individuals. Moreover, we fundamentally believe employee support and care reflect our customer promises of warmth and friendliness, our values of respect, trust and creating a vibrant culture.

This year, we further developed our employee offering with the launch of new, bite-sized learning events focused on happiness, and an employee-led menopause network focused on awareness and education. These new events sit well alongside our existing suite of wellbeing support: our Employee Assistance Programme, Cash Health Plan, Virtual GP Service, Wellbeing Guides, and our 10 Mental Health First Aiders.

We know that financial health also remains a concern for many. Our annual pay review ensured people remain rewarded in line with market rates, recognising and continuing to award pay increases above the National Minimum Wage. We conducted a review of our benefits, resulting in changes to our offering. Our new approach provides a transparent way for everyone to see how benefits are assigned to different job roles.

Keeping customers at the heart of *how we operate*

Continuously refining our operating practices remains incredibly important as we evolve our organisation. Our people play a pivotal role to improve how we work, within teams and across the Society as a whole.

We place particular focus on our branch network and understanding experiences of those providing front-line services to our members. This year, we dedicated additional leadership focus directly to branches, listening to their stories and seeing our Society through their eyes. These engagements allow us to more deeply connect with day-to-day branch experiences and unlock meaningful improvements.

Across the Society, we empower our employees to review and action changes to processes that help improve our service and make our roles more purposeful. Our people are supported in this work through dedicated Customer improvement experts and Continuous improvement champions.

We move into 2025 with commitment and energy to encourage further employee involvement, feedback and ideas; with the belief that their insights and collaboration will help us achieve our sustainable growth.

Delivering purposeful learning and growth

Inspiring a culture of continuous personal growth and learning is equally important.

We are encouraging and supporting people to keep skills up-to-date via the launch of a new, content-rich online learning platform, Newbury Learning Hub. This easily accessible resource allows everyone to complete relevant, interesting learning suited to their role and personal aspirations. This provision is a core enabler to developing future skillsets, as well as providing people with inspiration and interesting options that help them experience a sense of personal progression.

Inclusion in our Society

We believe inclusive behaviours and practices are core to achieving our purpose in local communities and beyond, ensuring we meet the diverse needs of our members and remain an attractive, relevant destination for local talent.

Our people continue to find our environment welcoming; a place they feel like they belong and are inspired to deliver great customer outcomes. We are proud of this underlying culture that supports people to feel confident and able to achieve:

96%

of our employees Agree or Strongly Agree they have positive relationships with colleagues.

86%

of our employees say they feel like they can be themselves at work.

89%

Agree or Strongly Agree that they are treated with respect at work.



Melanie



James

Ella

We know that ongoing focus is needed to foster a diverse, inclusive place to work that sustainably values and nurtures differences. We show our ongoing commitment through a combination of engaging communications and adjustments to people practices. Some of our most visible, targeted work this year has included:

- Internal and external awareness raising via events like Pride, International Women's Day and International Men's Day;
- Employee stories shared on social media, highlighting how a range of different employees enjoy working life at Newbury; and
- Specific questions added to mid-probation reviews and exit interviews to keep insight on employee perspectives.

Inclusion & Diversity conversations remain firmly on the agenda of our Board and Executive team and we have agreed strategic priorities for the years ahead.

A positive uplift in employee willingness to disclose personal data reflects our progress. We now hold data for 76% of our workforce (an increase of over 30% over 2 years). This in turn allows us to better understand differences and ways to support the diverse needs of our employees.

Community *involvement*

Our heritage of strong participation in local communities continues. Our employees are inspired by living our purpose. Their unwavering, positive energy to contribute is felt throughout the Society.

- 93% of our people say they feel proud of the Society's contribution and focus on local charities and community causes.
- 82 people from across the Society have used their volunteering hours in the last year, with over 650 hours spent volunteering on a wide range of activities, from supporting local education establishments with careers and employability guidance, environmental projects and supporting our community partners to raise money.
- Our sponsored Sleep Out event this October, to raise awareness and funds for Newbury Soup Kitchen, is a great example of the mutual benefits that come from living our purpose for the good of those less fortunate. We not only raised over £7,000 for this important local charity, but also generated camaraderie and new connections amongst our people.

It is inspiring to see our people continuing to take so much pride in living our mutual values. It is a special, heartfelt and distinctive part of our employee experience.

Words from *colleagues*

Comments from our May employee survey exemplify the genuine, caring experience we create together.

"A friendly, collaborative place to work, with people that genuinely care about customers and colleagues. Excellence in customer service and the work we do in our communities makes me proud to work at NBS"

"The values are real here and it makes for a great culture where people can be at their best. We care about our employees and customers, and it shows through in the way we do things"



"I feel very proud to work for the society and with my colleagues, to provide the help we give to our customers and communities"



Risk management report

Risk Management Framework

The Society operates in a business environment that contains a wide range of financial and non-financial risks which are managed under the Risk Management Framework (RMF). The RMF documents the Society's formal structure for managing risk and the Board's risk appetite.

The Board is ultimately responsible for the effective management of risk. The RMF, including the risk appetite statement, and principal risk policies are approved by the Board following a review and recommendation by the Risk Committee. The Board delegates oversight of the implementation of the RMF to the Risk Committee. The Chief Risk Officer, who is a member of the Executive team, oversees the effective implementation of the RMF, including the review of risks and uncertainties in the business.

The Society adopts a three lines of defence model which ensures a clear separation between the ownership and management of risk and controls (first line), oversight, support, and challenge (second line) and internal audit assurance (third line).

Risk governance arrangements

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

Each principal risk has a Risk Owner within the Society and there are Risk Champions in each business area to support the effective operation of the RMF.

Risk culture




The risk culture is the behaviour exhibited by all employees regarding risk awareness, risk taking, risk management and treating customers fairly. The Board sets the tone from the top with Risk Owners and Risk Champions implementing this tone throughout the Society. The overall tone set by the Board is underpinned by various policies and these policies enable Risk Champions, and their teams, to disseminate the Society's culture and values across all areas of the business. The Risk team conduct a biennial risk culture assessment, the most recent of which was reviewed by the Risk Committee in December 2023 which saw a high level of response (80%) from colleagues. Key themes from the assessment were: a need to improve how we communicate positive process and control improvements (for example the successful upgrade of the Society's core mortgage and savings platform, which was completed in November 2023); improving cross departmental collaboration and support to resolve issues which impact on our ability to maintain our high levels of customer service; and improving how we communicate with all our colleagues to support their understanding of the importance of managing our risks effectively as an enabler to us being able to continue to deliver good customer outcomes. Actions to address these themes are being progressed by the Executive team through a range of approaches including, amongst others, face to face meetings and use of the internal Society newsletter "Cascade" to highlight best practice and examples of where we're doing this well.




Principal risks and uncertainties


The principal risks to which the Society is exposed, along with how they are controlled and the associated policies, are set out on pages 30 to 33 and remain unchanged from last year.

The Society has a cautious risk appetite across all its principal risks except for conduct risk where the appetite is averse. The Risk Committee reviews both the key risk indicators for each principal risk and the output from a range of stress and scenario testing on a regular basis to ensure that risk levels remain within the Society's agreed risk appetite. The Society maintains strong levels of capital and liquidity to provide financial resilience.



Risk and impact	Mitigation	Movement in risk profile	Progress
<p>Strategic risk</p> <p>The risks resulting from the Society's strategic decisions which have the potential to reduce the Society's profit levels and contribution to capital, thereby threatening the financial strength of the Society. In particular, it is the risk on the Society's business model and strategic objectives as a result of macroeconomic, regulatory, political or other factors.</p>	<p>The Board will not seek out strategic options which have a potential to create losses to capital, although will consider options that could result in reduced profit in the short to medium term provided that the capital ratio remains within appetite.</p>		<p>The risk profile is increasing due to the continued period of higher interest rates combined with higher levels of inflation, resulting in continued cost-of-living challenges for some of our members. The expectation is that the UK will avoid a recession but house price growth will continue to be slow for a period.</p> <p>During the year the Board has:</p> <ul style="list-style-type: none"> reviewed the Society's strategy and confirmed it remains appropriate. The strategy is reflected in the Society's latest Board-approved corporate plan which was reviewed by the Risk Committee to ensure it meets the agreed risk appetite. monitored the economic environment and considered the Society's actual and expected risk profile and recommended appropriate action where required. performed economic stress tests through the ICAAP and ILAAP processes.
<p>Credit risk</p> <p>Credit risk is the risk that mortgage loan customers or treasury counterparties default on their obligation to repay the Society.</p>	<p>Mortgage credit risk is controlled in accordance with the Board-approved Lending Policy which is aligned with a cautious risk appetite.</p> <p>Lending is done on prudent terms, is maintained within carefully controlled limits and is subject to regular Credit Committee and Board reviews.</p> <p>Whilst the policy allows lending in a limited number of niche areas which may be considered to have a greater degree of risk, this is mitigated by the fact that these are areas where the Society either has significant experience or has set non-material limits. In addition, each mortgage application is manually underwritten by an experienced team.</p> <p>Counterparty credit risk is controlled through adherence to the Board-approved Treasury Policy which reflects a cautious risk appetite. It is regularly reviewed by the Assets & Liabilities Committee with oversight by the Risk Committee. The Policy defines prudent limits, relating to quality and quantity, on credit exposures to single counterparties and groups of counterparties.</p> <p>The counterparty limits are developed predominantly by reference to credit ratings and other market and financial data and any new counterparties are approved by the Assets & Liabilities Committee in accordance with the Treasury Policy.</p>		<p>Mortgage arrears and forbearance levels continue to remain low, but the current cost-of-living challenge is expected to see ongoing challenges for some households struggling to meet monthly costs, including their mortgage. The cases in arrears and forbearance are expected to remain largely the same into next year given the majority of our mortgages are linked to our SVR and therefore benefitting from reducing base rates to ease wider cost-of-living pressures and therefore the risk profile is expected to stabilise.</p> <p>During the year the Board:</p> <ul style="list-style-type: none"> reviewed and updated the Lending Policy to ensure the risk profile of new lending remains within the cautious risk appetite. reviewed and approved changes to the affordability criteria to reflect increases in the cost-of-living. <p>During the year the Society has:</p> <ul style="list-style-type: none"> continued to proactively manage arrears and provide forbearance to members with payment difficulties. continued to support customers through the Mortgage Charter.
<p>Liquidity risk</p> <p>Liquidity risk is the risk of the Society failing to meet its financial obligations as they fall due, ultimately resulting in the inability to support normal business activity and failure to meet regulatory liquidity requirements. This includes the funding risk of not being able to find new funding to replace outflows or maturing facilities.</p>	<p>The Liquidity Policy is contained within the Treasury Policy, which is reviewed by the Assets & Liabilities Committee and the Risk Committee, and annually approved by the Board. Liquidity is maintained within the Board-approved risk appetite limits.</p> <p>Regular stress tests are conducted which help to determine the level of liquidity required to withstand all reasonably foreseeable liquidity stresses. The Society also has a contingency funding plan in place to manage sudden or extreme outflows.</p> <p>The results of stress testing and the liquidity position are reported to the Assets & Liabilities Committee and the Risk Committee and appropriate action is undertaken, if required.</p>		<p>The risk profile has increased during the year as liquidity levels have reduced and ratios have tightened, as expected.</p> <p>Over the past year the Risk Committee has:</p> <ul style="list-style-type: none"> reviewed and recommended the Treasury Policy to the Board for approval. reviewed and recommended the ILAAP to the Board for approval. reviewed the portfolio of liquidity stress tests to ensure all aspects of liquidity risks remain appropriately addressed. <p>In addition, the Society has:</p> <ul style="list-style-type: none"> continued with repayment of its TFSME funding with the Bank of England, repaying a further £36m. Successfully applied to become a Small Domestic Deposit Taker ("SDDT") to take advantage of simplified regulatory reporting for firms of our size and complexity. Obtained other sources of wholesale funding (amounting to £17m) as a market test and to support the liquidity profile.

Risk and impact	Mitigation	Movement in risk profile	Progress
<p>Market risk</p> <p>Market risk includes interest rate risk and basis risk. Interest rate risk is the risk of mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates, impacting on profitability and the value of the Society's assets and liabilities. Basis risk is the risk that assets and liabilities re-price on a different basis as interest rates change.</p>	<p>Market risk is controlled by setting Board-approved limits for non-administered business (e.g. fixed rate mortgages) therefore ensuring the majority of assets and liabilities are on an administered interest rate. To mitigate the risks associated with non-administered rate assets, hedging contracts are used in accordance with the Board-approved Treasury Policy. Market risk is regularly reviewed by the Assets & Liabilities Committee. Further information on the Society's interest rate position at 31 October 2024 can be found in note 28 on page 100.</p>		<p>The Assets & Liabilities Committee has continued to monitor the Society's exposure to interest rate and basis risk to ensure it remained within risk appetite even in a period of significant fixed rate mortgage demand.</p> <p>Similar to last year, the swap rate volatility due to uncertainty around rate rises and inflation has resulted in the risk profile slightly increasing. This has been compounded by a higher proportion of fixed rate lending over the year ended 31 October 2024.</p> <p>Over the past 12 months the Society has also seen increased inflows into fixed rate deposits some of which act as a natural hedge for lending activities.</p>
<p>Operational risk</p> <p>Operational risk is the risk of loss arising from inadequate or failed internal processes or systems, human error, or external events. Therefore, operational risks can potentially arise from all the Society's activities, across all business areas.</p>	<p>The Society has robust processes and controls in place for all operational areas, which are designed to mitigate this risk and the Society uses software to help manage the risk by providing a single source of data for risk events, management actions, horizon scanning and controls testing.</p> <p>Whilst effective operational risk management will help to mitigate the likelihood and impact of operational risk, it is not possible to eradicate the risk. To ensure operational resilience, the Society protects against disruption resulting from operational risk events (such as cyber or data loss) by having controls in place to reduce risk exposures (prevention), having clear tolerances on what can be absorbed and having actions in place to respond beyond these points (response), and having clear plans and arrangements in place to respond to and recover from incidents and to learn and adapt from operational disruption (recovery).</p> <p>A range of metrics and risk limits are used to monitor the Society's ability to recover from an operational risk event in line with the defined risk tolerances for important business services (IBS).</p> <p>The Operational Resilience Framework, which includes the Operational Risk and Resilience Policy, the Business Continuity Plans and the Third-Party Arrangements Policy, is reviewed by the Executive Committee. The Risk Committee receive management information relating to operational risk and resilience. The Audit Committee is responsible for assessing the effectiveness of the system of inspection and control.</p>		<p>The Board is aware of the significant operational issues that have occurred in other businesses, particularly relating to cyber-attacks. The security of systems continues to be a key focus, with ongoing developments to ensure that we continue to meet best practice requirements.</p> <p>In respect of systems security the Society has continued to strengthen its defences. The following are examples of the actions taken:</p> <ul style="list-style-type: none"> • upgraded core mortgages and savings systems to a highly resilient Amazon Web Services based hosting platform. • rolled out Identity Threat Detection and Response (ITDR), a Microsoft product that enables pro-active monitoring and management of identity related security risks. • achieved re-accreditation of Cyber Essentials Plus. <p>The Society also continued to:</p> <ul style="list-style-type: none"> • undertake regular phishing tests to raise employee awareness of the risk. • operate with three layers of back-ups (on premise, two layers in the cloud). • operate ransomware and Domain Name System protection. • undertake vulnerability scanning and regular penetration tests. • undertake service profiling for automatically applying patches to Office 365. <p>The Operational Resilience Framework is embedded, with the framework methodology (process mapping, scenario testing and lessons learned) providing ongoing insight into where enhancements can be made to operational resilience and business recovery plans. The last Board self-assessment (March 2024) reported that all IBS impacting events in the previous 12 months were non-systemic and low rated.</p>
<p>Legal and Regulatory risk</p> <p>Legal and Regulatory risk is the risk of fines, public censure, limitations on business or restitution costs arising from failing to understand, interpret, implement, and comply with legal and regulatory requirements.</p>	<p>Legal and upstream regulatory change is closely monitored and reported to the Executive Committee and Board. Horizon scanning for legal and regulatory change is well embedded within the Risk Management Framework to ensure timely changes are made in respect of any announced changes of law or regulation.</p>		<p>During the year all relevant legal and regulatory changes have been successfully implemented, including evidencing progress to the Board of the embedding of the Consumer Duty by the end of July 2024. The Duty is now considered as business as usual and the Society continues to focus on developing and delivering across its operations with a clear focus on providing good customer outcomes.</p>

Risk and impact	Mitigation	Movement in risk profile	Progress
Conduct risk Conduct risk is the risk that products, services, systems, structures (including remuneration) and behaviour do not deliver good customer outcomes and an environment is created that results in employees not: acting with integrity, honestly, fairly and openly; preventing foreseeable harm; and supporting customers to pursue their financial objectives.	Legal and upstream regulatory change is closely monitored and reported to the Executive Committee and Board. Horizon scanning for legal and regulatory change is well embedded within the Risk Management Framework to ensure timely changes are made in respect of any announced changes of law or regulation. The Society is committed to delivering good customer outcomes and this is underpinned by the Society's Conduct Risk Framework, which is regularly reviewed. The Executive Committee monitors conduct risk at an operational level, with oversight provided by the Risk Committee.		<p>Over the past year the Society has continued to support borrowers, including those affected by cost-of-living challenges, with suitable forbearance options, including those arranged through the Mortgage Charter.</p> <p>The Society invites customers to leave feedback via Smart Money People, and this is regularly reviewed and acted upon to ensure customers continue to receive high levels of service and good outcomes.</p> <p>In 2022 the Society's Institute of Customer Service accreditation was independently reviewed and the Society achieved distinction level. The next review is in 2025 and the Society aims to maintain this level of accreditation.</p>

Risk outlook

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

Emerging or evolving risks	Mitigating actions
Macro-economic conditions	
<p>Whilst a recession now seems less likely, the impact of successive interest rate rises in the prior year and likelihood of a more prolonged period of time with higher interest rates, combined with inflation and higher energy prices will continue to impact house prices and squeeze incomes, resulting in increased borrower difficulties in making payments.</p>	<p>The Society is protected from the more significant impacts of such conditions by its prudent lending policy, including affordability checks and stress testing, which has resulted in an average LTV of the mortgage book being 30%. A key factor in repayment difficulty relates to employment being maintained. The latest forecasts indicate that there should not be any significant deterioration in unemployment levels in the short to mid-term. It is however expected that the Society is likely to see an increased level of arrears and forbearance arrangements as the impact of consecutive interest rate rises begins to impact on more customers.</p>
Legislative and regulatory change risks	
<p>Strong & Simple/Basel 3.1, buy-to-let legislation changes and political uncertainty all present potential legislative and regulatory changes for the Society to respond to.</p>	<p>In respect of legislation and political uncertainty, the Society continues to closely monitor the composition and quality of its lending portfolio and can respond quickly as needed.</p> <p>An initial assessment of the changes being introduced through Basel 3.1 and the Strong & Simple regime, announced on 12 September 2024, has been undertaken with the changes expected to increase capital requirements. The changes come into effect from 1 January 2027.</p>

Change risk

To meet changing customer requirements and to source the employees with the skills to undertake the necessary change, financial service providers are continuing to develop their offering to customers including the increasing use of digital solutions and applications to assist financial management. The Society therefore continues to evolve its own offering to meet changing customer expectations, but a risk exists that the speed and focus of change isn't sufficient which could be compounded by the inability to recruit people with the necessary skills.

The Society has in place a Digital Advisory Panel, a long standing and productive partnership with its principal IT platform provider and a competency framework to mitigate these risks. Over the last 12 months the Society has:

- successfully migrated its core mortgages and savings platform to a cloud hosted service.
- working with third parties, undertaken a review into mortgage and savings processes to identify areas where customer experience can be improved.
- grown the Change and Transformation team.

Climate change

The Society recognises the risks and challenges posed by climate change. Whilst the financial risks from climate change may only crystallise in full over longer time horizons, they are becoming more apparent now as increased extreme weather events are being evidenced in many parts of the world. The Society recognises two key risks – physical and transition, as described on page 14.

The Society is continuing to evolve its decision-making processes to incorporate the metrics available on physical and transition risks.

The Society also continues to develop its emissions reporting capability, including assessment of scope 3 emissions.

The Chief Financial Officer has responsibility for monitoring climate change risk at an operational level, with oversight provided by the Risk Committee and reviewed by the Board at least twice a year.



A portrait of Darren Garner, Chief Financial Officer, is positioned on the left side of the page. He is a middle-aged man with short brown hair, wearing black-rimmed glasses, a white dress shirt, and a yellow tie with a small dark pattern. He is smiling slightly and looking towards the camera. His hands are clasped in his lap. The background behind him is a blurred indoor setting with green plants and a blue wall. The right side of the page has a solid blue background with white text and graphics.

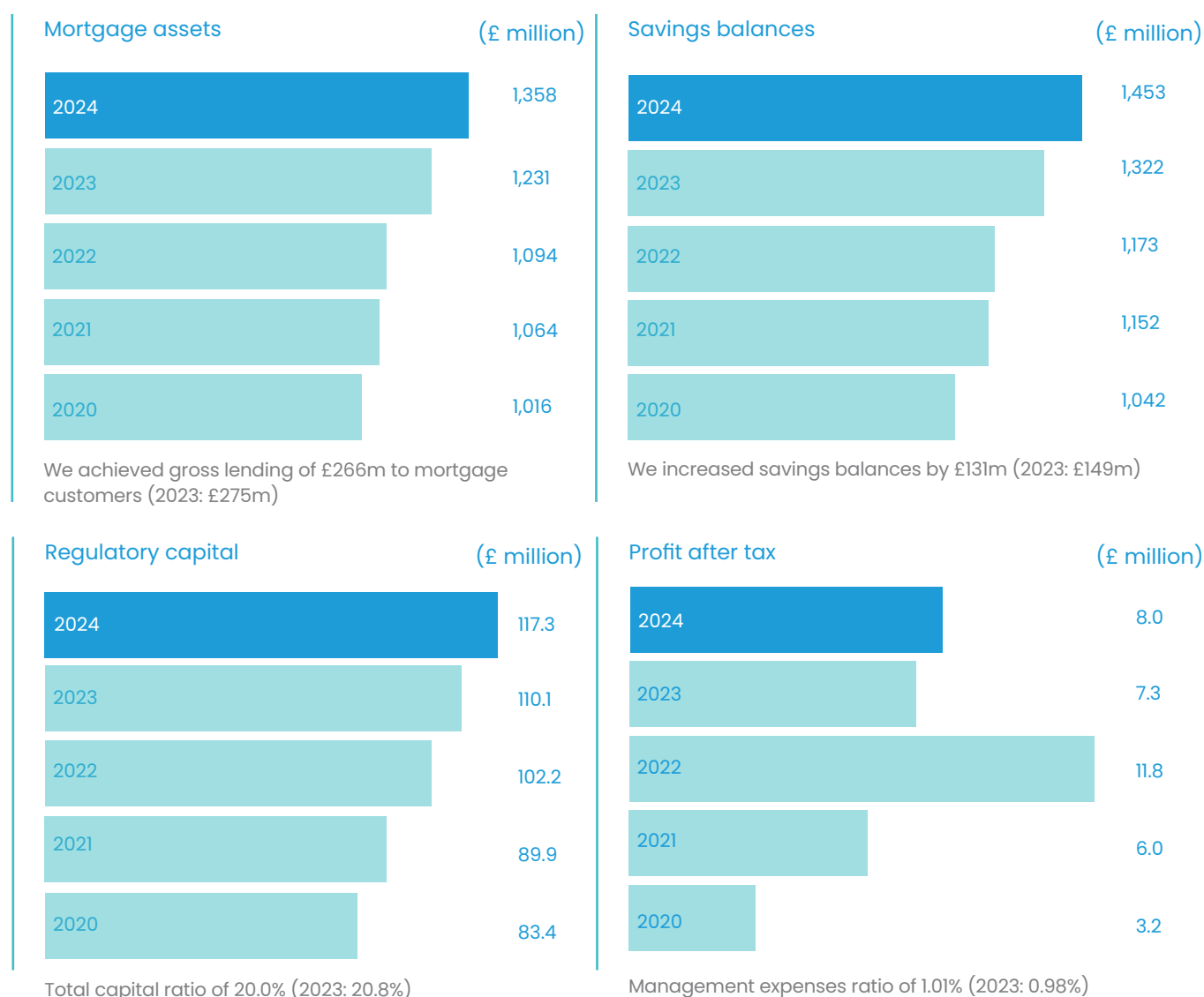
Financial *review*



The financial performance for the year ended 31 October 2024 represents another balanced set of results with mortgage balance growth of over 9% taking Society assets to £1.65 billion and profitability of £8.0 million after tax increasing the Society's capital. As the bank rate starts to fall the Society remains in a strong financial position to continue growing whilst investing for the future and supporting members.

Darren Garner
Chief Financial Officer

As a mutual the Society has no shareholders and does not seek to maximise profits. All profits are retained in the business to underpin the provision of fair, competitive and sustainable rates of interest to members – both current and prospective, and continued investment in infrastructure to provide outstanding service and support to members under all economic conditions.



Key performance indicators

One of the Board's roles is to set the Society's strategy. The Board manages the Society and oversees delivery of the agreed strategy using a set of performance and control reports, including use of key performance indicators (KPIs). The KPIs in use throughout 2023/24, with previous year comparatives are presented in the table below together with explanatory comment.

		2024	2023
Balance sheet	Assets	£1.65bn	£1.55bn
	Loans to customers	£1.36bn	£1.23bn
	Retail shares and deposits	£1.45bn	£1.32bn
Operating performance	Management expenses as a % of mean total assets	1.01%	0.98%
	Interest margin as a % of mean total assets	1.76%	1.83%
	Mortgage arrears – on accounts two months or more in arrears	£0.32m	£0.30m
	Profit after tax	£8.0m	£7.3m
Financial strength	Regulatory capital	£117.3m	£110.1m
	Total capital ratio	20.0%	20.8%
	Liquid assets as a % of shares and borrowings	17.7%	19.9%
Members	Members – numbers	78,439	76,310
	Complaints – as a % of members	0.12%	0.11%

Measure	Explanation
Assets	Total size of the Society.
Loans to Customers	The total value of mortgage advances provided to customers. Mortgage advances are the primary source of the Society's income and core to its purpose of helping Members with their housing needs.
Retail Shares and Deposits	The total value of savings balances held by the Society. This is the Society's primary means of funding its lending activities. The increase of £131m helped fund the reported growth in mortgage assets, partial repayment of TFSME balances and with liquidity management more broadly.
Interest Margin as a % of Mean Total Assets	Difference between interest received by the Society from its mortgages and other loans less interest paid on members' deposits and other borrowings. This is the principal source of income for the Society and needs to be at a certain level to generate profit for the Society whilst providing fair and consistent interest rates to members.
Management Expenses as a % of Mean Total Assets	This ratio measures the total costs of running the Society as a proportion of the mean average total assets and is an established measure of efficiency. The Board expects this ratio to increase in the short term as the rate of cost growth is expected to outpace growth in total assets.
Mortgage Arrears – on accounts two months or more in arrears	Responsible lending and individual underwriting are key to our lending and to the quality of our loan portfolio and our desire to minimise the risk of future default. The number of accounts on forbearance has increased in part linked to the support provided under the Mortgage Charter. The level of arrears remained extremely low.
Profit After Tax	The amount earned and retained by the Society after taking into account all expenses and provision charges and taxation. Retained profits remain the primary source of capital for the Society. The Society must be profitable to demonstrate the sustainability of its business model and demonstrate financial strength to members, regulators and other stakeholders.
Regulatory Capital	Comprises the Society's reserves and collective provisions net of any required deductions for regulatory purposes. Retained profits are the highest quality of capital.
Total Capital Ratio	Regulatory capital expressed as a percentage of the Society's risk weighted assets (RWAs). The ratio declined as the increase in retained profits of £8.0m was not sufficient to cover the increased capital required to support the 10.5% increase in RWAs principally arising from growth in mortgage assets.
Liquid Assets as a % of Shares and Borrowings	The proportion of savings and deposit liabilities ("SDL") held in the form of qualifying liquid assets. Decreased in the year as growth in retail savings and deposits was more than offset by net mortgage lending, the partial repayment of TFSME balances and return of over £13m of cash collateral to derivative counterparties.
Members – numbers	Strategy is to provide a strong service proposition with competitive interest rates. Increase reflects growth in savings and deposit accounts.
Complaints – as a % of members	We strive to provide a high-quality service to members in everything we do. This metric allows us to track our performance and identify areas where we haven't met expectations.

Business review

The Society prepares its results under Financial Reporting Standard (FRS) 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and elects to apply the measurement and recognition provisions of IAS 39, "Financial Instruments: Recognition and Measurement". The Chief Executive's Review on pages 6 to 9 also contains information on the Society's performance for the year and factors affecting the results and should be read alongside this review.

Overview of income statement

The Society's profit after tax increased from £7.3m in 2023 to £8.0m in 2024. As a percentage of mean total assets profit after tax increased from 0.49% in 2023 to 0.50% in 2024, following growth of 6.6% in total assets. The increase in profits arises as higher net interest income, coupled with a £1.8m lower charge for loan impairment, more than offset a £1.3m net increase in costs and other charges.

	2024 £000	2023 £000
Net interest income	28,153	27,374
Other income and charges	(2,305)	(2,089)
Administrative expenses (including depreciation and amortisation)	(16,203)	(14,706)
Loss on property revaluation	-	(157)
Loan impairment credit/(charge)	989	(858)
Profit before tax	10,634	9,564
Taxation	(2,608)	(2,273)
Profit after tax	8,026	7,291

Net interest income

Net interest income increased to £28.2m (2023: £27.4m). Interest received increased by £14.2m driven by a £14.0m increase in mortgage interest receivable following 9.4% growth in average assets and the full year impact of increases in the Society's standard variable rate (SVR) announced in the previous financial year. Interest income from the Society's liquid assets was similar to the previous year as the benefit of higher average interest rates was broadly offset by a reduction in overall levels of liquidity. The Society also experienced a £0.4m decrease in the net receipts from derivatives hedging fixed rate mortgages as the average fixed rate of interest payable on the derivatives increased as more recently transacted derivatives replaced those transacted in a lower interest rate environment.

Interest expense increased by £13.5m to £59.9m (2023: £46.4m) following savings deposit balance growth of £130.8m and also the full year impact of increases to rates paid on savings and deposit balances effective from the previous financial year. There was also a decrease in other funding costs as the Society continued to repay TFSME borrowings.

Net interest margin

The Society's interest margin decreased by 0.07% to 1.76%. The decrease in margin arose mainly from a reduction in the net interest income received from the Society's derivative contracts. There was also a small decline in the contribution to net interest margin arising from mortgage and savings income as the Society continued to strike an appropriate balance between rewarding all members with fair and sustainable rates whilst protecting the Society's competitive positioning.

In August 2024 the Bank of England announced a 0.25% reduction in bank rate to 5.00%. The Society responded with a 0.25% reduction to the Society's SVR (to 6.75%) and a 0.25% reduction to all variable rate

savings products, with the reduction to savings rates applied later. It is expected that bank rate will fall further in the near term, which in turn will lead to a reduction in the income earned on the Society's liquid assets and net interest receipts from derivative contracts. Despite the expected reduction in interest income, as bank rate falls the Board will continue to take the same balanced view of interest rate decisions in the best interest of the Society and its borrowing and depositing members as it did as bank rate increased.

Maintaining margin remains an important element of the Society's financial strategy. The Board anticipates a steeper reduction in margin next year through a continuation of pressure on mortgage pricing and competition for retail deposits, together with lower income from the Society's liquid assets and derivative contracts as described above and its future plans take this into account.

Other income and charges

Other income and charges comprise fees and charges not accounted for within the Effective Interest Rate (EIR) methodology and bank charges. Also included within this heading are fair value losses on derivative financial instruments of £2,099k (2023: £1,944k).

Derivatives are used solely for risk management purposes and are an important tool for managing exposure to changes in interest rates from the Society's portfolio of fixed rate mortgage products. The Society's derivatives are all in economic hedges with the majority in qualifying hedge accounting relationships however, hedge accounting does not remove all volatility. Derivatives are also typically transacted before the mortgages complete. Until a derivative is placed into a qualifying hedge accounting relationship movements in its fair value are immediately reflected in the income statement without any corresponding offset.

The net loss of £2,099k (2023: £1,944k) comprises:

	2024 £000	2023 £000
Accounting ineffectiveness in designated hedge accounting relationships	(3,197)	550
Gain/(loss) on derivatives not in designated hedge accounting relationships	1,098	(2,494)

In the year ended 31 October 2022 the Society reported a gain of £4,661k as the fair value of derivatives increased as financial markets reacted to concerns about inflation (actual and perceived) and derivatives were held as unmatched for longer periods as mortgages were typically taking longer to complete. This gain, combined with the loss reported in 2023, mostly represented timing differences expected to reverse over the remaining life of the derivatives, reflected either in a downward movement in fair value where not in a hedge relationship, or amortised over the life of the mortgage, together with lower net interest charges in future periods.

In the year ended 31 October 2024 a loss of £2,099k is being reported. This loss comprises an additional year's amortisation of the previously reported (net) fair value gain described above, together with fair value losses in respect of derivative contracts entered into in the current financial year to hedge fixed rate mortgage offers.

Management expenses

Management expenses comprise of people costs and all other costs and overheads necessary for the Society to function. Together with charges for depreciation, amortisation and impairment of fixed assets they comprise the total operating costs for the Society.

The Board recognises that only by the careful management of costs can the Society continue to provide competitively priced products to members. At the same time the Board continues to place importance on the need to make continued investment in the Society's operations to maintain the Society's award winning levels of customer service and also to ensure the sustainability and safety of the Society. Such costs include investment in branch refurbishments, core IT infrastructure and on projects such as the recently launched mobile app.

In total management expenses increased by £1,497k (10.2%) during the year:

	2024 £000	2023 £000
Administrative expenses	15,645	13,881
Depreciation and amortisation	558	565
Impairment of fixed assets	–	260
Total	16,203	14,706

Despite closely monitoring and managing costs the Society is not immune to the effects of inflation. The year ended 31 October 2023 saw high and persistent inflation and, although this has now subsided to a level much closer to the Bank of England's target of 2%, cost increases across the year have been at a much higher level, contributing to the growth in operating costs. The Society also took the necessary actions to ensure salaries paid to its employees remained fair and sufficiently competitive in the prevailing economic climate.

Administrative expenses increased by almost £1.8m (12.7%). People costs, which represent over half the Society's total costs, accounted for half the increase, increasing by £0.9m or 10.6%, reflecting 7.7% growth in average headcount (2023: 9.6%) and pay awards made during the year. Whilst the year ended 31 October 2023 also included a further cost-of-living payment of £500 made to each employee (excluding the Directors), no such payment was made in this financial year. Of the remaining £0.9m increase in costs this can be mostly attributed to growth in the costs incurred to run and develop the Society's information technology systems to ensure it can continue to provide best practice security measures in an environment where the threat of cyber attacks are ever-present.

Administrative expenses may also include profits and losses from the disposal of fixed assets. The disposal of fixed assets in the year ended 31 October 2024 resulted in no profits or losses however, the previous financial year included a series of minor losses totalling £38k on the disposal of residual IT and property-related assets replaced before the end of their respective lives.

There was no material change in depreciation and amortisation charges. There were no further impairment charges required in respect of the Society's freehold properties. In the year ended 31 October 2023 a charge of £260k was made in respect of the occupied portion of the Society's Head Office.

The increase in total management expenses was proportionately higher than growth in the Society's average total assets, resulting in the management expenses ratio increasing from 0.98% to 1.01%.

Loan impairment

The Society maintains an appropriate provisioning policy designed to protect against difficulties in the housing market and makes provision for any estimated losses resulting from loans that are impaired on either an individual or a collective basis. For the year ended 31 October 2024 there was an impairment credit of £989k (2023: charge of £858k), analysed between collective and individual impairment as follows:

	2024 £000	2023 £000
Collective impairment (credit)/charge	(949)	654
Individual impairment (credit)/charge	(40)	206
Total	(989)	858

At 31 October 2024 the Society held provisions totalling £1,453k (2023: £2,452k), analysed as follows:

	2024 £000	2023 £000
Collective provisions	1,188	2,137
Individual provisions	265	315
Total	1,453	2,452

The total amount set aside for loan impairment has decreased by £999k despite 9.4% growth in mortgage balances and an increase in the number and value of mortgages entering arrears or requiring forbearance (covered in arrears section below).

Of the significant decrease in amounts set aside for impairment £1,170k can be attributed to a reduction in the management judgement applied to consider how property values could be expected to move across a loss emergence period, which has reduced from an expected decline of 10.7% to no change. It is also assumed that there will be no significant change in the number of loans being identified as impaired as the personal finances of households are increasingly supported by an easing of inflationary pressures and as bank rate starts to fall and feed through into mortgage costs. See also section 1.13 of Note 1 to the Accounts, "Critical accounting estimates and judgements".

At 31 October 2024 there were 51 accounts (2023: 66) where customers were benefitting from a forbearance action such as temporary interest only concessions, payment plans or reduced payment concessions. This includes 23 cases of forbearance entered into as part of the Society's commitment to the Mortgage Charter, announced by HM Government in July 2023 (2023: 48 cases). Forbearance cases represent total outstanding capital balances of £3.0m (2023: £9.4m).

At 31 October 2024 the Society had four properties in possession (2023: five).

Mortgage arrears

The value of arrears for cases more than two months in arrears increased from £0.30m to £0.32m with the number of borrowers in this category increasing from 41 to 50 accounts. Including possession cases there were 15 cases in serious arrears of twelve months or more at our year-end (2023: 14 cases). The total amount of arrears outstanding on these accounts was £219k (2023: £216k) and the aggregate balances were £1,747k (2023: £1,551k).

Although increasing, the Society's arrears and possession statistics continue to remain low both for the building society sector and for the industry as a whole. The Board considers the Society operates with a low risk business model and prudent underwriting approach, always ensuring that customers can afford to meet their mortgage repayments from the outset and throughout the full duration of their mortgage term. It is this approach that has ensured arrears levels have remained below industry average and demonstrates the effectiveness of good quality counselling and

the quality of lending decisions over many years. The increase in reported arrears at 31 October 2024 was expected, impacted by the macro-economic environment that has persisted across the two most recent financial years. Although low levels of unemployment continued to support the servicing of mortgages, despite interest rate rises increasing monthly repayments for many borrowers, the full extent of rate increases seen across 2023 and 2024 has not yet materialised. With many customers on fixed rate products entered into in a period of lower interest rates, it is recognised that a further squeeze on household incomes is likely which may not be reflected in arrears and possession statistics at 31 October 2024. The Society may therefore expect to see further increases in arrears in the near term.

As a responsible lender, and as demonstrated through the Covid-19 pandemic and the Society's commitment to the Mortgage Charter, the Society remains ready to assist and support members experiencing difficulty servicing their mortgage. Further details on forbearance can be found in Note 26 to the Accounts.

Taxation

The Society's corporation tax charge for the year ended 31 October 2024 of £2,608k (2023: £2,273k) represents an effective rate of 24.5% (2023: 22.5%). Further detail is provided in Notes 6 and 21 to the Accounts.

Overview of statement of financial position

Total assets increased by £102.5m (6.6%) (2023: £93.1m, 6.4%) and at 31 October 2024 stood at £1,649m. The increase can be attributed to a £117.1m increase in mortgage balances, partly offset by a £11.6m reduction in liquid assets.

As the primary source of capital generation for the Society retained profits of £8.0m allow the Society to continue to grow sustainably, necessary to protect itself against further cost increases and margin pressures and maintain its capital strength to support planned investment in the business and confidently meet any future capital challenges associated with increased regulatory requirements.

	2024 £000	2023 £000
Liquid assets	268,857	280,474
Loans and advances to customers	1,357,562	1,230,835
Fixed and other assets	22,652	35,237
Total assets	1,649,071	1,546,546
Shares	1,423,116	1,289,644
Amounts owed to other customers	96,967	122,575
Other liabilities	12,857	26,316
Total liabilities	1,532,940	1,438,535
Reserves	116,131	108,011
Total liabilities and reserves	1,649,071	1,546,546

Liquid assets

Liquid assets comprise cash and other high-quality liquid assets as shown on the statement of financial position. The Society maintains a prudent level of liquid assets of appropriate quality, to meet its financial obligations as they fall due, under normal and stressed conditions.

Total liquid assets decreased to £268.9m (2023: £280.5m) including £248m held in the form of deposits placed at the Bank of England (2023: £259m). The reduction in amounts held with the Bank of England was in part due to the Society diversifying its liquid assets into other types of assets that qualify for inclusion in regulatory measures of liquidity.

Liquid assets	2024 £000	2023 £000
Cash	342	305
Bank of England	248,425	258,558
Debt securities	11,690	-
Bank counterparties	8,400	7,835
Building Society counterparties	-	13,776
Total	268,857	280,474

As a percentage of shares and deposits liquid assets decreased to 17.7% (2023: 19.9%). The decrease in liquidity arose as growth in retail savings balances was not sufficient to fund mortgage growth of over £117m and the repayment of an additional £36m of TFSME balances and £5m of other central bank funding. The Society also returned a further £13m of cash deposits to counterparties held as collateral in accordance with the terms of derivative contracts.

As at 31 October 2024 the Society reported a Liquidity Coverage Ratio of 233% (2023: 247%). The reduction in the ratio principally reflects the decrease in overall levels of liquidity. The ratio remains significantly in excess of minimum regulatory requirements and the Board's risk appetite.

Loans and advances to customers

The Society's portfolio of loans and advances comprise almost entirely of owner-occupied mortgages, including shared ownership mortgages and buy-to-let mortgages. Gross lending of £266m compared with £275m achieved in the year to 31 October 2023. A continued focus on retention activities helped the Society report net lending of £117.1m (2023: £129m), including the impact of mortgage repayments, voluntary redemptions and other movements. Stated after provisions and fair value adjustments, loans and advances to customers totalled £1,357.6m (2023: £1,230.8m).

Strong demand for the Society's range of standard residential owner-occupied products and affordable housing products accounted for 88% of gross lending (2023: 89%) and over 91% of net lending (2023: 92%). At 31 October the Society's mortgage book comprised of the following lending types:

	2024	2023
Residential owner-occupied	87.5%	87.1%
Buy-to-let	12.2%	12.4%
Other	0.3%	0.5%

The Society's mortgage book remains very high quality with an average indexed loan to value of 30% (2023: 29%) with 1.0% (2023: 0.7%) of the balances in the book more than 80% of the current indexed value of the properties on which their mortgages are secured. The Society's lending continues to be focused on its core operating areas with 65% of the mortgage assets within the South East and London geographical areas (2023: 68%).

Shares and deposits

Retail savings and deposits continue to be the cornerstone of our funding and it remains a strategic priority of the Society to continue offering a range of good quality savings products paying competitive rates of interest relative to available market rates.

During the year ended 31 October 2024 retail savings and deposit balances increased by £130.9m (2023: £149.1m) taking the Society's total shares and deposits balances to £1,452.7m (2023: £1,321.8m), with the Society's ISAs, Senior Saver and Existing Member Account products once again accounting for the majority of the balance

growth. A range of fixed rate bonds launched in the year also attracted over £60m of balances.

As the final balances owed under the TFSME scheme are repaid, the Society expects to continue to sustainably grow its stock of shares and deposit balances to fund planned mortgage growth over the medium term and support liquidity management.

Wholesale funding

It is critical that the Society also maintains access to funding from non-retail sources. The Society remains an active participant in the Bank of England’s Sterling Monetary Framework (“SMF”) which supports liquidity risk management within the Society, provides greater funding certainty and supports the overall cost of funding, all of which benefits members. On 11 March 2020 the Bank of England launched the Term Funding Scheme with additional incentives for SMEs (“TFSME”), providing four-year funding – subject to meeting certain criteria – at interest rates at or very close to bank rate.

Inclusive of amounts refinanced from the previous TFS facility, the Society borrowed £155m under TFSME, with contractual maturities between April 2025 and October 2025. The Society made its first TFSME repayment in October 2022, repaying £5m and has, to 31 October 2024, repaid £106m (to 31 October 2023: £70m). The Society expects to repay the remaining £49m ahead of final contractual maturity in October 2025. The Society also has access to funding from other financial institutions and local authorities with typical repayment profiles of up to one year. At 31 October 2024 the Society had sourced £17.5m of such funding (2023: £nil).

As at 31 October 2023 the Society also owed £5m under the ILTR Scheme, entered into as part of a routine and mandatory test of access to SMF facilities. This was fully repaid on maturity in February 2024.

Capital

Capital consists of the Society’s reserves plus collective provision balances, less any amounts which are required by capital regulations to be deducted from capital. The minimum level of capital required to be held is set by the Prudential Regulation Authority (PRA). The Board is conscious that both members and the Regulator require the Society to be financially secure.

Financial strength protects the Society against its principal risks and uncertainties and safeguards member funds.

Given the continuing emphasis on high quality capital by world banking authorities, the Board sets a strategy to ensure that capital is maintained at an appropriate level to cater not only for its day to day business needs but also for significant stresses in the marketplace. The strong financial results reported for the year ended 31 October 2024 have contributed to an improvement in capital and supported balance sheet growth of 6.6%. After regulatory deductions, the Society’s regulatory capital stood at £117.3m at 31 October 2024 (2023: £110.1m).

	2024 £000	2023 £000
Tier 1 Capital (after regulatory deductions)	116,115	107,982
Tier 2 Capital	1,188	2,137
Capital resources	117,303	110,119

The £8.1m increase in Tier 1 capital comprised almost entirely of retained earnings for the year. Tier 2 capital represents collective impairment balances and decreased in line with the release made in the year. At 31 October 2024 the Society’s gross capital ratio* was

7.64% of shares and borrowings (2023: 7.65%). The free capital ratio* was 7.16% of shares and borrowings (2023: 7.22%).

* As defined in the Annual Business Statement on page 102.

A measure of capital strength commonly reported amongst financial institutions is the Common Equity Tier 1 (CET1) ratio. This ratio signifies the relationship between our strongest form of capital (accumulated profits held in reserves) against assets, weighted by the level of risk they are considered to carry. Balance sheet growth of 6.6%, and notably mortgage balance growth of 9.4% resulted in a decrease in the Society’s CET1 ratio from 20.5% at 31 October 2023 to 19.8% at 31 October 2024. Note 30 to the Accounts contains a reconciliation of capital per the Statement of Financial Position to regulatory capital.

Future outlook and uncertainties

The risk management report on pages 29 to 33 sets out the principal risks and uncertainties faced by the Society.

Outlook

The results for the financial year ended 31 October 2024, and in particular mortgage balance growth of 9.4%, has been achieved with bank rate at its recent peak of 5.25% for the majority of the financial year and as RPI inflation continued its steady decline from its peak of over 14% in October 2022 to an average across this financial year of closer to 4%.

Although the pace with which inflation has been reducing may have slowed, the persistence in inflation may dissipate quickly which could result in an easing of monetary policy. Whilst a gradual reduction in bank rate will be welcome news for borrowers, it will be less welcome for savers. With the Bank of England forecasting a reduction in the UK saving ratio in their Monetary Policy Report, published November 2024 – as the incentive to save less and borrow more increases as interest rates fall – retaining and attracting sufficient levels of deposits to continue to meet our growth aspirations and conclude repayment of final amounts owed under TFSME, operating conditions could become more challenging. The challenge will be compounded by many other deposit-taking institutions looking to achieve similar outcomes. There is also a degree of uncertainty around how households will respond to, or be impacted by, government spending plans and tax changes announced in the budget on 30 October 2024.

Darren Garner, Chief Financial Officer
18 December 2024



Governance

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The Board of *Directors*

Phillippa Cardno Chief Executive

Phillippa joined the Society in 1996. She joined the Executive team in 2007 and was appointed to the Board of Directors in February 2015. Phillippa was appointed Chief Executive in March 2022 and is responsible for the Society's strategic development and providing leadership and direction throughout the Society and for setting and maintaining culture and standards. Phillippa has many years of credit risk and housing sector experience, and also contributes to financial services nationally as Chair of the UK Finance Mortgage Product and Service Board, and as Chair of the BSA's Green Taskforce.



Darren Garner Chief Financial Officer

Darren joined the Society and the Board of Directors in August 2020. A qualified accountant, he has worked in financial services for over 20 years, half of which as a Finance Director in the building society sector. Darren is responsible for the Society's finance and treasury activities, ensuring the integrity of financial and regulatory reporting and managing the Society's liquidity, funding and capital positions. He also holds executive responsibility for the Facilities department and IT and Business Change.



Piers Williamson Non-Executive Director

Piers was appointed to the Board of Directors in January 2018 and appointed Chairman of the Board on 23 February 2022. He has more than 35 years' financial markets experience specialising in treasury risk management and in 2024 retired as Chief Executive of The Housing Finance Corporation, a mutual company that lends funds to Housing Associations. In 2024 Piers took up the position of the Chair of Sustainability for Housing. Piers is also Chair of the Nomination Committee, a member of the Remuneration Committee and Risk Committee and attends and advises the Executive-led Credit Committee.



Debbie Beaven
Non-Executive Director

Debbie was appointed to the Board of Directors in February 2022. She is a Fellow of the Institute of Chartered Management Accountants with an extensive career in financial leadership roles. Debbie is an experienced board director, with her last executive role being Chief Financial Officer at Simplyhealth, a regulated financial services business providing health plans and services to the UK. Debbie is currently Chair of Audit and Risk for Boundless (CSMA Ltd), another mutual and Chair of Finance and Performance for Salisbury NHS Foundation Trust. Debbie is Chair of the Society's Audit Committee and attends and advises the Executive-led Assets & Liabilities Committee.



Chris Brown
Non-Executive Director

Chris was appointed to the Board of Directors in June 2019. She is the Group IT Director of Manpower UK & Ireland. She has almost 20 years' experience in leading all aspects of technology and digital in commercial organisations, of which over half have been spent in financial services. Chris is the Senior Independent Director, Chair of the Remuneration Committee and a member of the Audit and Nomination Committees and the Digital Advisory Panel.



Nailesh Rambhai
Non-Executive Director

Nailesh was appointed to the Board of Directors in September 2022. He graduated with a law degree from the University of Oxford in 1995, and has since practiced law at Linklaters LLP and McDermott, Will and Emery LLP before working in executive roles at Coventry Building Society and Petronas. Nailesh is currently a non-executive director at several organisations, including the Pension Protection Fund and University College London NHS Foundation Trust. Nailesh is Chair of the Risk Committee and a member of the Audit Committee.



Alistair Welham
Non-Executive Director

Alistair was appointed to the Board of Directors in February 2020. Alistair has more than 25 years' experience in marketing and digital communications having specialised in financial services, real estate, car retailing industries, and is an Executive member of the Financial Services Forum and programme faculty member of Imperial College Business School on digital transformation. Alistair also holds positions with NOW: Pensions as Director of Marketing and Communications and is a Trustee of the Brighton Student Union. Alistair is a member of the Risk, Remuneration and Nomination Committees and is the Board's Consumer Duty Champion.



Executive team

The Executive team comprises the Executive Directors, introduced on page 42, together with the individuals shown below. Meetings of the Executive team are chaired by Phillippa Cardno, Chief Executive.

All members of the Executive team report to the Chief Executive.



Emma Jones
Director of People

Emma joined the Society in March 2022 after a number of years in HR leadership roles at Nationwide Building Society and AXA UK. Emma is a Chartered Member of the Institute of Personnel and Development. As Director of People Emma is responsible for shaping and delivering the people strategy, ensuring the Society has the engagement of its people and the skills and talent necessary for the future.



Melanie Mildenhall
Director of Customer Service

Melanie joined the Society in 1994 and was appointed an Executive in January 2019. She is responsible for leading, developing and implementing the Society's Customer Service strategy. Melanie also heads the Mortgage underwriting and Customer Support functions.



Erika Neves
Director of Data and Governance and Company Secretary

Erika joined the Society in 1991 and was appointed an Executive in 2002. She is responsible for the Society's team of data analysts and the management, governance and usage of the Society's data. Previously Erika lead the Risk function and was responsible for developing the Society's Risk Management Framework. Erika also holds the role of Company Secretary.



Dean Scott
Director of Proposition and Distribution

Dean joined the Society in 2022 after 14 years at Nationwide Building Society. As Director of Proposition and Distribution, Dean leads the sales, marketing, and branch teams. His teams are responsible for direct and introduced mortgage business, savings volumes, and product and pricing recommendations, as well as marketing and communications activities, including our community work.



Matt Smith
Interim Chief Risk Officer

Matt joined the Society on an interim basis in July 2024, having spent the past 18 years as a senior risk leader at Derbyshire Building Society, Aldermore Bank and latterly as Chief Executive Officer at Birmingham Bank. As Chief Risk Officer he leads the second line Risk and Compliance teams who provide challenge and oversight to the first line teams to help keep the Society safe and secure, and manages the day to day relationship with our outsourced Internal Audit provider.

Corporate governance *report*

The UK Corporate Governance Code 2018 (the Code) sets out the principles that emphasise the value of good corporate governance to long-term sustainable success. The Code is aimed at listed companies and is therefore not specifically applicable to mutual building societies, however the Prudential Regulation Authority expects building societies, when considering their corporate governance arrangements, to have regard to the Code.

The Financial Reporting Council (FRC) updated the Code in 2024. The new Code applies to financial years beginning on, or after, 1 January 2025 and will therefore apply to the Society from 1 November 2025. Therefore this report reflects the current 2018 Corporate Governance Code.

This report explains how the Society applies the principles in the Code so far as its provisions are relevant to building societies.



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Board leadership and company purpose

A. A successful company is led by an effective and entrepreneurial Board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

The Board's role is one of stewardship, running the Society for the benefit of current and future generations of members, and therefore promoting the Society's long-term sustainability.

The Board's effectiveness is demonstrated by the Society's performance which has been achieved by a focus on strategy and risk management in an environment where constructive challenge is encouraged.

There is a schedule of matters reserved for Board decision. To discharge these duties effectively, the Board usually meets eleven times a year, together with a day focused on strategy which consolidates the Board's strategic debates throughout the year. At least once a year, the Non-Executive Directors meet without the Executive Directors present and the Board meets without the Chair present.

To ensure the long-term sustainable success of the Society, the Board approves the Corporate Plan, which details the Society's strategy, includes appropriate funding plans, sets limits on delegated expenditure, and monitors the risk profile and capital position of the organisation. The Board also has responsibility for the overall organisational structure, including the appointment and dismissal of Directors and the Company Secretary. The Board approves major business developments and changes to key risk policies.

To support the Society's digital ambition, the Board established an Executive-led Digital Advisory Panel which oversees the development of the Society's digital capability and reports to the Board. The Digital Advisory Panel includes two non-executive directors, two executive directors and at least two external advisors with digital competence from either commercial and/or research fields.

B. The Board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

The Board Chair is responsible for leading the Board's development of the Society's culture, and the Chief Executive is responsible for overseeing the adoption of the culture. The Board is responsible for establishing the Society's purpose and values and creating a culture which delivers a sustainable long-term strategy. The Society's purpose statement was produced in collaboration with the Board, senior management team, employees and a panel of members, to ensure alignment across the key stakeholders.

The assessment and monitoring of culture is through a suite of key performance indicators which are reported quarterly. During the year the Board reviewed the annual report on the organisational culture. The Risk and Compliance culture reports were reviewed by the Risk Committee and Audit Committee respectively. The assessment of culture is also included in the rolling internal audit programme.

The statement of purpose and Society values are on pages 10 and 11.

C. The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

The Society's governance structure includes both Non-Executive and Executive-led committees. Each business area reports progress against the Society's objectives and key risks to the relevant committee, and this is subsequently reported through to the Board. The management information presented at each committee includes a dashboard of key performance and risk indicators which are aligned to the Board's risk appetite.

The main Executive-led committees are the Executive Strategic, Executive Operations, Credit, Assets & Liabilities (ALCO), Sales Marketing and Product, Business Change, and Health and Safety committees. The terms of reference of the Executive Operations Committee includes Operational Resilience. The terms of reference of the Sales, Marketing and Product Committee includes customer and conduct related policies and reports. A non-executive director is partnered with the Credit, ALCO, and Sales Marketing and Product committees to enhance the Board's understanding of the Society. A member of the Executive team provides feedback to the main Board or a Board committee following each meeting.

The Non-Executive-led committees are Risk, Audit, Nomination and Remuneration. A report from each of these committees is provided on pages 50 to 61.

The terms of reference for the Board Committees are available on the Society's website, at the AGM or by writing to the Company Secretary. Proceedings of all committees are formally minuted and minutes are distributed to all Board members. The Chair of each committee, or an Executive Director, reports on the key matters covered at the following Board meeting. The Society maintains liability insurance cover for Directors and Officers. Attendance records for the year to 31 October 2024 are set out on page 49.

D. In order for the company to meet its responsibilities to shareholders and stakeholders, the Board should ensure effective engagement with, and encourage participation from, these parties.

As a mutual organisation the Society's membership consists of individuals who are also the Society's customers. The Society is committed to dialogue with members through regular newsletters, social media, and events such as the AGM attended by Directors. Members are also invited to leave feedback about the Society through Smart Money People. The feedback is shared with employees and regularly reviewed to identify service improvements.

The Society is a member of the Institute of Customer Service (ICS) and was awarded Distinction level accreditation from the ICS in 2022. This result was informed by the ICS independent survey of the Society's customers and employees. That survey was repeated in 2024 with similar results, showing that member's views about the Society's service have remained consistent.

The purpose of this dialogue with members is to understand, and better serve, their needs to ensure the Society is delivering good customer outcomes.

The Society engages with employees in several ways. An employee engagement survey is conducted regularly, most recently in May 2024 when 90% of employees completed it. The survey results are shared openly with employees and the Board, and plans put in place to address any areas of improvement.

The Society has working parties for diversity and inclusion, vulnerable customers, and green initiatives and all employees were invited to apply to be part of these. We also use online polls to gain additional insight into employee views and demonstrate to our employees that their views matter.

The Society's other key stakeholders include its regulators, trade bodies, suppliers and local communities. Positive relationships are proactively maintained with these stakeholders. See pages 12 to 28 for more information.

E. The Board should ensure workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.



The overarching HR policy is reviewed by the Nomination Committee and approved annually by the Board. Workforce policies and practices are regularly reviewed to ensure they remain consistent with the Society's values, and the relevant legal framework, and are available for all employees to access online and support is also available from the Society's HR team.

Employee wellbeing is a key focus, and the Society provides support to employees in several ways. These include access to an Employee Assistance Programme which offers confidential counselling and advice on a wide range of work and personal issues, a Cash Health Plan which includes a virtual GP service, wellbeing workshops and access to mental health first aiders.

The Society has a Board-approved Whistleblowing Policy, and the Board receives an annual report on the effectiveness of the Society's whistleblowing arrangements which includes details of how it fits the Society's values. Employees undertake learning and development activity to ensure they are aware of how to confidentially raise concerns without fear of victimisation. The Society's whistleblowing champion is Chris Brown (Senior Independent Director). She can be contacted at chris.brown@newbury.co.uk should members or employees have any concerns that cannot be raised through normal channels.

Division of responsibilities

F. The chair leads the Board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive Board relations and the effective contribution of all Non-Executive directors, and ensures that directors receive accurate, timely and clear information.

The Chair sets the direction and culture of the Board, facilitating effective contribution from Directors, maintaining constructive relations between Executive and Non-Executive Directors and ensuring that Directors receive accurate, timely and clear advice and information.

The Society's Chair, Piers Williamson, was appointed as an independent Non-Executive Director in January 2018 following a rigorous selection exercise and was elected by the other members of the Board to become Chair on 23 February 2022. The Senior Independent Director, Chris Brown, has responsibility for leading the appraisal of the Chair's performance.

G. The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, independent Non-Executive)

directors, such that no one individual or small group of individuals dominates the Board's decision making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.

The Board currently comprises five Non-Executive Directors and two Executive Directors. All Non-Executive Directors are considered by the Board to be independent in character and judgement and the Chair has confirmed, following the formal performance evaluation process, that each individual's performance continues to be effective and to demonstrate commitment to the role. All Non-Executive Directors are considered to be independent as defined in the Code.

The offices of Chief Executive and Chair are distinct and held by different Directors. The Chair is responsible for leading the Board and the Chief Executive is responsible for managing the Society's business within the Board-approved policies and delegated authorities.

H. Non-Executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Directors are informed of the time commitment during the appointment process and this is confirmed in their letter of appointment. The Nomination Committee evaluates the ability of Directors to commit the time required for their role, prior to appointment, considering information provided by referees, and once appointed there is a formal process in place for approving new requests to take up roles elsewhere. The formal appraisal process carried out by the Chair each year also assesses whether Directors have demonstrated this ability during the year. The attendance record during the year of Directors at Board and Committee meetings is set out on page 49.

The Board spends a large proportion of its time on strategic matters. For example, the first part of each Board meeting is usually devoted to strategic topics or on learning activities that will help Directors make more informed strategic decisions.

The Board has an annual strategy day which consolidates the Board's strategic debates throughout the year to enable the development the strategic plans. Following these sessions, the Executive Directors produced a four-year corporate plan which the Board scrutinised and approved, offering constructive challenge to ensure the Society has a robust and sustainable strategy in the long-term interests of the Society and its members.



Piers

Tracy

I. The Board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

The Chair ensures the Board receives sufficient information to enable it to discharge its responsibilities. The Board can access the Board-approved policies, Board manual, Committee packs, minutes and other relevant information through the online Board portal. The Society regularly reviews and improves management information to assist the Board and its Committees in discharging their terms of reference, and each Committee annually reviews its effectiveness, including the quality and sufficiency of this information.

The Society provides a formal induction for new Directors, tailored to their needs. This includes the nature of building societies, Directors' responsibilities and duties, the management information they will be provided with and how to interpret this, information on the Society and the local market, meeting key members of the senior management, an overview of the regulatory requirements and details of significant current issues for the industry. The Chair reviews and agrees each Non-Executive Director's training needs on a regular basis and ensures they are provided with internal briefings, on-line training modules and attend industry seminars and conferences to maintain and update their skills and knowledge. In addition, prior to their appointment, all new Senior Managers go through a comprehensive handover process to ensure they are fully aware of the specific responsibilities relating to their individual role.

The Company Secretary provides support on corporate governance matters and individual members of the Board have access to independent advice if required.

Composition, succession and evaluation

J. Appointments to the Board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for Board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

The Nomination Committee is responsible for succession planning and appointments for both Executive and Non-Executive Director positions. The appointment process is formal, rigorous and transparent and includes objective assessment against the agreed criteria to ensure appointments are made on merit.

The Board has an inclusion and diversity statement which defines its commitment and goals in respect of inclusion and diversity.

Newbury Building Society recognises that a quality Board is about selecting directors who think and communicate diverse thoughts, ideas and opinions and who have diverse backgrounds and education. The Board recognises the importance of diversity and inclusion on enhancing culture, which directly impacts on attracting and retaining employees and members.

The terms and conditions of Non-Executive Director appointments are available for inspection at the AGM or at the Society's registered address.

K. The Board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the Board as a whole and membership regularly refreshed.

The Board currently comprises the Chair, four independent Non-Executive Directors and two Executive Directors, who together provide a balance of skills and experience appropriate for the requirements of the business. Committee membership is reviewed annually to ensure there is appropriate expertise in each Committee to discharge its terms of reference.

The Society's Rules require that all Directors be submitted for election within a maximum of 16 months of, or at the AGM following, their appointment to the Board. The Rules also require that Directors must be re-elected every three years. However, the Board has resolved that in line with the recommendation of the Code, all Directors should seek annual re-election.

Non-Executive Directors will not usually serve more than nine years. The Code also recommends that a Chair should not remain in post beyond nine years from the date of their first appointment to the Board. Although it does recognise that to facilitate effective succession planning this period can be extended for a limited time, particularly in those cases where the Chair was an existing Non-Executive Director on appointment. All the Society's Non-Executive Directors, including the Chair, have served less than nine years.

L. Annual evaluation of the Board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

There is a formal internal process to annually assess the performance and effectiveness of the Board and its members. This includes the Chair of the Nomination Committee appraising the Chief Executive's performance and the Committee reviewing the other Executive Director appraisals. The contribution of individual Directors is evaluated by the Chair using questions based on those recommended in the FRC guidance on Board Effectiveness and taking into account the views of the other Directors. The Chair's performance is evaluated by the Non-Executive Directors facilitated by the Senior Independent Director considering the views of the Executive Directors. Each Committee reviews its effectiveness annually and reports the outcomes to the Nomination Committee. Then with input from the Nomination Committee, the Board evaluates its overall performance and that of each Committee. This process is used to improve the effectiveness of Directors and the Board collectively, to identify training needs and to inform the decision whether to submit a Director for re-election.

The evaluation of Board effectiveness is externally facilitated on a periodic basis. An external assessment was completed in November 2022, and the outcomes were assessed by the Nomination Committee. The assessment covered seven key categories: Board composition; Board process; Leadership from the Chairperson; Board dynamics, culture, and conduct; Strategy and purpose; Stakeholder engagement; and the governance framework.

Audit, risk and internal control

M. The Board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

The Audit Committee comprises three independent Non-Executive Directors. The Executive Directors, the Chief Risk Officer and the Head of Compliance, as well as representatives from the internal and external auditors, attend by invitation. The Chair is not a member but may attend by invitation. The Committee meets four times a year

and once a year the external and internal auditors meet the Committee without the presence of the Executive Directors.

The Audit Committee report explains how it discharges its responsibilities in respect of internal and external audit functions, and the integrity of financial and narrative statements.

N. The Board should present a fair, balanced and understandable assessment of the company's position and prospects.

The Board believes that the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the necessary information for Members to assess performance, strategy and the business model of the Society. The responsibilities of the Directors in relation to the preparation of the Society's accounts are contained in the Directors' Responsibilities on page 63. The Audit Committee Report describes the main areas of accounting judgement exercised.

O. The Board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

The Board has identified the principal risks and uncertainties that could threaten its business model, future performance, solvency or liquidity. These risks, together with the way in which they are mitigated, are explained in the Risk management report on pages 29 to 33. The Board, assisted by the Risk Committee, is collectively responsible for determining risk appetites, strategies for risk management and control as described in the Society's Risk Management Framework. Senior management is responsible for designing, operating and monitoring risk management systems and controls. The Society has a second-line Risk and Compliance team, headed by the Chief Risk Officer, which provides challenge and oversight of the first-line. The Executive team hold quarterly meetings to review the risk and control environment in their respective areas. The Risk Committee assesses the adequacy of the risk-related output of this process and the Society's internal auditor, provides independent and objective assurance regarding the design and performance of risk management systems and controls.

Remuneration

The Remuneration Committee report on pages 59 to 61 explains how the Society applies the Code Principles relating to remuneration.

Directors' attendance record

The attendance record for Board members is shown in the table below. The table shows the actual number of meetings attended with the number of meetings for which the Directors were eligible to attend.

Board member	Board	Audit	Risk	Remuneration	Nomination
Non-Executive					
Piers Williamson	11 (11)		4 (4)	4 (4)	4 (4)
Debbie Beaven	11 (11)	4 (4)			
Chris Brown	11 (11)	4 (4)		4 (4)	4 (4)
Nailesh Rambhai	11 (11)	4 (4)	4 (4)		
William Roberts ¹	3 (3)	1 (1)		1 (1)	1 (1)
Alistair Welham	11 (11)		4 (4)	4 (4)	4 (4)
Executive					
Phillippa Cardno	11 (11)	4 (4) A	4 (4) A	4 (4) A	4 (4) A
Darren Garner	11 (11)	4 (4) A	4 (4) A		

Notes:

- (1) William Roberts retired from the Board in February 2024
- (2) A denotes attendee only

Piers Williamson, Chairman of the Board
18 December 2024



Audit Committee *report*



The Society recognises the importance of good internal control systems in the achievement of its objectives and the safeguarding of its assets. Good internal controls also facilitate the effectiveness and efficiency of operations, helping to ensure the reliability of internal and external reporting, and assisting in compliance with applicable laws and regulations.

Debbie Beaven

Chair of the Audit Committee

Key activities for 2023/24

- Reviewed the production, and validated the integrity, of the financial statements
- Reviewed and monitored the independence, expertise, objectivity, performance and effectiveness of the Society's internal and external auditors
- Provided oversight on Operational Resilience
- Approved the annual compliance plan, and reviewed progress

Committee membership during 2023/24

- Debbie Beaven (Chair) – member since March 2022, and Chair since February 2024
- Chris Brown – member since March 2020
- Nailesh Rambhai – member since March 2023
- William Roberts – member since March 2015, and Chair from March 2020 to February 2024 (William retired from the Board in February 2024)

Number of meetings and attendance

- Four meetings held during the year
- 100% attendance from Committee members

Introduction

The report details how the Committee discharged its responsibilities in line with the provisions of the Financial Reporting Council's 'Guidance on Audit Committees' (April 2016), and explains how the Society applies the following principles of the UK Corporate Governance Code 2018 (the Code) relating to the operation of the Audit Committee and the system of internal control.

M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.

It details the significant issues reviewed and concluded during the year including the Committee's assessment of those areas on which accounting judgement was exercised.

Committee operations and responsibilities

The Audit Committee is responsible for providing appropriate oversight, independently of the Executive, to ensure the interests of members, and other key stakeholders, are protected in relation to financial reporting and internal control.

The Committee currently comprises three members, all independent Non-Executive Directors; Debbie Beaven as Chair of the Committee, Chris Brown, and Nailesh Rambhai. The Committee members have specialist expertise, including Debbie Beaven who is a Chartered Accountant with financial experience relevant to the remit of the Committee.

The Executive Directors, Chief Risk Officer, Head of Compliance, and representatives from the internal and external auditors, also attend by invitation, as well as other members of the Executive and senior management when appropriate to the agenda.

The Audit Committee met four times during the year. It also met with the external and internal auditors without the Executive Directors present.

A review of the effectiveness of the operation of the Audit Committee is undertaken on an annual basis, providing an opportunity to review the Terms of Reference, assess the quality and appropriateness of the management information and reports as well as the rolling agenda. Every year an internal evaluation is undertaken through a questionnaire completed by all Committee members and attendees. The Committee was observed to have strong governance with sufficient discussion, challenge and review.

The key responsibilities of the Committee are:

Audit, risk and internal control

The Society recognises the importance of good internal control systems in the achievement of its objectives and the safeguarding of its assets. Good internal controls also facilitate the effectiveness and efficiency of operations, helping to ensure the reliability of internal and external reporting, and assisting in compliance with applicable laws and regulations.

Management is responsible for designing an appropriate internal control framework and the Audit Committee is responsible for ensuring that the Board receives appropriate assurance over the effective operation of this framework.

To achieve this the Audit Committee reviews the effectiveness of the Society's Compliance function and the Internal Auditor, approves their annual plans and reviews performance against these plans on a quarterly basis. The Committee also reviews their material findings and ensures the recommendations from assurance work are completed in a timely fashion.

Annual report and accounts

The Directors are responsible for preparing the Annual Report and Accounts. At the request of the Board, the Committee considered whether this Annual Report and Accounts is fair, balanced and understandable and whether it provides the necessary information for members, and other stakeholders, to assess the Society's position and performance, business model and strategy. To do this, the Committee considered the information published in the Annual Report and Accounts, the accounting policies adopted by the Society, the presentation and disclosure of financial information and, in particular, the key judgements made by management in preparing the financial statements.

In evaluating this year's financial reporting process, the Committee noted that there is involvement, at an early stage, from senior members of the Board and Executive management team in agreeing the overall tone and content of the Annual Report and Accounts, and that members of the Executive Committee and the Board review, comment on and challenge various drafts of the Annual Report and Accounts as part of a robust verification process.

External audit

The Audit Committee is responsible for providing oversight of the external audit process by monitoring the relationship with the External Auditor (currently Deloitte LLP), reviewing its effectiveness, agreeing its remuneration and terms of engagement and making recommendations to the Board on their appointment, re-appointment or removal. As part of the external audit process, Deloitte reports and engages with the Society on internal control

matters which come to its attention during the audit. No material control weaknesses were included in such reports.

The Committee is also responsible for monitoring the effectiveness, performance, objectivity and independence of the External Auditor, ensuring that the provision of non-audit services is appropriate and in accordance with the Financial Reporting Council's Ethical Standards. Deloitte did not provide any non-audit services during the year. In order to retain independence and objectivity, the Society's policy is to tender for audit services on a regular basis and at least every 10 years. Deloitte LLP has held the role since February 2018.

Matters considered by the Committee during the year

Consistent with these responsibilities, the Committee undertook the following activities during the year:

Audit, risk and internal control

- **Compliance assurance**
The Society's Compliance function provides second line assurance on activities across the Society. The outputs of the Compliance function's activities are reported to the Committee, together with progress updates on management's implementation of any findings. During the year, the Committee:
 - Approved the annual Compliance plan, setting out the reviews it intends to undertake.
 - Satisfied itself that the Compliance function had the appropriate level of resource to carry out the approved assurance programme, and that any identified areas of improvement had been addressed.
- **Internal audit**
The Society's Internal Audit function, which was outsourced to BDO during the year, provides independent assurance to the Board, via the Audit Committee, on the effectiveness of the internal control framework. The information received and considered by the Committee during the year provided assurance that there were no material control breaches, and that the Society maintained an adequate internal control framework that met the principles of the Code.
Internal Audit provides the Committee with reports on material findings and recommendations as well as updates on the progress made by management in addressing these findings, including verification that the status of all actions has been accurately reported. The Committee is satisfied that, over the year, Internal Audit had an appropriate level of resources in order to deliver its plan of work and that it discharged its responsibilities effectively.

During the year the Committee:

- approved the Internal Audit annual risk-based plan of work and the annual budget.
- oversaw the onboarding of BDO as the new Internal Audit provider. The relationship with BDO commenced 1 November 2023.
- **Other activities**
During the year the Committee considered, and was assured of:
 - the operating effectiveness of the Society's whistleblowing arrangements. This included reviewing the Whistleblowing policy.
 - the IT and cyber security controls. This included reviewing reports about the upgrade to the Society's core system which successfully concluded in November 2023.

- the operational resilience controls. This included reviewing the Operational Risk and Resilience Policy, Third Party Arrangements Policy, Business Continuity Plan, IT Security Policy and the Operational Resilience self-assessment.
- the regulatory reporting framework.

The Committee also reviewed the:

- Society's Code of Conduct
- Conflicts of Interest policy
- Savings policy, and savings terms and conditions

Annual report and accounts

The Committee considered the following matters which are important by virtue of their potential impact on the Society's results, particularly because they involve a high level of complexity, critical judgement, or estimation by management.

- **Provisioning for loan impairment**
The Committee monitored loan impairment provisions and considered the impact of the approach to forbearance adopted when managing the Society's mortgage portfolio. It considered the impact of the economic climate on the mortgage portfolio and other key assumptions contained in the Society's provisioning model on the level of provisions made, most significantly the assumptions for probability of default and house price changes, and the relevant disclosure in the Accounts.
The Committee examined and challenged the assumptions adopted and is satisfied with the level of impairment provisions made.
- **Effective interest rate**
Interest income on the Society's mortgages is measured under the effective interest method, as explained in the Accounts on page 78. This method includes an estimation of mortgage product lives which is based on observed historical data and Directors' judgement.
The Society's estimate of mortgage lives reflects changes in market conditions and customer behaviours. The Committee has examined these changes, including the revised mortgage life estimates, and the impact of standard variable rate (SVR) changes, and is satisfied that the estimates and accounting treatment are appropriate.
- **Hedging**
The Society issues fixed rate mortgage products which are mainly funded from variable rate retail savings and deposits. To mitigate the risk of a rise in funding costs the Society enters into interest rate swaps (derivatives) and uses hedge accounting to offset a change in the fair value of swaps against changes in the fair value of the corresponding fixed rate mortgages.
During the year the Committee reviewed management's process to manage hedge accounting, the fair valuing of hedges and the underlying hedged items, as well as the processes for identifying and designating derivatives as effective. As a result of its enquiries the Committee is satisfied that the processes followed for hedge accounting have been applied in accordance with IAS 39 and were appropriate in light of the volatile rate environment.
- **Going concern**
This involves rigorous consideration, based on reports as requested by the Committee, of the Society's current and projected liquidity and capital positions, together with the potential risks (for example strategic risk, credit risk, liquidity risk, operational risk and conduct risk) which could also



Dean

impact the business, as well as consideration of potential stress scenarios relating to economic uncertainty caused by the direct or indirect consequences of high inflation and rising interest rates, focused on the Society's capital and liquidity position and operational resilience. Based on its review, the Committee concluded that the adoption of the going concern assumption to prepare the financial statements remains appropriate.

External Audit

The Committee considered matters raised during the statutory external audit, through discussion with senior management of the business and the external auditor and concluded that there were no adjustments required that were material to the financial statements.

The FRC's Audit Quality Review (AQR) selected the external audit by Deloitte of the Society's Annual Report and Accounts for the year ended 31 October 2023 as part of its annual inspection of

audit firms. The key areas of focus for the AQR were provisioning for loan impairment, effective interest rate accounting and property valuations, with the review also covering matters relating to planning, completion, ethics and quality control. The Chair of the Audit Committee reviewed and discussed the scope of the AQR and the final report with the FRC. The AQR highlighted an area of good practice and did not identify any key, or other, findings.

Conclusion

Considering the enquiries above, the Committee is satisfied that, taken as a whole, the 2024 Annual Report and Accounts is fair, balanced and understandable and provides a clear and accurate presentation of the Society's position and prospects.

Debbie Beaven, Chair of the Audit Committee
18 December 2024



Risk Committee *report*



The main purpose of the Committee is to oversee the Society's Risk Management Framework, including the risk appetite, risk monitoring, policies and strategy to ensure they are appropriate, proportionate and in line with regulatory requirements and industry best practice.

Nailesh Rambhai

Chair of the Risk Committee

Key activities for 2023/24

- Support the Board by providing a full programme of oversight of current and emerging risks
- Consideration and review of the Society's Risk Culture Report, undertaken every two years to ensure the Society maintains a robust risk culture
- Further update to the Conduct Risk Framework to take account of the recommended plan for the implementation of the Consumer Duty requirements
- Transition to a new Chief Risk Officer

Committee membership during 2023/24

- Nailesh Rambhai (Chair) – member since September 2022
- Piers Williamson – member since January 2018
- Alistair Welham – member since February 2020

Number of meetings and attendance

- Four meetings held during the year
- 100% attendance from Committee members

Report on the year

This report outlines the duties of the Committee and how the Committee has fulfilled its role to provide oversight for the Board in relation to current and potential future risk exposures and how it provides oversight over the effectiveness of the Risk Management Framework at the Society.

During the year, the Committee continued to provide oversight against a backdrop of challenging economic headwinds, with interest rates remaining high, inflation remaining at an elevated, though reducing, level, uncertainty around house prices and on-going affordability and cost-of-living challenges for our members. The outlook for the year ahead is a more positive one where a period of slow but steady growth is forecast and inflation will begin to stabilise, but interest rates are expected to stay at an elevated level for longer and the impact of this will continue to be felt and may result in some members experiencing financial difficulty.

I would like to thank my fellow Committee members for their continued commitment, support and challenge during the year. I would also like to thank the former Chief Risk Officer (CRO), Lyndsey Hayes for the insight she offered during her time with us until June 2024. Following her departure the Society has engaged an experienced risk management professional on an interim basis pending the appointment of a full-time successor who is due to commence their role in January 2025. Members and attendees to the Committee have otherwise remained unchanged.

Committee operations and responsibilities

The Committee currently comprises three members, all independent Non-Executive Directors; myself as Chair of the Committee, Piers Williamson, and Alistair Welham. The Executive Directors, the Chief Risk Officer and the Director of Data and Governance and Company Secretary also attend by invitation, as well as other members of the Executive depending on the agenda to ensure appropriate representation and input.

The main purpose of the Committee is to oversee the Society's Risk Management Framework, including the risk appetite, risk monitoring, policies and strategy to ensure they are appropriate, proportionate and in line with regulatory requirements and industry best practice. The full set of duties and responsibilities is available within the Terms of Reference (ToR), which can be found under the Corporate Governance section of the website.

The Committee also receives the Chief Risk Officer's quarterly report, which provides an assessment of the seven key principal risks within the Society and how they align to the Board's risk appetite. The Committee also considers the emerging risk themes through regular horizon scanning activity and any actions that are required as a result. Following each meeting the Chair of Risk provides an update to the Board, with recommendations for approval to the Board on documents that were reviewed, providing an opportunity for further scrutiny and oversight by the Board. The Chair of the Risk Committee is also a member of the Audit Committee, which has oversight of the internal control environment.

The Committee meets four times a year and the Chair can convene additional meetings on an ad-hoc basis when required.

A review of the effectiveness of the operation of the Risk Committee is undertaken on an annual basis, providing an opportunity to review the ToR, assess the quality and appropriateness of the management information and reports as well as the rolling agenda. Every year an internal evaluation is undertaken through a questionnaire completed by all Committee members and attendees. In addition, the key duties and responsibilities of the Committee were reviewed against the ToRs of a range of other comparable organisations. No specific gaps were identified and the Committee was observed to have strong governance with sufficient discussion, challenge and review. The Society will continue to evolve and develop oversight in areas such as IT change risk, climate-related risks and other emerging risks and consider the linkages and overlaps between Risk and Audit Committees. From an external perspective our outsourced Internal Auditors BDO have completed a review of our risk management approach and governance which raised some observations on potential future enhancements but no adverse findings were identified.

Matters considered by the Committee in 2023/24

During the financial year ended 31 October 2024 the Risk Committee has supported the Board to oversee the current risk profile and emerging risks as set out in the annual rolling agenda. These have included:

- the Risk Management Framework annual review, which incorporated updates to the Conduct Risk principal risk to take account of the Society's implementation of the Consumer Duty;

- a review of quarterly risk management information including key risk indicator metrics;
- a review of Horizon risks and Strategic risks, to ensure the impacts of an often volatile and changing macro-economic and political environment were assessed and reviewed;
- the Society's principal risk policies relating to Treasury and Lending were subject to annual review ahead of Board approval, taking into account the challenging economic backdrop with increased interest rates and persistent inflation impacting on affordability;
- the Internal Liquidity Adequacy Assessment Process (ILAAP) and Internal Capital Adequacy Assessment Process (ICAAP) were reviewed, taking into account regular discussions and input from the Assets & Liabilities Committee (ALCO) throughout the year;
- the Stress and Scenario testing policy and plan was reviewed;
- the Recovery Plan and Resolution Plans were reviewed and updated and a plan has been agreed for how the Society will develop its Solvent Exit Plan which is a new regulatory requirement currently targeted for implementation in October 2025;
- the Conduct Risk Framework was further updated this year to take account of the recommended plan for the implementation of the Consumer Duty requirements which saw a comprehensive self-assessment of the Society's readiness presented for challenge, endorsement and onward recommendation to Board. Oversight and scrutiny was provided at Executive Committee, Risk Committee and Board at various points throughout the year;
- the Risk Culture report, undertaken every two years, was considered in December 2023 to ensure a robust risk culture can be evidenced and maintained;
- the annual review of Lending Policy, taking into account current performance of the portfolio and ensuring alignment with the Corporate Plan to maintain the Society's strong focus on good quality lending in segments it has deep knowledge and expertise in;
- the Society's risk register, a comprehensive list of the risks it faces on a day to day basis and the attendant controls deployed to manage and mitigate them, was reviewed and updated in December 2023;
- the risk profile of the Corporate plan was reviewed in September, ahead of the full plan being approved by the Board; and
- monitoring, assessing and adjusting strategy where appropriate to reflect the political and go-political environment and its impact on the Society's operating plan.

Future areas of focus

Over the next 12 months, the Committee will continue to focus on the potential impacts of the challenging economic environment, a number of important regulatory changes (such as Basel 3.1, the Strong & Simple regime, Solvent Exit planning and ongoing embedding of Consumer Duty requirements, amongst other changes). Key points of focus for the Committee in 2024/25 will include:

- Ongoing oversight of the implementation and embedding of Consumer Duty, including appropriate assurance and focus on outcomes testing to ensure compliance with the regulatory requirements as well as monitoring customer outcomes for vulnerable customers and those in financial difficulty;
- Consideration of the impact assessment of the proposed capital regime for Small Domestic Deposit Takers under Strong & Simple;
- Oversight of the risks associated with the Society's digital transformation programme, in particular IT change risks and providing an appropriate level of assurance in this area;
- Sufficient liaison and interaction with other Committees such as the Audit Committee to ensure there is holistic oversight over the effectiveness of the control environment; and
- Evolution of the Risk Management Framework to further incorporate Climate Risk management and consideration of climate risk factors within decision making processes.

Nailesh Rambhai, Chair of the Risk Committee
18 December 2024

Nomination Committee *report*



During the financial year ended 31 October 2024 the Nomination Committee has supported the Board to oversee our approach to inclusive and effective people policies and practices

Piers Williamson

Chair of the Nomination Committee



Key activities for 2023/24

- Executive and Board succession, including Non-Executive Director appointment to new roles
- Oversee the performance review process for the Executive and Non-Executive Directors
- Support the Board to oversee the Society's people policies and practices

Committee membership during 2023/24

- Piers Williamson (Chair) – member since April 2019
- Alistair Welham – member since April 2022
- Chris Brown – member since April 2022

Number of meetings and attendance

- Four meetings held during the year
- 100% attendance from Committee members

Report on the year

This report outlines the duties of the Committee and how the Committee has fulfilled its role to provide oversight for the Board in relation to Board governance, succession planning and overseeing appointments to the Board.

Committee operations and responsibilities

The Committee currently comprises three members, all independent Non-Executive Directors; myself as Chair of the Committee alongside Chris Brown, and Alistair Welham. The Chief Executive, the Director of Data and Governance and Company Secretary, and the Director of People also attend by invitation.

The main purpose of the Committee is to review the Society's governance arrangements including the composition and performance of Board Committees, maintain and enact succession plans for the Board and Executive team and oversee successful appointment to the Board and Executive team. The full set of duties and responsibilities is available within the Terms of Reference (ToR), which can be found under the Corporate Governance section of the Society's website.

The Committee meets four times a year and the Chair can convene additional meetings on an ad-hoc basis when required.

A review of the effectiveness of the operation of the Nomination Committee is undertaken on an annual basis, providing an opportunity to review the ToR, assess the quality and appropriateness of the management information and reports as well as the rolling agenda. Every year an internal evaluation is undertaken through a questionnaire completed by all Committee members and attendees. In addition, the key duties and responsibilities of the Committee were reviewed against the ToRs of a range of other comparable organisations. No specific gaps were identified, and the Committee was observed to have strong governance with sufficient discussion, challenge and review.

Matters considered by the Committee in 2023/24

During the financial year ended 31 October 2024 the Nomination Committee has supported the Board to oversee our approach to inclusive and effective people policies and practices.

These have included review of:

- Any Society recruitment and appointments for Non-Executive Directors and Executive Team members
- The progress of People Strategy activities (many of which are outlined on pages 26 to 28)
- The performance review process for all Executive Directors, Directors and Material Risk Takers as well as Non-Executive Directors

- The approach to the regulatory requirements of the Senior Manager and Certification Regime including the Fitness and Propriety of our employees. This also includes regularly reviewing the Management Responsibilities Map ensuring clear accountability and governance across the Society
- Board and Executive succession
- Composition and performance of Board Committees

At each meeting the Director of People presents data and insight on employee retention and exit trends as well as Inclusion and Diversity reporting which continue to give us measurable confidence in the way people practices are operated at the Society.

The review of our Board Skills Matrix allowed us to effectively plan and consider changes in relation to the planned departure of Will Roberts. This enabled us to enact our succession plans, moving Debbie Beaven to Chair of Audit and Chris Brown to Chair of Remuneration Committee and Senior Independent Director. The focus on maintaining an effective and high performing Board was supported by investment in a psychometric based team development exercise, this enabled the Board to build upon their understanding of their different skills, competencies and personalities.

The Committee is currently undertaking recruitment for a new Non-Executive Director to join the Board following these changes. We value individuals with varied backgrounds, experiences and perspectives and fundamentally believe by encouraging different ways of thinking we can deliver better outcomes for our customers. The Board carefully considers diversity, skills and experiences when making any appointments and ensures we use an objective set of criteria when recruiting. There has been no requirement to address any underrepresented gender gaps in our Board which is currently operating at a 57% male to female representation.

Future areas of focus

The Nomination Committee will continue to support the Executive team to meet the Society's growth ambitions by maintaining the strong performance and effectiveness of the Board, ensuring it has the right skills, qualities and performance expectations which underpin the Society's vibrant culture, and has the ability to continue to meet its changing customer needs today and in the future.

Piers Williamson, Chair of the Nomination Committee
18 December 2024

Remuneration Committee *report*



The Remuneration Committee will continue to ensure appropriate governance of all Directors and Material Risk Takers reward decisions, providing both challenge and support to help the Society maintain a competitive reward offering that is designed to help retain and motivate their employees, whilst ensuring that reward outcomes are transparent and equitable

Chris Brown

Chair of the Remuneration Committee



Key activities for 2023/24

- Support the Board to oversee the Society's remuneration policies and practices
- Approved Executive and Board fixed and variable pay decisions
- Reviewed the Society's Gender Pay Gap reporting

Committee membership during 2023/24

- Chris Brown (Chair since January 2024) – member since April 2022
- Piers Williamson – member since April 2019
- Alistair Welham – member since January 2024
- William Roberts (Chair to January 2024) – member since July 2021

Number of meetings and attendance

- Four meetings held during the year
- 100% attendance from Committee members

Report on the year

This report outlines the duties of the Committee and how the Committee has fulfilled its role to provide oversight for the Board in relation to remuneration policies and practices.

This Committee is responsible for completing the Directors' Remuneration Report (detailed on pages 60 to 61).

Committee operations and responsibilities

The Committee currently comprises three members, all independent Non-Executive Directors; myself as Chair of the Committee, alongside Piers Williamson, and Alistair Welham. The Chief Executive and the Director of People also attend by invitation but take no part in the discussion of their own salaries.

The main purpose of the Committee is to set and monitor adherence to the Society's remuneration principles ensuring the Society complies with best practice and the appropriate legal and regulatory requirements. The full set of duties and responsibilities is available

within the Terms of Reference (ToR), which can be found under the Corporate Governance section of the Society's website.

The Committee meets four times a year and the Chair can convene additional meetings on an ad-hoc basis when required.

A review of the effectiveness of the operation of the Remuneration Committee is undertaken on an annual basis, providing an opportunity to review the ToR, assess the quality and appropriateness of the management information and reports, as well as the rolling agenda items. Every year an internal evaluation is undertaken through a questionnaire completed by all Committee members and attendees. In addition, the key duties and responsibilities of the Committee were reviewed against the ToRs of a range of other comparable organisations. No specific gaps were identified, and the Committee was observed to have strong governance with sufficient discussion, challenge and review.

Matters considered by the Committee in 2023/24

During the financial year ended 31 October 2024 the Remuneration Committee has supported the Board to oversee our remuneration practices and policies.

These have included review of:

- The Society's remuneration principles including our remuneration policy statement and oversight of the Society's salary and payments policy
- All decisions relating to Executive Directors, Non-Executive Directors and Executive team reward including variable pay
- Directors expenses policy and payments
- Gifts and hospitality received by Material Risk Takers (MRTs) including the Board and the Executive team
- Any changes to remuneration regulations and associated regulatory returns

Despite being under the headcount threshold for gender pay gap reporting the Committee has had oversight of the bi-annual reporting since January 2018. Gender pay gap reporting is intended to provide an insight into equality to show the difference in average earnings between women and men. This insight allows the Committee to have conversations about fair and equitable pay practices throughout the Society ensuring pay practices or decisions are not creating any discriminatory outcomes. This year our gender pay gap reduced from 35.8% to 14.4% for an employee demographic consisting of 71% female and 29% male employees (2023: 73% female and 27% male). While there is a gender pay gap, there is no gap in equal pay in the Society, and where we have men and women performing the same role, they are equally remunerated.

The Committee was pleased to be kept engaged and informed of the Society's progress in changing its reward and benefits structure for its people. The principles of modernisation of approach, staying competitive in a turbulent economic environment, transparency of pay and reward decisions and equity of approach were principles the Committee supported. Similarly, we were kept informed and updated of annual pay and variable pay awards made throughout the year which we could see were benchmarked in our building society sector and geographical area using a national pay benchmark data, recruitment agency data locally and nationally and the Building Societies Annual Salary survey. The pay review for employees was conducted in two parts, a pay review effective on 1 April 2024 predominantly aimed at our customer facing employees who all received a pay increase of between 3.5% and 5% and one effective on 1 May 2024 for all other employees where at least a 3.5% increase was applied.

This year specifically the Committee was required to make variable pay decisions on the Executive Team Medium Term Incentive Plan detailed in the Directors' Remuneration Report. The Committee has full oversight of progress over the two-year period through a quarterly report brought by the Director of People. The Committee considered the balance of objectives achieved against the changing landscape the Society has been operating within the last two years as well as the overall risk and control position of the Society. The Committee concludes that the scheme continues to drive the behaviours intended, namely the collaboration and teamwork of the Executive team in aiming for ambitious and stretching growth targets in a sustainable, careful and measured way.

Future areas of focus

The Remuneration Committee will continue to ensure appropriate governance of all Director and MRT reward decisions, providing both challenge and support to help the Society maintain a competitive reward offering that is designed to help retain and motivate their employees, whilst ensuring that reward outcomes are transparent and equitable.

Directors' Remuneration Report

This report explains how the Society applies the principles of the UK Corporate Governance Code (the Code which was updated in 2024) relating to remuneration. It also explains how the Society's remuneration policy complies with relevant regulations including the Remuneration Part of the Prudential Regulation Authority's Rulebook and the Financial Conduct Authority's Remuneration Code for dual regulated firms (SYSC 19D). The Remuneration Committee has determined that, at 31 October 2024, all of the Non-Executive Directors and Executive Directors, as well as the other members of the Executive management team and the Head of Compliance, were classified as Material Risk Takers (MRTs) and subject to the Remuneration Code.

The level and components of remuneration

Code Principle:

P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.

The Society's objective when setting remuneration is to ensure that it is in line with the Society's business strategy, risk appetite and long-term objectives, by being consistent with the interests of the Society's members. Remuneration is set at a level to retain and attract individuals of the calibre necessary to operate and meet the Society's objectives.

Executive Directors' emoluments

The remuneration of the **individual** Directors is detailed in note 8 on page 81. The remuneration reflects the Directors' specific responsibilities and comprises basic salary, annual performance related pay and various benefits detailed below.

Basic salaries

Basic salaries are reviewed and benchmarked annually in line with comparable organisations across location, industry and job function.

Performance Related Pay schemes

The Society operates two simple and transparent performance related pay schemes for the Executive Management team, with objectives relating to a balance of financial performance, customer service and sustainable growth over a multi-year timeframe:

1. An annual scheme based on the Society's key performance measures of profitability, control of costs, risk management controls, growth in mortgages, and increases in member numbers. A maximum of 10% of salary (prior to any salary sacrifice) can be earned annually for achievement of these targets, which includes a maximum 2% of salary based on personal contribution.
2. A two-year medium term incentive plan based on successful delivery of our corporate plan objectives. This pays a maximum of 20% of salary after two years. There is no acknowledgement of personal performance in this scheme, instead it makes a requirement of the Executives to come together to deliver the strategic plan as a team.

Performance related payments are not pensionable and are paid in cash through payroll.

As a mutual, the Society has no share option scheme, and none of the Directors has any beneficial interest in, or any rights to subscribe for shares in or debentures of, any connected undertaking of the Society.

Benefits

The Society makes a contribution of up to 15.25% of salary (before salary sacrifice where applicable) to Executive Directors' private pension arrangements.

Executive Directors receive other benefits comprising private healthcare, cash health plan, death in service and income protection insurance. The

Society does not provide concessionary home loans to Directors.

Executive Directors' contractual terms

Phillippa Cardno and Darren Garner each have a service contract with the Society, terminable by either party giving twelve months' notice.

The Society meets contractual obligations for loss of office and whilst the Remuneration Committee has discretion to provide better terms, this is disclosed to Members if used.

An Executive Director is permitted to take a role as a Non-Executive Director with another firm provided the firm is not a competitor and the associated time commitment can be accommodated. Any such arrangements must be agreed in advance by the Nomination Committee. There were no new arrangements of this nature entered into during the year.

Non-Executive Directors

The level of fees payable to Non-Executive Directors is assessed using information from comparable organisations and national publications from Non-Executive Director recruiters. The salaries of the Non-Executive Directors were reviewed in 2024 after a benchmarking exercise.

Remuneration comprises a basic fee with supplementary payments for the Chair of the Board and the other Non-Executive Directors classified as Senior Managers, for regulatory purposes, to reflect the additional responsibilities of these positions. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not participate in any incentive schemes or receive any other benefits. Non-Executive Directors have letters of appointment and these are available for inspection prior to the AGM or at the Society's registered address.

Other material risk takers

The Remuneration Committee is also responsible for determining the terms and conditions of other members of the Executive management team, who are considered Material Risk Takers or undertake Senior Manager Functions, in consultation with the Chief Executive. These are, Director of Proposition and Distribution, the Director of Data and Governance and Company Secretary, the Chief Risk Officer, the Director of Customer Service and the Director of People. These individuals are subject to the same variable pay performance targets and rewards as the Executive Directors and they also receive pension contributions from the Society of up to 15.25% of salary (prior to any salary sacrifice).

The procedure for determining remuneration

Code Principle:

Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration.

R. Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

The remuneration of the Non-Executive Directors, Executive Directors and other members of the Executive team is overseen by the Remuneration Committee, which consists of three Non-Executive Directors and meets four times a year. During the reporting period the composition of the Committee satisfied the Code provisions regarding independence. The Chief Executive, and Director of People attend by invitation but take no part in the discussion of their own salaries. Minutes of the Committee meetings are distributed to all Board members.

The Remuneration Committee reviews and updates the Society's Remuneration Policy, principles and the PRA policy statement annually

taking note of the policy and communications that applies to all employees to check alignment with wider company pay policy. The Committee maintains a list of the Society's Material Risk Takers detailing the composition of their respective remuneration. In setting remuneration, the Committee considers the remuneration levels and structure provide by building societies that are similar in size and complexity. Periodically, a report may be commissioned from external consultants to assist in this process. The Committee did not use the services of an external consultant during the reporting period. The Committee also ensures that variable remuneration does not undermine the objectivity of the risk and compliance functions.

Non-Executive Directors

The fees payable to Non-Executive Directors are proposed by the Chief Executive, taking into consideration an objective market comparison of peer organisations. The fees are approved by the Board, following recommendation by the Remuneration Committee.

Executive Directors

The performance related pay schemes are designed to encourage the achievement of key business objectives relating to a balance of financial performance, customer service and sustainable growth over a multi-year timeframe. In setting variable remuneration targets the Committee considers the balance between the fixed and variable components of remuneration to ensure that the ratio is appropriately balanced and in line with the risk profile of the Society. The Committee believes that the performance related targets set for 2024 were suitably balanced and hence risk adjusted.

The Remuneration Committee assesses whether any performance related payments should be made taking into account reports, where applicable, from the Risk and Compliance functions.

AGM vote

Whilst a binding vote on Remuneration Policy is not considered appropriate for a building society of our size and nature, if more than 25% of the turnout vote against the report, the Remuneration Committee will take steps to ascertain and address the concerns of the Membership.

On behalf of the Committee, I recommend that you endorse our report.

Chris Brown, Chair of the Remuneration Committee

18 December 2024

Directors' *report*



The Directors have pleasure in presenting their Annual Report together with the Annual Accounts and Business Statement of the Society for the year ended 31 October 2024.

Certain information required to be included in a Directors' report can be found in the Strategic report, which starts on page 4.

Business objectives, future developments and key performance indicators

Contained within the Strategic report on pages 4 to 40.

Profit and capital

Profit before tax for the year ended 31 October 2024 was £10.6 million (2023: £9.6 million). The profit after tax transferred to the general reserve was £8.0 million (2023: £7.3 million).

Total reserves at 31 October 2024 were £116.1 million (2023: £108.0 million). Further details on the movements on reserves are given in the Statement of Changes in Members' Interests.

Gross capital at 31 October 2024 was £117.3 million (2023: £110.1 million) comprised of accumulated reserves and collective provisions.

The ratio of gross capital as a percentage of savings and borrowings at 31 October 2024 was 7.64% (2023: 7.65%) and the free capital ratio was 7.16% (2023: 7.22%). The Annual Business Statement gives an explanation of these ratios.

Mortgage arrears

At 31 October 2024, there were 15 mortgage accounts more than 12 months in arrears (including those in possession) (2023: 14). The balance on these accounts totalled £1.75 million (2023: £1.55 million) and the value of these arrears was £0.22 million (2023: £0.22 million) or 0.02% (2023: 0.02%) of total mortgage balances.

Charitable donations

During the year charitable donations of £107k were made to a number of organisations (2023: £120k). See also pages 24 to 25 of the Strategic report.

Political donations and gifts

The Society has not made any political gifts or donations in the year to 31 October 2024 (2023: £nil).

Disclosure requirements under CRD IV country-by-country reporting

Please see Note 31 to the Accounts.

FINANCIAL RISK MANAGEMENT OBJECTIVES

Contained within the Risk management report on pages 29 to 33.

Principal risks and uncertainties

Contained within the Strategic report.

Stakeholder engagement

Information on engagement with stakeholders is contained within the Strategic report on pages 12 to 28.

Creditor Payment Policy

Please see page 12 of the Strategic report.

Board of Directors

The names of the Directors of the Society who served during the year and up to the date of signing the accounts, their roles and membership of board committees and their attendance at meetings of the Board and Board Committees are set out in the Governance section which starts on page 41.

None of the Directors had any beneficial interest in any connected undertaking of the Society as at the year end. The Society maintains liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986. There are no Directors' indemnities.

In accordance with the requirements of the new Corporate Governance code, to which the Society has due regard, all the Society's Directors are seeking re-election to the Board at the Annual General Meeting.

Statement of disclosure to auditors

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

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

Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Strategic Report, Directors' Report and the annual accounts

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

The Building Societies Act (the Act) requires the Directors to prepare annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard as it applies to the UK.

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

In preparing the Society's annual accounts, the Directors are required to:

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

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

Directors' responsibilities for accounting records and internal controls.

The Directors are responsible for ensuring that the Society:

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

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

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

Going concern

The Directors are required to consider whether the Society will continue as a going concern for a period of 12 months from the signing of the accounts. In making the assessment the Directors have reviewed the Society's corporate plan and considered risks that could impact on the Society's capital position, financial position and liquidity over that period.

The Directors have also prepared forecasts to consider the effect on the Society's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions for a period in excess of 12 months from the date of approval of these financial statements. A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to economic uncertainty caused by the direct or indirect consequences of falling interest rates, focused on the Society's capital and liquidity position and operational resilience.

After considering all of this information, together with available market information and the Directors' knowledge and experience of the Society and markets in which it operates, after making the necessary enquiries the Directors are satisfied that the Society has adequate resources to continue in business for at least the twelve-month period from the signing of the accounts. Accordingly, the accounts continue to be prepared on a going concern basis.

Auditor

Deloitte LLP are eligible for re-appointment and have offered themselves for re-election. The Board is recommending that Deloitte LLP are re-appointed as external auditors of the Society for the financial year ending 31 October 2025. A resolution for their appointment will be proposed to the forthcoming Annual General Meeting of the Society.

Post balance sheet events

The directors consider that no events have occurred since the year end to the date of this Annual Report that are likely to have a material effect on the financial position of the Society, as disclosed in the Annual Accounts.

Piers Williamson, Chairman
18 December 2024

Financial *statements*

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Financial Statements

Independent Auditor's report to the members of Newbury Building Society

Report on the audit of the financial statements

1. Opinion

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

- give a true and fair view of the state of the Society's affairs as at 31 October 2024 and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in members' interests;
- the cash flow statement; and
- the related notes 1 to 31.

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





2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

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

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

3. Summary of our audit approach

Key audit matters	<div>The key audit matters that we identified in the current year were:</div> <div><ul style="list-style-type: none">• Recognition of interest receivable and similar income; and• Loan loss provisioning</div> <div>Within this report, key audit matters are identified as follows:</div> <div><div> Newly identified</div><div> Increased level of risk</div><div> Similar level of risk</div><div> Decreased level of risk</div></div>
Materiality	The materiality that we used for the financial statements was £1,161,000 which was determined on the basis of 1% of net assets.
Scoping	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	No significant changes to note.

4. Conclusions relating to going concern

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

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

- Evaluating the directors' going concern assessment, which included consideration of the Society's operational resilience, in order to understand, evaluate and evidence the key judgements made by management;
- Evaluating the assumptions underpinning forecast projections;
- Assessing management's four-year business plan and all regulatory correspondence;

- Meeting with the Society’s lead regulators at the Prudential Regulation Authority, and discussing their views on existing and emerging risks to the Society;
- Assessing post year-end performance whilst assessing previous forecasting accuracy;
- Involvement of our in-house prudential regulation specialists, in reviewing the most recent ICAAP and ILAAP submissions and management’s capital and liquidity projections, including stress testing outputs; and
- Assessing the disclosures in the financial statements surrounding going concern and the principal risks and uncertainties that the Society is facing.

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

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

5. Key audit matters

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

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

5.1. Revenue recognition of interest receivable and similar income <>

<p>Key audit matter description</p>	<p>The main revenue stream within the Society is interest receivable and similar income primarily derived from loans and advances to customers. The interest receivable and similar income recognised during the year was £88.1m (2023: £73.8m).</p> <p>The directors apply the effective interest rate (“EIR”) method to recognise interest income for loans and advances to customers. The EIR method requires the modelling of all cash flows, including directly attributable fees and costs, over the shorter of the behavioural and contractual life.</p> <p>The key assumption in the EIR models is the estimation of redemption rates used in the calculation of the behavioural lives of the mortgages and thus timing of the expected future cash flows over these lives.</p> <p>Given the complexity and judgement involved in accounting for EIR and given that revenue recognition is an area susceptible to fraud, there is an opportunity for management to manipulate the amount of interest receivable reported in the financial statements.</p> <p>Management’s accounting policies are detailed in notes 1.2 and 1.4 to the financial statements while the significant judgements involved in the revenue recognition process are outlined in note 1.13, with note 2 quantifying the interest receivable and similar income recognised during the year. The area of significant judgement is discussed by the Audit Committee as detailed in the Committee’s report on pages 52–53.</p>
<p>How the scope of our audit responded to the key audit matter</p>	<p>We obtained an understanding of relevant controls that the Society has in place to manage the risk of inappropriate behavioural life assumptions being used within the EIR model.</p> <p>In conjunction with our IT specialists, we tested the general IT controls over the loan administration systems and evaluated the manner in which data is extracted from these systems to determine the EIR balance.</p> <p>We challenged the appropriateness of the behavioural lives adopted by management by reference to historical customer redemptions, and performed accuracy and completeness testing over the underlying data on a sample basis.</p> <p>Additionally, we challenged any amendments made to the behavioural lives by management during the course of the year, based on recent customer redemption activity in light of changes in the macro-economic environment. Our evaluation also considered the potential influence of forward-looking factors on future redemption behaviour.</p> <p>As part of our wider assessment of the key audit matter we independently recalculated a sample of EIRs and tested the adjustment posted to recognise revenue over the behavioural life on a sample of loans.</p> <p>We assessed the treatment of fees and costs arising on loans and advances to customers and the appropriateness of their inclusion or exclusion in the Society’s EIR models.</p> <p>We tested the inputs which are used to determine revenue by agreeing a sample of customer loans back to underlying source data.</p>
<p>Key observations</p>	<p>We concluded that the behavioural lives used within management’s revenue recognition process were reasonable and the models to be working as intended.</p> <p>We determined the accounting for revenue to be appropriate and we made recommendations to management in relation to the methodology and the controls relevant to revenue recognition of interest receivable and similar income.</p>

5.2. Loan loss provisioning <>

<p>Key audit matter description</p>	<p>Under IAS 39, the directors are required to assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, management should recognise an impairment loss within the income statement immediately.</p>
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	<p>The Society holds £1,357.0m (2023: £1,240.0m) of loans and advances to customers on which a loan loss provision of £1.4m (2023: £2.4m) has been provided for at year end. The provision comprises a collective provision for losses incurred but not observed and a specific provision for loans where there has been an observable impairment trigger.</p> <p>Key assumptions in determining the collective provision include the use of probability of default ("PD") assumptions, which are derived from third-party ratings agency data. Given the high level of directors' judgement required coupled with historically low levels of arrears, we identified a key audit matter in relation to the valuation of the collective provision and in particular the PD assumptions, including the possibility of management bias on the basis that amendments to these assumptions could give rise to a material misstatement due to fraud or error.</p> <p>Management's accounting policies are detailed in note 1.5 to the financial statements while the significant judgements involved in loan loss provisioning are outlined in note 1.13, with note 14 quantifying the loan loss provision at year end. The area of significant judgement is discussed by the Audit Committee as detailed in the Committee's report on pages 52-53.</p>
How the scope of our audit responded to the key audit matter	<p>We obtained an understanding of relevant controls that the Society has in place to manage the risk of inappropriate assumptions being used in the loan loss provisioning model.</p> <p>In conjunction with our IT specialists, we tested the general IT controls over the loan administration systems and evaluated the manner in which data is extracted from these systems to determine the provision.</p> <p>We challenged the appropriateness of the key assumptions used within the collective provision, in particular the PD, by reference to the Society's historical loss rate data, third-party ratings agency data, and the wider macro-economic environment. We have also considered the relevance and reliability of the information used as evidence and derived from the third parties.</p> <p>Additionally, and as part of our stand back assessment, we determined whether the provision held is commensurate with the loan book size and inherent risk in light of the current economic environment.</p> <p>As part of our wider assessment of the key audit matter, we independently recalculated the loan loss provision for a sample of customer loans and compared the output to the amount provided by management.</p> <p>We also tested the accuracy and completeness of the inputs which were used to determine the loan loss provision back to underlying source data.</p> <p>We tested the completeness of the loan population identified by management as having incurred an impairment event by testing a sample of loans that were not in arrears for other indicators of financial distress. We also considered if any management adjustments were required to recognise impairment provisions held by the Society for impairment events that are not captured in its impairment model.</p> <p>We challenged the appropriateness of other assumptions used within the loan loss provision such as impairment triggers, expected future cash flows, time horizons to sale, expected costs to sell and house price indexation. Procedures performed included comparing to peers and performing independent recalculations.</p> <p>We also considered the appropriateness of the overall provision on the basis of the changing macro-economic environment.</p>
Key observations	<p>We concluded that management's view with regards to the loan loss provision and in particular the PD assumptions adopted was appropriate, with the provision level being acceptable.</p> <p>We determined the impairment events used by management in its impairment model to be appropriate and considered that this appropriately identifies customers for which a specific provision may be required.</p> <p>Overall, we found the loan loss provision model to be working as intended and consider the loan loss provision to be recorded in line with the requirements of IAS 39.</p>

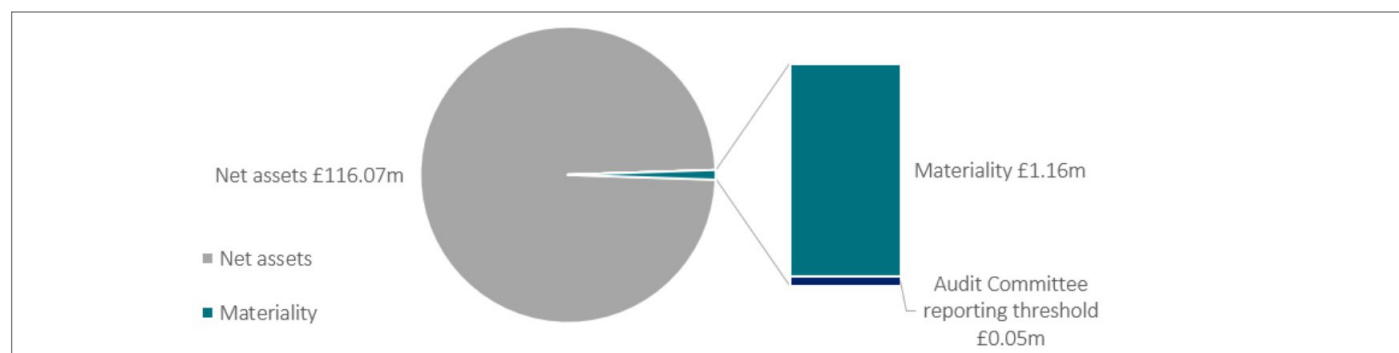
6. Our application of materiality

6.1. Materiality

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

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

	Society financial statements
Materiality	£1,161,000 (2023: £1,085,000)
Basis for determining materiality	1% of net assets (2023: 1% of net assets)
Rationale for the benchmark applied	Net assets is a relevant benchmark to users of the financial statements and the Society's regulators and is a stable basis on which to determine materiality in the current economic environment.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the 2024 audit (2023: 65%). In determining performance materiality, we considered that this continues to be appropriate in light of the level of uncorrected misstatements identified in the prior periods, as well as the strong control environment.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £58k (2023: £54k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Our consideration of the control environment

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

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

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

7.2. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Society's business and its financial statements. The Society continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on pages 13 - 21.

As a part of our audit, we have obtained management's climate-related risk assessment which included consideration of the impact on impairment provisions and held discussions with the Society to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Society's financial statements.

We performed our own risk assessment of the potential impact of climate change on the Society's account balances and classes of transactions.

We read the disclosures in the strategic report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. 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 contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

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

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

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

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

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

11.1 Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the Society's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Society's sector;
- any matters we identified having obtained and reviewed the Society's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, financial instruments, economics, information technology, real estate and prudential regulation specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

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

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

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Society's ability to operate or to avoid a material penalty. These included legislations imposed by the Financial Conduct Authority ("FCA"), Prudential Regulation Authority ("PRA"), Anti-Money Laundering Regulations, the Consumer Credit Act 2006 and General Data Protection Regulations.

11.2. Audit response to risks identified

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

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

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

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

Report on other legal and regulatory requirements

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

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

- the annual business statement and the directors' report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

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

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

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

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

14.1 Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by Board of Directors on 26 February 2018 to audit the financial statements for the year ending 31 October 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is seven years, covering the years ending 31 October 2018 to 31 October 2024.

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

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

16. Use of our report

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

Neil Reed FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom

18 December 2024

Income statement for the year ended 31 October 2024

	Notes	2024 £000	2023 £000
Interest receivable and similar income	2	88,070	73,824
Interest payable and similar charges	3	(59,917)	(46,450)
Net interest income		28,153	27,374
Fees and commissions receivable		102	106
Fees and commissions payable		(396)	(278)
Other operating income		88	27
Net loss from derivatives	4	(2,099)	(1,944)
Total Net Income		25,848	25,285
Administrative expenses	5	(15,645)	(13,881)
Depreciation, amortisation and impairment of fixed assets	15/16	(558)	(825)
Loss on revaluation of investment properties		–	(157)
Operating profit before impairment and provisions		9,645	10,422
Impairment credit/(charge) of loans and advances	14	989	(858)
Profit before tax		10,634	9,564
Taxation	6	(2,608)	(2,273)
Profit for the financial year	22	8,026	7,291

Statement of comprehensive income

Profit for the financial year		8,026	7,291
Items that will not be reclassified to income statement			
Loss on property revaluation	15	–	(60)
Items that may be reclassified to income statement			
Fair value movement on available for sale assets		94	5
Total comprehensive income for the financial year		8,120	7,236

No income has been reclassified to the income statement. The above results are all derived from continuing operations.

The accounting policies and notes on pages 75 to 101 form part of these accounts.

Statement of financial position at 31 October 2024

	Notes	2024 £000	2023 £000
Assets			
Liquid assets			
Cash in hand and balances with the Bank of England	9	248,767	258,863
Loans and advances to credit institutions	10	8,400	21,611
Investments in debt securities at available for sale	11	11,690	–
		268,857	280,474
Derivative financial instruments	12	11,228	21,328
Loans and advances to customers			
Loans fully secured on residential property	13	1,357,687	1,237,912
Other loans	13	3,267	4,165
Fair value adjustment for hedged risk	13	(3,392)	(11,242)
		1,357,562	1,230,835
Tangible fixed assets	15	8,417	8,211
Intangible fixed assets	16	16	29
Investment properties	17	1,048	1,048
Other assets	18	–	2,402
Prepayments and accrued income		1,943	2,219
Total assets		1,649,071	1,546,546
Liabilities			
Shares	19/27	1,423,116	1,289,644
Amounts owed to credit institutions	27	67,385	90,446
Amounts owed to other customers	27	29,582	32,129
Derivative financial instruments	12	1,563	1,103
Other liabilities	20	7,663	21,045
Tax liabilities	20	1,550	1,545
Accruals and deferred income		1,587	2,070
Deferred tax	21	494	553
Total liabilities		1,532,940	1,438,535
Reserves			
Revaluation reserve	22	726	726
Accumulated other comprehensive income	22	94	–
General reserves	22	115,311	107,285
Total reserves		116,131	108,011
Total reserves and liabilities		1,649,071	1,546,546

The accounting policies and notes on pages 75 to 101 form part of these accounts.

These accounts were approved by the Board of Directors on 18 December 2024 and were signed on its behalf by:

Piers Williamson – Chairman

Phillippa Cardno – Chief Executive

Darren Garner – Chief Financial Officer

Statement of changes in members' interests for the year ended 31 October 2024

	Notes	General reserves £000	Accumulated other comprehensive income £000	Revaluation reserve £000	Total £000
Balance at 1 November 2023		107,285	–	726	108,011
Profit for the financial year		8,026	–	–	8,026
Other comprehensive income for the year		–	94	–	94
Total comprehensive income	22	8,026	94	–	8,120
Balance at 31 October 2024		115,311	94	726	116,131
Balance at 1 November 2022		99,994	(5)	786	100,775
Profit for the financial year		7,291	–	–	7,291
Other comprehensive income for the year		–	5	(60)	(55)
Total comprehensive income		7,291	5	(60)	7,236
Balance at 31 October 2023		107,285	–	726	108,011

The accounting policies and notes on pages 75 to 101 form part of these accounts.

Cash flow statement

	Notes	2024 £000	2023 £000
Cash flows from operating activities			
Profit before tax		10,634	9,564
Adjustments for:			
Depreciation and amortisation	15/16	558	565
Impairment of fixed assets		-	417
Other non cash movements		-	(30)
Fair value movement on derivatives		2,099	1,944
Impairment of loans and advances	14	(999)	851
Total		12,292	13,311
Changes in operating assets and liabilities			
Decrease/(Increase) in prepayments, accrued income and other assets		3,424	(5,527)
Decrease in accruals, deferred income and other liabilities		(13,857)	(3,819)
Decrease/(Increase) in loans and advances to credit institutions		12,120	(5,500)
Increase in loans and advances to customers	13	(117,879)	(130,501)
Increase in shares		133,472	149,807
Decrease in amounts owed to credit institutions		(23,000)	(60,000)
Decrease in amounts owed to other customers		(2,547)	(743)
Taxation paid		(2,670)	(2,818)
Net cash used in operating activities		(10,937)	(59,101)
Cash flows from investing activities			
Proceeds from (purchase)/sale of debt securities		(11,536)	4,983
Purchase of property, plant and equipment	15	(751)	(365)
Purchase of intangible assets	16	-	(18)
Proceeds from disposal of fixed assets		-	54
Net cash (used in)/generated by investing activities		(12,287)	4,654
Net decrease in cash and cash equivalents		(10,932)	(41,136)
Cash and cash equivalents at 1 November		266,698	307,834
Cash and cash equivalents at 31 October	23	255,766	266,698

The accounting policies and notes on pages 75 to 101 form part of these accounts.

Notes to the accounts

1. Accounting policies

The principal accounting policies applied consistently in the preparation of these Annual Accounts are set out below.

1.1 Basis of preparation

The Annual Accounts of the Society have been prepared:

- in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). The Society has also chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement; and
- on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, available for sale assets, properties which are measured using the revaluation model and investment properties.

The Annual Accounts are presented in pounds Sterling and, except where otherwise indicated, have been rounded to the nearest thousand.

Going concern

The Society's financial position and business activities, together with the factors likely to affect its future development and performance are set out in the strategic report. The Directors have also prepared forecasts to consider the effect on the Society's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions for a period in excess of 12 months from the date of approval of these financial statements. A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to economic uncertainty caused by the direct or indirect consequences of inflationary cost pressures and interest rate volatility, focused on the Society's capital and liquidity position and operational resilience.

The resultant forecasts and projections showed that the Society will be able to operate at adequate levels of both liquidity and capital for the foreseeable future. For this reason, the financial statements continue to be prepared on the going concern basis. See also the Directors' Report on page 63.

1.2 Interest

Interest receivable and payable are recognised in the Income Statement using the effective interest method. The effective interest method is the rate that exactly discounts estimated future cash flows to the net carrying amount on initial recognition. Expected lives are estimated using historic data and management judgment and the calculation is adjusted when actual experience differs from estimates, with changes being recognised immediately in the Income Statement. Effective interest rates are recalculated when the Society changes its Standard Variable Rate (SVR).

1.3 Fair value changes on derivatives

Fair value changes on derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net gain/(loss) from derivatives at fair value through profit or loss in the Income Statement.

1.4 Fees and commissions receivable and payable

Fees and commissions that are material and that are an integral part of the effective interest rate on financial assets and financial liabilities are included in the measurement of the effective interest rate. Other fees and commissions are recognised as the related services are performed.

1.5 Financial instruments

In accordance with IAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the Statement of Financial Position and measured in accordance with their assigned category.

Recognition

The Society initially recognises loans and advances and deposits issued on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Society becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

a) Financial assets

The Society allocates financial assets to the following IAS 39 categories: financial assets at fair value through profit or loss, available for sale and loans and receivables. Management determines the classification of its financial instruments at initial recognition. Purchases and sales of non-derivative financial assets are accounted for at settlement date.

i. At fair value through profit or loss

This category comprises financial assets designated by the Society at fair value through profit or loss upon initial recognition. Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in the Income Statement. The Society uses derivative financial instruments to hedge its exposure to interest rate risk arising from operational activities, mainly fixed rate mortgages. Recognition of any resultant gain or loss depends on the nature of the item being hedged. See 1.6 Hedge accounting.

ii. Available for sale assets

Available for sale assets are non-derivative assets that are intended to be held for an indefinite period of time. They may be sold in response to needs for changes in liquidity requirements or interest rates. The Society's debt securities are classified as available for sale assets. The Society measures debt securities at fair value, with subsequent changes in fair value being recognised through the Statement of Comprehensive Income, except for impairment losses which are recognised in the Income Statement. Further information regarding how fair values are determined can be found in Note 25 to the accounts. Upon sale or maturity of the asset, the cumulative gains and losses recognised in other comprehensive income are removed from available for sale reserves and recycled to the Income Statement.

iii. Off setting

Financial assets and liabilities are offset and the new amounts presented in the accounts when there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Currently there are no financial assets or liabilities offset on the balance sheet.

iv. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Society does not intend to sell immediately or in the near term.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any directly attributable transaction costs – and measured subsequently at amortised cost using the effective interest method. Loans and receivables are reported in the Statement of Financial Position as loans and advances to credit institutions or customers. Interest on loans is included in the Income Statement and is reported as interest receivable and similar income. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the Income Statement as impairment losses on loans and advances.

b) Financial liabilities

The Society classifies all its financial liabilities, other than derivatives, as measured at amortised cost.

Measurement

a) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

b) Fair value measurement

Fair value is the amount for which an asset could be exchanged, a liability settled, or an equity instrument granted, between knowledgeable, willing parties in an arm's length transaction.

The Society determines fair values by the three-tier valuation hierarchy as defined within IAS 39 and FRS 102.34:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3 – inputs for the asset or liability that are not based on observable market data. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Debt securities fall within level 1 and Derivatives within level 2.

Impairment of mortgage loans and advances

The Society assesses at each year end date whether there is objective evidence that a financial asset is impaired. Objective evidence of impairment can be defined as one or more events occurring after the initial recognition of the asset that have an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

The Society first assesses whether objective evidence of impairment exists for financial assets using the following criteria:

- Deterioration in payment status;
- Forbearance being applied; and
- Expected future increase in arrears due to change in loan status and any other information suggesting that a loss is likely in the short to medium term.

If there is objective evidence of an impairment of loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate. This calculation takes into account the Society's and the industry's experience of default rates, loss emergence periods, the effect of regional movements in house prices based upon a recognised

index and adjustments to allow for ultimate forced sales values and realisation costs. The amount of the loss is recognised in the Income Statement.

Where a loan is not recoverable, it is written off against the related provision for loan impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the Income Statement.

If the Society determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment, and for which an impairment loss is or continues to be recognised, are not included in a collective assessment of impairment.

A collective provision is made against a group of loans and advances where there is objective evidence that credit losses have been incurred but not identified at the reporting date.

Forbearance

The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. The Society has various forbearance options to support customers who may find themselves in financial difficulty. During the financial period ended 31 October 2023 and 31 October 2024, these options included the provision of support to borrowing members as part of the Society's commitment to the Mortgage Charter. Details on the options offered by the Society can be found in Note 26 to the Accounts.

Derecognition of financial assets and liabilities

The Society derecognises financial assets when the contractual right to the cash flows from the financial asset expires or when it transfers the asset to another party, provided the transfer of the asset also transfers the right to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership.

The Society derecognises financial liabilities only when the obligation specified in the contract is discharged, cancelled or has expired.

1.6 Hedge accounting

The Society documents, at the inception of any hedging transaction, the relationship between the hedging instrument and the hedged items, as well as its risk management objective and strategy for undertaking the hedge transactions. The Society also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are effective in offsetting changes in fair values of hedged items. This is done by measuring the correlation coefficient between the hedged items and the derivatives. These must be within parameters to be deemed highly effective, which the Society's hedges are.

- i. Fair value hedges – Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to profit or loss over the remaining expected life of the previously hedged item.
- ii. Derivatives that do not qualify for hedge accounting – Certain derivative instruments do not qualify for hedge accounting.

Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the Income Statement.

1.7 Intangible assets

Computer software

Purchased software which is not an integral part of the related hardware is recorded as an intangible asset and stated at cost. The identifiable and directly associated external and internal costs of acquiring and developing software are capitalised where the software is controlled by the Society, and where it is probable that future economic benefits that exceed its cost will flow from its use over more than one year. Costs associated with maintaining software are recognised as an expense when incurred.

Amortisation

Intangible assets are held at amortised cost, with amortisation charged to the Income Statement on a straight-line basis over the estimated useful life of between 3-5 years. The Society reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date. Intangible assets are subject to annual impairment reviews in accordance with section 27 of FRS 102.

1.8 Property, plant and equipment

Property, plant and equipment are initially stated at cost. All property is revalued to fair value, determined by market based evidence, at the date of the valuation less any subsequent accumulated depreciation and impairment losses. Full valuations are carried out with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. The Directors review the valuations to confirm that the valuations remain appropriate in the intervening years. An independent valuation exercise was last performed in July 2022 by Quintons, an independent firm of Commercial property agents based in Newbury, Berkshire. Assessments are also undertaken at each subsequent balance sheet date to consider whether these values could have materially changed in the light of the prevailing economic conditions. The reviews concluded there was no evidence to suggest that values had materially changed since the date the formal valuations were obtained except in respect of the Society's Head Office premises and one of its branches where an impairment charge was considered necessary for the year ended 31 October 2023. No further impairments were considered necessary at 31 October 2024.

Gains on revaluation are recognised in the statement of other comprehensive income and accumulated in the revaluation reserve. However, the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease previously recognised in the Income Statement.

Losses arising on revaluation are recognised in other comprehensive income to the extent of any previously recognised revaluation increase accumulated in equity, in respect of that asset. Any excess is recognised in profit or loss.

Depreciation

Depreciation commences when the assets first become available for operational use and are depreciated using the straight line method (unless otherwise stated) to allocate their cost less their residual values over their estimated useful lives, as follows:

Buildings	50 years
Short leasehold properties	Straight line over the period of the lease or over 50 years, whichever is shorter
Equipment, fixtures and fittings and motor vehicles	Straight line 3 to 8 years
Office equipment	Straight line 3 to 8 years
Computer equipment	Straight line 3 to 8 years
Motor vehicles	Straight line 3 to 8 years
Building and mechanical equipment	Straight line 15 years

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year end date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The planned disposal of an asset before the previously expected date is an indicator of potential impairment.

An asset's carrying amount is written down immediately to its recoverable amount if it is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the proceeds from sale with the carrying amount and included in the Income Statement.

1.9 Investment properties

Freehold land and buildings held for rental purposes or capital appreciation are classified as investment properties and held in the balance sheet at their open market valuation and not depreciated. Changes in the fair value are included in the Income Statement in the period in which they arise.

1.10 Cash and cash equivalents

For the purposes of the cash flow statement, cash comprises cash in hand and loans and advances to credit institutions repayable on demand. Cash equivalents comprise highly liquid investments that are convertible into cash with an insignificant risk of changes in value, with maturities of 90 days or less. There are no cash and cash equivalent balances held by the Society that are not available for use by the Society.

1.11 Taxation

Tax on the profit for the year comprises current tax and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income within the Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable expense for the year, using the tax rate which applies to the accounting period ending at the date of the Statement of Financial Position, and any adjustment to tax payable in respect of previous years. Deferred tax is provided in full, using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is stated without discounting and determined using tax rates (and laws) that have been substantively enacted by the year end date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

1.12 Employee benefits

The Society operates a defined contribution pension plan funded by contributions from the Society and employees. Society contributions are recognised as an employee benefit expense in the Income Statement when they are due, in accordance with the rules of the scheme. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.13 Critical accounting estimates and judgements

In applying the Society's accounting policies, the Society makes estimates and applies judgements that can have a material effect on the reported amounts of assets and liabilities. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Although the Society has internal controls in place to ensure reliable measurement actual results may differ from the estimates. In the course of preparing the financial statements, no judgements have been made in the process of applying the Society's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised in the financial statements. As set out in the Climate risk report on pages 13 to 21, climate change is a global challenge and an emerging risk to businesses, people and the environment. Therefore, in preparing the financial statements, the Society has considered the impact of climate-related risks on its financial position and performance. While the effects of climate change represent a source of uncertainty, the Society does not consider there to be a material impact on its judgements and estimates from the physical or transition risks in the short to medium term. The most significant use of accounting estimates relate to the matters described below.

Impairment provision on loans and advances

The Society reviews its loans on a monthly basis to assess impairment. This requires the exercise of a significant degree of judgement. Provisions require judgement to be exercised in predicting future economic conditions such as house price movements and the length of time before impairments are identified (i.e. emergence period).

Accounting estimates relate to default rates. The accuracy of the provision is dependent on the assumptions regarding probability of default.

The Society determines loan probabilities of default informed by publicly available information obtained from a third party, Fitch Ratings. Applied to individual loans this takes into consideration specific factors such as borrower and loan attributes and property location. Management judgement is also applied in instances where it is considered that the derived assumptions do not adequately cover other risks known to exist at the balance sheet date. See below.

House prices are included at actual valuation at time of mortgage origination, adjusted for movements in published house price indices. In determining any impairment management judgement is applied to consider how property values could be expected to move across the emergence period and then further adjusted by an amount to reflect the risk that such properties may not achieve full market price, together with appropriate sales costs. Given the stable economic outlook compared to 12 months ago, it has been assumed that house prices remain stable in the near term, compared with a decline of 10.7% assumed at 31 October 2023. Use of 0% as an assumption has reduced the amount set aside for impairment by £1,170k.

The reduction in sales value applied to each property is informed by historic experience. Currently set at 34.1% (2023: 35.7%) for residential properties and 45.0% (2023: 45.0%) for commercial properties, a 3.5% increase in this assumption would result in an additional provision requirement of £539k (2023: £604k). An increase of 3.5% takes the sales discount assumptions to 37.6% for residential properties and 48.5% for commercial properties which, whilst remaining within a range of discounts historically observed by the Society, is also considered to represent a material movement since it is additional to the discount already applied to house prices assuming an orderly possession and disposal, and in addition to declines expected between the balance sheet date and date of sale as described above.

The Society has considered additional factors when determining levels of impairment:

i. Buildings of over four storeys or more in height. The impairment

assessment already makes an assumption for the combined forced sale discount and disposal costs however, to reflect the risk that a sale of these properties in the near term may require heavier discounting, due to the actual or perceived concerns over fire safety, an additional 25% forced sale discount was applied as a management judgement. For the year ended 31 October 2023 a higher probability of default was also applied as a management judgement to reflect a greater risk of default arising from these borrowers potentially having to meet higher property servicing costs. For the year ended 31 October 2024 this judgement has been removed as it is considered that this risk has materially reduced. The application of these judgements resulted in an increase in impairment provisions of £96k (2023: £315k).

ii. Macro-economic developments. The level of impairment provision was determined considering the economic outlook as at 31 October 2024, which remains subject to a high degree of uncertainty due to continued pressure on households arising from past increases in interest rates, and concerns over increasing unemployment. These factors were judged to result in an increased likelihood of borrower default within the loss emergence period, the risk for which may not be fully captured in modelled assumptions, and resulted in a management overlay adjustment to increase impairment provisions by £138k (2023: £219k).

Effective Interest Rate (EIR)

Under IAS 39, financial instruments carried at amortised cost are accounted for using the EIR method. The calculation of an effective interest rate requires judgements regarding the expected (behavioural) life of the underlying mortgage asset and affects the carrying value of loans and receivables. The Society assesses which mortgage products have similar characteristics to then be grouped to calculate their respective average behavioural lives. Average lives are then estimated based on behavioural repayment data. In determining the expected lives of mortgage assets the Society uses both historical and forecast redemption data as well as management judgement. These assumptions are regularly reviewed and reassessed for reasonableness and against actual performance.

Each year the Society undertakes a review into behavioural lives. The review for the year ended 31 October 2024 identified a change in the redemption profile of a specific cohort of mortgage assets which resulted in the Society revising (shortening) the expected behavioural life for this cohort of loans, leading to a £238k reduction in the carrying value of the mortgages.

Average lives can increase or decrease depending on economic and interest rate conditions. If the average lives of the mortgages were to decrease by three months, the carrying value of mortgages would decrease by £1,051k (2023: £792k) with a corresponding change to income. Average lives are recalculated at least annually and usually vary by up to three months. In making judgements around EIR consideration was also given to how changing interest rates could impact behavioural lives.

This included consideration of the propensity for loans to redeem early i.e. before the end of a fixed rate or discount period, as well as any changes to behaviours where a loan reverts to the Society's SVR. The review concluded that, whilst there are multiple factors that could result in the actual behaviour of mortgage lives being different to those used at 31 October 2024, these factors comprised both upside and downside risks that in aggregate would not cause behavioural lives to materially differ. Based on the level of market uncertainty being higher than normal the Society acknowledges that there is an increased risk of expected future cash flows being materially higher or lower than forecasted.

2. Interest receivable and similar income

At amortised cost:

On loans fully secured on residential property

On other loans

On liquid assets

At fair value through profit and loss:

Net income on financial instruments

At fair value through other comprehensive income:

On debt securities

2024 £000	2023 £000
62,927	48,944
154	167
13,273	13,367
76,354	62,478
11,594	11,346
122	-
88,070	73,824

3. Interest payable and similar charges

At amortised cost:

On shares held by individuals

On other shares

On amounts owed to other customers and credit institutions

2024 £000	2023 £000
54,200	39,251
238	173
5,479	7,026
59,917	46,450

4. Net loss from derivatives

Derivatives in designated fair value hedge relationships

Adjustments to hedged items in fair value hedge accounting relationships

Gain/(loss) on derivatives not in designated fair value hedge accounting relationships

2024 £000	2023 £000
(11,047)	(6,424)
7,850	6,974
1,098	(2,494)
(2,099)	(1,944)

The net loss from derivative financial instruments of £2,099k (2023: net loss of £1,944k) represents the net fair value movement on derivative instruments that are matching risk exposures on an economic basis. Some accounting volatility arises on these items due to accounting ineffectiveness on designated hedges or because hedge accounting is not achievable on certain items.

5. Administrative expenses

Wages and salaries

Social security costs

Other pension costs

Loss on disposal of fixed assets

Other administrative expenses

2024 £000	2023 £000
7,206	6,513
753	679
1,015	886
8,974	8,078
-	38
6,671	5,765
15,645	13,881

Remuneration of auditor and its associates: Audit of annual accounts (excluding VAT)

Operating lease costs

286 231

193 164

6. Taxation

The taxation charge for the year comprises:

UK corporation tax on profits in the year

Adjustment in respect of previous year

Total current tax

Deferred taxation:

Origination and reversal of timing differences

Adjustment in respect of previous year

Total deferred tax

Tax on profit on ordinary activities

Factors affecting the tax charge for the year are:

Profit on ordinary activities before tax

Profit on ordinary activities multiplied by 25% (2023: 22.5%)

Effects of:

Difference between opening and closing tax rates

Adjustment in respect of previous year

Depreciation on non-qualifying assets

Disallowable expenses

Total tax

2024 £000	2023 £000
2,608	2,273
59	98
2,667	2,371
(38)	(91)
(21)	(7)
(59)	(98)
2,608	2,273
10,634	9,564
2,659	2,153
6	54
(2)	91
(77)	(47)
22	22
2,608	2,273

Current tax has been provided at the rate of 25%. The Finance Act 2023, which was enacted in February 2023, increased the rate of tax from 19% to 25% from 1 April 2023. For the year ended 31 October 2024 deferred tax was provided at the enacted tax rate expected to apply when the related asset or liability is realised or settled.

7. Employees

The average number of people employed during the year (including Executive Directors) was as follows:

Head Office

Branches

Full time 2024	Part time 2024	Full time 2023	Part time 2023
111	35	85	32
43	20	50	27
154	55	135	59

8. Directors' remuneration and transactions

The emoluments for both Executive and Non-Executive Directors totalled £824,000 for the year (2023: £814,000).

Executive Directors' emoluments

	Salary £000	Performance related pay Short Term £000	Medium Term ² £000	Taxable benefits £000	Pension contribution ¹ £000	TOTAL £000
2024						
Phillippa Cardno	225	25	45	4	48	347
Darren Garner	179	19	36	3	38	275
TOTAL	404	44	81	7	86	622
2023						
Phillippa Cardno	203	22	-	4	43	272
Darren Garner	171	19	-	2	36	228
Lee Bambridge (resigned 31/05/23)	97	-	-	5	-	102
TOTAL	471	41	-	11	79	602

Notes

- The Executive Directors have the option to sacrifice part of their salary in exchange for the Society making additional pension contributions on their behalf. During the year Phillippa Cardno and Darren Garner took advantage of this option. Lee Bambridge, with agreement from the Society, took his pension contributions as salary.
- Amounts payable under the MTIP for performance across the two financial years ended 31 October 2024.

Further details on the components of Directors' emoluments can be found in the Remuneration Committee report on pages 59 to 61.

Non-Executive Directors' emoluments (comprising fees only)

	2024 £000	2023 £000
Piers Williamson (Chairman)	52	49
Debbie Beaven	35	31
Chris Brown	35	31
Nailesh Rambhai	36	34
William Roberts (retired 20/02/24)	12	36
Alistair Welham	32	31
TOTAL	202	212

Loans to Directors and connected persons:

The aggregate outstanding balance at the end of the financial year in respect of loans from the Society to Directors and connected persons was nil (2023: £nil) representing loans to none (2023: none) persons. The terms and conditions are in line with standard mortgage lending and the loan is secured on residential property with the nature of any final settlement being on a cash basis. There are no guarantees given or received. A register of loans to and transactions with Directors and connected persons is maintained. It is available for inspection by members at the Society's Head Office for the period of fifteen days prior to the Annual General Meeting and at the Annual General Meeting.

9. Cash in hand and balances with Bank of England

	2024 £000	2023 £000
Cash in hand	342	305
Balances at Bank of England	248,425	258,558
	248,767	258,863

Balances at Bank of England comprise entirely of amounts deposited in an interest bearing reserve account with no restrictions as to access or use of funds.

10. Loans and advances to credit institutions

	2024 £000	2023 £000
Accrued interest	21	276
Repayable on demand	6,999	7,835
Other loans and advances by residual maturity repayable:		
In no more than three months	1,380	13,500
	8,400	21,611

11. Investments in debt securities at available for sale

	2024 £000	2023 £000
Accrued interest	60	-
Treasury bills and gilts	11,630	-
	11,690	-
Movements during the year of debt securities		
At 1 November 2023	-	-
Additions	11,536	-
Accrued interest	60	-
Net movements in fair value recognised in the statement of comprehensive income	94	-
At 31 October 2024	11,690	-

These investments in debt securities are exposed to credit risk. Management has assessed the credit risk and concluded it to be immaterial as these are government bonds having a low risk of default.

12. Derivative financial instruments

At 31 October 2024

- a) Unmatched derivatives – Interest rate swaps
- b) Derivatives designated as fair value hedges – Interest rate swaps

Total recognised derivative assets/(liabilities)

Contract/notional amount £000	Fair values assets £000	Fair values liabilities £000
67,700	921	(50)
485,555	10,307	(1,513)
553,255	11,228	(1,563)

At 31 October 2023

- a) Unmatched derivatives – Interest rate swaps
- b) Derivatives designated as fair value hedges – Interest rate swaps

Total recognised derivative assets/(liabilities)

54,969	103	(480)
397,781	21,225	(623)
452,750	21,328	(1,103)

The Society determines fair values by the three tier valuation hierarchy as set out in the accounting policies (note 1). All of the Society's derivative financial instruments are valued using level 2 methodology.

13. Loans and advances to customers

Loans fully secured on residential property before adjustments

Other loans: fully secured on land before adjustments

Total loans before adjustments

Effective interest rate adjustment

Provision for impairment losses on loans and advances

Per note 25

Fair value adjustment for hedged risk

2024 £000	2023 £000
1,353,773	1,235,805
3,267	4,165
1,357,040	1,239,970
5,367	4,559
(1,453)	(2,452)
1,360,954	1,242,077
(3,392)	(11,242)
1,357,562	1,230,835

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

Repayable:

In not more than three months

In more than three months but not more than one year

In more than one year but not more than five years

In more than five years

Less allowance for impairment (refer to note 14)

5,506	2,619
7,531	8,031
91,935	76,185
1,254,043	1,146,452
1,359,015	1,233,287
(1,453)	(2,452)
1,357,562	1,230,835

The maturity analysis above is based on contractual maturity; not behavioural or expected maturity.

Loans and advances to customers includes assets pledged to the Bank of England as collateral in order to access funding from the Bank's Sterling Monetary Framework (SMF) facilities. To access SMF facilities the Society must: maintain operational capability to efficiently settle transactions with the Bank; act in a manner consistent with the Bank's objectives; and have not experienced an event of default or received regulatory objections to participation. Qualifying assets transferred to the Bank for use as collateral are subject to a valuation adjustment made by the Bank. At 31 October 2024 the Society had pledged £254.0m of mortgage assets (2023: £192.4m) as collateral to cover the £49.0m of TFSME funding drawn (2023: £85.0m and £5.0m of ILTR funding drawn) and support the drawdown of additional funding where required.

14. Allowances for losses on loans and advances

At 1 November 2023

Credit for the year

Utilised in the year

At 31 October 2024

Collective £000	Individual £000	Total £000
2,137	315	2,452
(949)	(40)	(989)
-	(10)	(10)
1,188	265	1,453

At 1 November 2022

Charge for the year

Utilised in the year

At 31 October 2023

1,483	118	1,601
654	204	858
-	(7)	(7)
2,137	315	2,452

15. Tangible fixed assets

Cost / valuation (1)

At 1 November 2023

Additions

Reclassification between asset classes (2)

Disposals

At 31 October 2024

Land and buildings £000	Equipment, fixtures, fittings & vehicles £000	Assets in the course of construction £000	Total £000
4,922	5,144	365	10,431
-	751	-	751
-	365	(365)	-
-	(71)	-	(71)
4,922	6,189	-	11,111

Depreciation

At 1 November 2023

Charge for the year

Elimination in respect of disposal

At 31 October 2024

431	1,789	-	2,220
54	491	-	545
-	(71)	-	(71)
485	2,209	-	2,694

Net book value

At 31 October 2023

At 31 October 2024

4,491	3,355	365	8,211
4,437	3,980	-	8,417

	Land and buildings £000	Equipment, fixtures, fittings & vehicles £000	Assets in the course of construction £000	Total £000
Cost / valuation (1)				
At 1 November 2022	5,292	4,619	-	9,911
Additions	-	290	365	655
Revaluation	(60)	-	-	(60)
Reclassification from investment properties (3)	179	-	-	179
Reclassification between asset classes (4)	(489)	489	-	-
Disposals	-	(254)	-	(254)
At 31 October 2023	4,922	5,144	365	10,431
Depreciation				
At 1 November 2022	121	1,494	-	1,615
Charge for the year	50	495	-	545
Impairment (5)	260	-	-	260
Elimination in respect of disposal	-	(200)	-	(200)
At 31 October 2023	431	1,789	-	2,220
Net book value				
At 31 October 2022	5,171	3,125	-	8,296
At 31 October 2023	4,491	3,355	365	8,211

Notes

- Land and buildings consist of £2.2m of freehold property, £2m non-depreciable land and £0.3m of leasehold property. The net book value occupied for own activities at 31 October was £4.2m (2023: £4.4m). If the freehold properties had been held under the historical cost basis their net book value as at 31 October 2024 would have been £3.4m (2023: £3.5m). The Society's freehold properties were last revalued in July 2022 on a market value and vacant possession basis by Quintons, Chartered Surveyors, who are considered to be independent of the Society. Other tangible fixed assets are included at cost.
- Reclassification in respect of costs previously incurred in the course of refurbishing the Society's branches and held in aggregate within assets in the course of construction now transferred to equipment, fixtures, fittings & vehicles and subject to depreciation following completion of all refurbishment activities.
- Reclassification from investment properties represents the accounting value of the portion of its branch property in Thatcham that is now held for own-use, having previously been let on commercial terms to a third party. See section 1.9 of Note 1 for further details.
- Reclassification in respect of costs previously incurred in the course of refurbishing the Society's branches and held in aggregate within land and buildings now transferred to equipment fixtures and fittings and subject to depreciation following completion of all refurbishment activities.
- Impairment charge made in respect of the occupied portion of the Society's head office.

16. Intangible fixed assets

Cost / valuation

	2024 Software £000	2023 Software £000
At 1 November 2023	377	363
Additions	–	18
Disposal	–	(4)
At 31 October 2024	377	377

Amortisation

At 1 November 2023	348	332
Charge for the year	13	20
Disposal	–	(4)
At 31 October 2024	361	348

Net book value

At 31 October 2023	29	31
At 31 October 2024	16	29

Intangible assets are included at cost.

17. Investment properties

	2024 £000	2023 £000
At 1 November 2023	1,048	1,384
Reclassification to tangible fixed assets	–	(179)
Revaluations	–	(157)
At 31 October 2024	1,048	1,048

Valuations of all investment properties were last carried out in July 2022 on an open market value and vacant basis by Quintons, Chartered Surveyors, who are considered to be independent of the Society. Further assessments undertaken at 31 October 2024 concluded that there was no objective evidence during the year suggesting impairment for the year.

The Society's investment properties represent the unoccupied portions of Society-owned properties. As such, none of the investment properties are subject to any restrictions on sale and the Society is under no contractual obligation to purchase, construct or develop investment properties. As the owner of the freehold, and also in occupation, the Society is responsible for ensuring the properties are adequately maintained.

18. Other assets

	2024 £000	2023 £000
Bank of England cash ratio deposit	–	2,402
	–	2,402

The Bank of England cash ratio deposit has been replaced by a new Bank levy paid through administrative expenses, as a result cash is no longer deposited with the Bank of England for this specific purpose.

19. Shares

	2024 £000	2023 £000
Held by individuals	1,422,993	1,289,510
Other shares	123	134
	1,423,116	1,289,644

20. Other liabilities

Amounts falling due within one year:

Corporation tax
Social security
Cash collateral received against hedging contracts
Other creditors

2024 £000	2023 £000
1,374	1,377
176	168
7,593	21,013
70	32
9,213	22,590

21. Deferred tax

At 1 November
Deferred tax charge (see note 6)
At 31 October

2024 £000	2023 £000
553	651
(59)	(98)
494	553

Comprising:

Accelerated capital allowances
FRS 102 transition adjustment
Branch refurbishment provisions
At 31 October

491	517
31	62
(28)	(26)
494	553

All deferred tax balances have been recognised at 25% being the rate enacted at the balance sheet date at which the balances are materially expected to reverse.

22. Reserves

General reserves

At 1 November
Profit for the financial year
At 31 October

2024 £000	2023 £000
107,285	99,994
8,026	7,291
115,311	107,285

Revaluation reserve

At 1 November
Property revaluation
At 31 October

726	786
-	(60)
726	726

Available for sale reserve

At 1 November
Net movements in fair value recognised in the statement of comprehensive income
At 31 October

2024 £000	2023 £000
-	(5)
94	5
94	-

23. Cash and cash equivalents

	2024 £000	2023 £000
Cash in hand and balances with the Bank of England repayable on demand	248,767	258,863
Loans and advances to credit institutions	6,999	7,835
As at 31 October	255,766	266,698

Loans and advances to credit institutions excludes accrued interest and amounts repayable in more than three months.

24. Capital and other financial commitments

	2024 £000	2023 £000
a. Capital commitments		
Capital expenditure contracted but not yet provided for in the accounts	-	-
b. Leasing commitments		
Total rental commitments on leases with a remaining term of	176	176
• Not later than one year	74	46
• Later than one year but not later than five years	71	99
• Later than five years	31	31

All above capital commitments relate to tangible fixed assets.

25. Financial instruments

A financial instrument is a contract that gives rise to a financial asset or financial liability. Newbury Building Society sells financial instruments, namely mortgages and savings products. The Society uses derivative instruments in the form of interest rate swaps to manage the risk arising from its exposure to financial instruments. These are used to protect the Society from exposures arising principally from fixed rate mortgage lending. An interest rate swap is a contract to exchange one set of interest rate cash flows for another. Such swaps result in the economic exchange of interest rates. No exchange of principal takes place. Instead interest payments are based on notional principal amounts agreed at inception of the swap. The duration of the interest rate swaps is generally short to medium term and their maturity profile reflects the nature of the exposures arising from the underlying business activities. The objective of the Society in using derivatives is in accordance with the Building Societies Act 1986 and is to limit the extent to which the Society will be affected by changes in interest rates. Derivatives are not used in trading activity or for speculative purposes.

The following table sets out the activities that cause interest rate risk and how they are managed:

Activity	Risk	Managed by
Fixed-rate mortgage lending and other assets	Sensitivity to rises in interest rates	Pay fixed-rate interest rate swaps to match against fixed rate receipts
Fixed-rate savings products and funding	Sensitivity to falls in interest rates	Matching longer terms products against fixed-rate mortgages

The Society has a formal governance structure for managing financial and other risks, including an established risk appetite, risk limits, reporting lines, mandates and other control procedures. The Assets & Liabilities Committee monitors the financial risks (including the use of derivative financial instruments), funding and liquidity in line with the Society's policy statements and reports any significant matters at each Board meeting.

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost as shown in the following table.

Financial instrument	Terms and conditions	Accounting policy
Loans and advances to credit institutions	Fixed or SONIA linked interest rates Fixed term Short to medium term maturity	Loans and receivables at amortised cost Accounted for at settlement date
Loans and advances to customers	Secured on residential property or land Standard contractual term typically of 25 years Fixed or variable rate interest	Loans and receivables at amortised cost Accounted for from the date of advance
Shares	Variable term Fixed or variable interest rates	Amortised cost Accounted for from the date of deposit
Amounts owed to credit institutions	Fixed or SONIA linked interest rates Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Debt securities	Fixed interest rate Fixed term Short to medium term maturity	Available for sale at fair value through other comprehensive income Accounted for at settlement date
Amounts owed to other customers	Fixed or SONIA linked interest rates Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Derivative financial instruments	Fixed interest received/paid converted to variable interest paid/received Based on notional value of the derivative	Fair value through profit and loss Accounted for at trade date

The Society's accounting policies set out in Note 1 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the Society's financial assets and liabilities by financial classification:

Carrying values by category
31 October 2024

	Held at amortised cost		Held at fair value			Total £000
	Loans and receivables £000	Financial assets and liabilities £000	Available for sale £000	Derivatives designated as fair value hedges £000	Unmatched derivatives £000	
Financial assets						
Cash in hand and balances with the Bank of England	248,767	-	-	-	-	248,767
Loans and advances to credit institutions	8,400	-	-	-	-	8,400
Debt securities	-	-	11,690	-	-	11,690
Derivative financial instruments	-	-	-	10,307	921	11,228
Loans and advances to customers	1,357,562	-	-	-	-	1,357,562
Total assets	1,614,729	-	11,690	10,307	921	1,637,647
Financial liabilities						
Shares	-	1,423,116	-	-	-	1,423,116
Amounts owed to credit institutions	-	67,385	-	-	-	67,385
Amounts owed to other customers	-	29,582	-	-	-	29,582
Derivative financial instruments	-	-	-	50	1,513	1,563
Total liabilities	-	1,520,083	-	50	1,513	1,521,646

The amounts owed to credit institutions include borrowings from the Bank of England under the Term Funding Scheme with additional incentives for SMEs.

Carrying values by category
31 October 2023

	Held at amortised cost		Held at fair value			Total £000
	Loans and receivables £000	Financial assets and liabilities £000	Available for sale £000	Derivatives designated as fair value hedges £000	Unmatched derivatives £000	
Financial assets						
Cash in hand and balances with the Bank of England	258,863	-	-	-	-	258,863
Loans and advances to credit institutions	21,611	-	-	-	-	21,611
Debt securities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	21,225	103	21,328
Loans and advances to customers	1,230,835	-	-	-	-	1,230,835
Total assets	1,511,309	-	-	21,225	103	1,532,637
Financial liabilities						
Shares	-	1,289,644	-	-	-	1,289,644
Amounts owed to credit institutions	-	90,446	-	-	-	90,446
Amounts owed to other customers	-	32,129	-	-	-	32,129
Derivative financial instruments	-	-	-	(623)	(480)	(1,103)
Total liabilities	-	1,412,219	-	(623)	(480)	1,411,116

Amounts owed to credit institutions comprise borrowings from the Bank of England under the Term Funding Scheme with additional incentives for SMEs and ILTR.

Valuation of financial instruments carried at fair value

The Society holds certain financial assets and liabilities at fair value, grouped into levels 1 to 3 of the fair value hierarchy as defined within IAS 39 and FRS 102.34:

Valuation techniques

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value.

Level 1 – The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Society's Level 1 assets comprise entirely of the Society's portfolio of debt securities in the form of Treasury bills issued by HM Government. Market prices have been used to determine the fair value of listed debt securities.

Level 2 – These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists, and quoted prices are available for similar instruments in active markets. The Society's Level 2 assets comprise entirely of the Society's portfolio of derivative financial instruments held for risk management purposes the fair value for which has been determined using generally observable SONIA yield curves derived from quoted interest rates which match the timings of the cash flows and maturities of the instruments.

Level 3 – These are valuation techniques for which one or more significant input is not based on observable market data. Valuation techniques include net present value by way of discounted cash flow models. The Society has no financial assets or liabilities that qualify as Level 3.

26. Credit risk

Credit risk is the risk that the Society incurs a financial loss arising from the failure of a customer or counterparty to meet their contractual obligations to repay the Society. The Society controls the level of credit risk it undertakes by maintaining a credit governance framework involving delegated approval authority levels and credit procedures, the objective of which is to build and maintain asset portfolios of high quality.

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

	2024 £000	2023 £000
Credit risk exposure		
Cash in hand and balances with the Bank of England	248,767	258,863
Loans and advances to credit institutions	8,400	21,611
Debt securities	11,690	–
Derivative financial instruments	11,228	21,328
Loans and advances to customers	1,360,954	1,242,077
Total statement of financial position exposure	1,641,039	1,543,879
Off balance sheet exposure – mortgage offers and retentions	63,833	61,480
Total	1,704,872	1,605,359

Loans and advances to customers are shown as gross of effective interest rate adjustment and net of provisions (see Note 13).

Loans and advances to customers are predominantly made up of retail loans fully secured against UK residential property £1,353.8m (2023: £1,235.8m), split between residential, buy-to-let and commercial owner occupier loans, and £3.3m (2023: £4.2m) being secured on commercial property.

The Society operates throughout England and Wales with the portfolio mainly concentrated in the South East and South West.

Residential assets

Loans fully secured on residential property are split between residential, buy-to-let and commercial owner occupied.

	2024 £000	2023 £000
Concentration by loan type		
Prime owner occupied	1,187,736	1,080,797
Buy-to-let and commercial owner occupied	166,037	155,008
Gross balance	1,353,773	1,235,805
Impairment provisions	(1,453)	(2,452)
Fair value adjustments	(3,392)	(11,242)
	1,348,928	1,222,111

Geographical analysis	2024 £m	2024 %	2023 £m	2023 %
East Anglia	50.8	3.8	42.1	3.4
East Midlands	43.6	3.2	34.7	2.8
Greater London	204.7	15.1	184.2	14.9
North	11.4	0.8	8.2	0.7
North West	57.9	4.3	42.5	3.4
South East	677.2	50.0	653.8	52.9
South West	202.9	15.0	187.6	15.2
Wales	24.3	1.8	17.5	1.4
West Midlands	50.8	3.8	42.7	3.5
Yorkshire & Humberside	30.2	2.2	22.5	1.8
Total	1,353.8	100.0	1,235.8	100.0

The following table analyses the loan to value (LTV) of the residential portfolio:

LTV analysis	2024 £m	2024 %	2023 £m	2023 %
0% - 50%	961.0	70.9	902.1	73.0
50.01% - 75%	364.2	26.9	310.3	25.1
75.01% - 80%	16.2	1.2	14.8	1.2
80.01% - 85%	6.5	0.5	5.4	0.4
85.01% - 90%	4.8	0.4	2.3	0.2
90.01% - 95%	0.9	0.1	0.9	0.1
95.01% - 100%	0.2	0.0	-	-
Total	1,353.8	100.0	1,235.8	100.0
Average loan to value of residential mortgage loans		30.0		29.2

The average LTV of 30.0% (2023: 29.2%) is the mean LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of the collateral held adjusted by an average of the quarterly movements in the Nationwide and HM Land Registry price indices.

The quality of the Society's retail mortgage book is reflected in the number and value of accounts in arrears. By volume 0.43% (2023: 0.41%) of loans are three months or more in arrears and by value it is 0.31% (2023: 0.28%).

The main factor for loans moving into arrears is due to a change in the borrower's circumstances e.g. unemployment, illness, relationship breakdown.

The table below provides information on residential loans by payment due status:

Arrears analysis

	2024 £m	2024 %	2023 £m	2023 %
Not impaired:				
Neither past due or impaired	1,334.3	98.6	1,216.7	98.5
Past due under 3 months but not impaired	10.2	0.8	9.7	0.8
Past due 3 months and over but not impaired	3.1	0.2	2.5	0.2
Possessions	0.2	0.0	0.7	0.1
Impaired:				
Not past due	4.6	0.4	4.7	0.3
Past due under 3 months	0.5	0.0	1.2	0.1
Past due 3 to 5 months	-	-	-	-
Past due 6 to 12 months	0.3	0.0	-	-
Over 12 months	0.2	0.0	-	-
Possessions	0.4	0.0	0.3	-
Total	1,358.8	100.0	1,235.8	100.0

The status 'past due up to three months but not impaired' and 'past due over three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated. The amount included is the entire loan amount rather than just the overdue amount.

Possession balances represent those loans where the Society has taken ownership of the underlying security pending its sale. The Society has various forbearance options to support customers who may find themselves in financial difficulty. These include temporary interest only concessions, payment plans and reduced payment concessions. Possession is a last resort.

The following table sets out the value of collateral on an indexed and unindexed basis for the residential portfolio.

	Indexed 2024 £m	Unindexed 2024 £m	Indexed 2023 £m	Unindexed 2023 £m
Value of collateral held:				
Neither past due or impaired	4,456.4	3,875.5	4,171.7	3,471.4
Past due but not impaired	51.6	39.6	49.2	36.2
Impaired	8.8	8.4	9.8	9.0
Total	4,516.8	3,923.5	4,230.7	3,516.6

The collateral consists of residential property. Collateral values are adjusted by an average of the Nationwide and HM Land Registry price indices on a quarterly basis.

The value of collateral held against loans 'Past due but not impaired' at 31 October 2024 is £51.6m (2023: £49.2m) against outstanding debt of £13.5m (2023: £12.9m). In addition, the value of collateral held against 'Impaired' assets at 31 October 2024 is £8.8m (2023: £9.8m) against outstanding debt of £6.0m (2023: £6.2m).

Mortgage indemnity insurance acts as additional security. It is taken out for residential loans where the borrowing exceeds 75% LTV at inception.

Commercial assets

Concentration by loan type

Loans secured on commercial property

2024 £m	2023 £m
3.3	4.2
3.3	4.2

The analysis of loans secured on commercial property by industry type is as follows:

	2024 £m	2024 %	2023 £m	2023 %
Club/social	0.1	2.8	0.1	2.5
Education	0.2	4.6	0.2	3.6
Industrial unit	0.1	2.9	0.8	18.8
Office	0.9	27.4	0.9	23.0
Shops	1.9	59.8	2.1	50.1
Other	0.1	2.5	0.1	2.0
	3.3	100.0	4.2	100.0

There are no impairments or fair value adjustments on the commercial assets above.

Geographical analysis

	2024 £m	2024 %	2023 £m	2023 %
South East	3.2	97.6	4.1	97.9
South West	0.1	2.4	0.1	2.1
Total	3.3	100.0	4.2	100.0

The following table analyses the loan to value (LTV) of the commercial portfolio using the valuation of the property carried out at inception of the mortgage:

LTV analysis

	2023 £m	2024 %	2023 £m	2023 %
0% - 50%	1.6	48.9	1.8	43.3
50.01% - 75%	1.7	51.1	2.2	51.3
75.01% - 80%	-	-	0.2	5.4
	3.3	100.0	4.2	100.0
Average loan to value of commercial mortgage loans		25.8		28.6

The quality of the Society's commercial mortgage book is reflected in the number and value of accounts in arrears. By volume 0% (2023: 0%) of loans are three months or more in arrears and by value it is 0% (2023: 0%).

The main factor for loans moving into arrears is the condition of the general economic environment and its impact on business performance or commercial rents.

The table below provides information on retail loans by payment due status:

	2024 £m	2024 %	2023 £m	2023 %
Arrears analysis				
Not impaired:				
Neither past due or impaired	3.3	100.0	4.2	100.0
Past due up to 3 months but not impaired	-	-	-	-
Past due over 3 months but not impaired	-	-	-	-
Possessions	-	-	-	-
Impaired:				
Not past due	-	-	-	-
Past due up to 3 months	-	-	-	-
Past due 3 to 6 months	-	-	-	-
Past due 6 to 12 months	-	-	-	-
Past due over 12 months	-	-	-	-
Possessions	-	-	-	-
Total	3.3	100.0	4.2	100.0

The status 'past due up to three months but not impaired' and 'past due over three months but not impaired' includes any asset where a payment due is received late or missed but no individual provision has been allocated. The amount included is the entire loan amount rather than just the overdue amount.

The following table sets out the value of unindexed collateral for the commercial portfolio.

	Unindexed 2024 £m	Unindexed 2023 £m
Value of collateral held:		
Neither past due or impaired	12.6	14.6
Past due but not impaired	-	-
Impaired	-	-
Total	12.6	14.6

The collateral consists of commercial property.

The value of collateral held against loans 'Past due but not impaired' at 31 October 2024 is £0m (2023: £0m) against outstanding debt of £0m (2023: £0m). In addition, the value of collateral held against loans 'impaired' at 31 October 2024 is £0m (2023: £nil) against outstanding debt of £0m (2023: £nil).

Forbearance

The Society has various forbearance options to support customers who may find themselves in financial difficulty:

- Temporary conversion from capital and interest to interest only repayment (interest only concessions)
- Temporary extension of mortgage term to reduce monthly repayments (term extensions)
- Reduced payment concessions, where the customer makes an agreed underpayment for a period
- Arrangements to make part payments to repay arrears over an agreed period (payment plans)
- Payment holidays where previous overpayments have accrued
- Change of repayment date to better suit customer's income and expenditure profile
- Change of method by which payments are made
- Capitalisation of arrears where borrower has maintained repayments for an agreed period
- Freezing of interest on arrears where borrower has been granted breathing space under the Government Debt Respite Scheme

In July 2023 the Society signed up to the Government's voluntary "Mortgage Charter" scheme, which gives borrowers the ability to temporarily reduce their capital and interest payments by switching to interest only, or extending their mortgage term for 6 months without an affordability assessment, and without it being highlighted on their credit record.

In some cases, more than one forbearance solution is offered, for example where a customer can afford to pay more than just interest only and combines with a part repayment. Capitalisation is usually an exception and is approved by Credit Committee.

All forbearance arrangements are formally discussed with the customer and agreed by an authorised member of the payment support team. By offering customers in financial difficulty the option of forbearance the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the customer into a detrimental position at the end of the forbearance period.

Regular monitoring of the level of forbearance activity is reported to Credit Committee on a monthly basis. In addition all forbearance arrangements are reviewed and discussed with the customer on a regular basis to assess the ongoing suitability for the customer and potential risk to the Society.

In addition to loans in forbearance, the Society also monitors loans that, by way of a specific event or conversation with the customer, may likely be subject to future forbearance. These 'potential forbearance indicators' include:

- Appointment of an Attorney or Officer of the Court of Protection
- Declined further advance applications for debt consolidation
- Receipt of application for mortgage interest relief from the Department of Work and Pensions
- Receipt of repayment plan from a debt management company
- Admission into residential care/nursing home
- Registration of a second charge where total indebtedness appears unsustainable
- Notification from customer or guarantor that future income is likely to reduce
- Lapsed or surrendered endowment policies
- Notification of money judgement through the Court
- Request for payment holiday or other forbearance method when not in arrears

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

Type of forbearance	2024 Number	2023 Number
Interest only concessions	6	9
Reduced payment concessions	5	-
Payment plans	18	10
Mortgage charter interest only concessions	23	48
Less: Cases with more than one form of forbearance	(1)	(1)
Total	51	66

In total £2.7m (2023: £1.6m) of loans that are past due are subject to forbearance. Balance not past due subject to forbearance £3.4m (2023: £7.8m). An additional £0.9m (2023: £0.6m) of loans that are past due are considered likely subject to future forbearance. Balance not past due £19.6m (2023: £21.1m).

27. Liquidity risk

Liquidity risk is the risk that the Society will not have sufficient financial resources available to meet its financial obligations as they fall due, under either normal business conditions or a stressed environment. It is the Society's policy that a significant amount of its total assets are carried in the form of cash and other readily realisable assets in order to:

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

Monitoring of liquidity, in line with the Society's liquidity policy, is performed daily. Compliance with the policy is reported to the Assets & Liabilities Committee (ALCO).

The Society's liquidity policy is designed to ensure the Society has sufficient liquid resources to withstand a range of stressed scenarios. A series of liquidity stress tests have been developed as part of the Internal Liquidity Adequacy Assessment Process (ILAAP). They include scenarios that fulfil the specific requirements of the PRA (the idiosyncratic, market-wide and combination stress tests) and scenarios identified by the Society which are specific to its business model. The stress tests are performed quarterly and reported to ALCO to confirm that liquidity levels remain appropriate. The Society maintains a liquidity funding plan to ensure that it has so far as possible, sufficient liquid financial resources are available to meet liabilities as they fall due under each of the scenarios.

The Society's liquid resources comprise high quality liquid assets, including deposits in a Bank of England reserve account and time deposits. At 31 October 2024 the ratio of liquid assets to shares and deposits was 17.7% compared to 19.9% at 31 October 2023.

The Society remains an active participant in the Bank of England's Sterling Monetary Framework. Included in Amounts owed to credit institutions is £49m borrowed under the Term Funding Scheme with additional incentives for SMEs (2023: £85m), and £nil under the ILTR Scheme (2023: £5m).

The table below analyses the Society's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity at the statement of financial position date. This is not representative of the Society's management of liquidity. The actual repayment profile is likely to be significantly different from that shown in the analysis as while most mortgages have a contractual maturity of around 25 years they are generally repaid much sooner. Conversely, retail deposits repayable on demand or with notice periods generally remain on balance sheet much longer.

Residual maturity as at 31 October 2024	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	No specific maturity £000	Total £000
Financial assets							
Liquid assets							
Cash in hand and balances with the Bank of England	248,767	-	-	-	-	-	248,767
Loans and advances to credit institutions	6,999	1,380	-	-	-	21	8,400
Debt securities	-	-	6,864	4,766	-	60	11,690
Total liquid assets	255,766	1,380	6,864	4,766	-	81	268,857
Derivative financial instruments	-	764	2,793	7,671	-	-	11,228
Loans and advances to customers	-	5,506	7,531	91,935	1,254,043	(1,453)	1,357,562
Other assets	-	-	-	-	-	11,424	11,424
	255,766	7,650	17,188	104,372	1,254,043	10,052	1,649,071

Financial liabilities and reserves

	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	No specific maturity £000	Total £000
Shares	1,202,257	134,773	36,775	47,773	-	1,538	1,423,116
Amounts owed to credit institutions	-	10,000	57,000	-	-	385	67,385
Amounts owed to other customers	6,665	22,917	-	-	-	-	29,582
Derivative financial instruments	-	-	-	1,563	-	-	1,563
Other liabilities	-	-	-	-	-	11,294	11,294
Reserves	-	-	16	78	-	116,037	116,131
	1,208,922	167,690	93,791	49,414	-	129,254	1,649,071
Net Liquidity gap	(953,156)	(160,040)	(76,603)	54,958	1,254,043	(119,202)	-

All Society liquid assets are unencumbered as at the balance sheet date.

Residual maturity as at 31 October 2023	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	No specific maturity £000	Total £000
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Financial assets

Liquid assets

Cash in hand and balances with the Bank of England	258,863	-	-	-	-	-	258,863
Loans and advances to credit institutions	7,835	13,500	-	-	-	276	21,611
Debt securities	-	-	-	-	-	-	-
Total liquid assets	266,698	13,500	-	-	-	276	280,474
Derivative financial instruments	-	628	5,641	15,059	-	-	21,328
Loans and advances to customers	-	2,619	8,031	76,185	1,146,452	(2,452)	1,230,835
Other assets	-	-	-	-	-	13,909	13,909
	266,698	16,747	13,672	91,244	1,146,452	11,733	1,546,546

Financial liabilities and reserves

	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	No specific maturity £000	Total £000
Shares	1,146,608	110,788	19,491	12,421	-	336	1,289,644
Amounts owed to credit institutions	-	-	5,000	85,000	-	446	90,446
Amounts owed to other customers	10,061	22,068	-	-	-	-	32,129
Derivative financial instruments	-	-	-	1,103	-	-	1,103
Other liabilities	-	-	-	-	-	25,213	25,213
Reserves	-	-	-	-	-	108,011	108,011
	1,156,669	132,856	24,491	98,524	-	134,006	1,546,546
Net Liquidity gap	(889,971)	(116,109)	(10,819)	(7,280)	1,146,452	(122,273)	-

The following is an analysis of gross contractual cash flows payable under financial liabilities:

	Repayable on demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
31 October 2024						
Shares	1,202,258	135,040	37,119	53,575	-	1,427,992
Amounts owed to credit institutions	-	-	-	50,758	-	50,758
Amounts owed to other customers	6,665	22,925	-	-	-	29,590
Derivative financial instruments	-	-	-	1,563	-	1,563
	1,208,923	157,965	37,119	105,896	-	1,509,903

31 October 2023

Shares	1,149,496	110,994	19,575	10,985	-	1,291,050
Amounts owed to credit institutions	-	-	-	93,966	-	93,966
Amounts owed to other customers	10,062	22,075	-	-	-	32,137
Derivative financial instruments	-	-	-	1,103	-	1,103
	1,159,558	133,069	19,575	106,054	-	1,418,256

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

28. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The principal element of market risk to which the Society is exposed is interest rate risk as a retailer of financial instruments, mainly in the form of mortgage and savings products and the holder of both liquid assets and wholesale borrowing. The risk can arise as a result of actual or market anticipation of changes in general interest rates, changes in the relationship between short and long term interest rates and divergence of rates on different bases across assets and liabilities (basis risk).

The Board has set a risk appetite for each element of interest rate risk. The Society ensures compliance with this risk appetite through the monitoring of interest rate risk exposure by the ALCO. In addition to this the Society undertakes a number of interest rate stresses, covering movements in SONIA and the Base Rate. Balance sheet composition is also monitored to determine the extent to which the Society maintains control over the level of interest rates across the balance sheet through administered rate mortgages and savings balances.

The following is the Society's sensitivity to an increase or decrease in market rates at 31 October 2024 assuming a parallel movement of 200bps in yield curves and a constant financial position. 200bps is considered to be an industry standard and therefore appropriate.

+200bps Parallel

	Increase £000	Decrease £000
2024		
Net interest income impact	(556)	615

+200bps Parallel

	Increase £000	Increase £000
2023		
Net interest income impact	(748)	808

Financial instruments

The Society does not have any financial assets or liabilities that are offset, with the net amount presented in the Statement of Financial Position as FRS 102.11.38A requires both an enforceable right to set off and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Neither of these conditions are met by the Society, therefore all financial assets and liabilities are presented on a gross basis in the Statement of Financial Position.

The Society has entered into Credit Support Annexes (CSAs) for its derivative instruments which typically provide for the exchange of collateral to mitigate mark to market credit exposure. The CSAs are subject to a minimum transfer threshold. Collateral is only posted once the threshold is reached at which point the whole amount would be posted.

In September 2024 the Society amended its CSA agreement with NatWest. This required the Society to provide NatWest with a £1.3m 'Independent Amount' (IA) to allow for an increased limit to conduct swaps with NatWest. The IA functions in the same way as posted collateral except it cannot be recalled without an agreement from both parties. This does not have any other impact on the existing CSA agreement.

The fair value of derivatives designated as fair value hedges is set out in note 12 above.

29. Pension scheme

The Society operates a stakeholder defined contribution pension scheme and contributes to some other individual personal pension arrangements. The assets are held separately from those of the Society in independently administered funds. In addition the Society provides death in service cover for its employees. This is fully insured under the Newbury Building Society Death In Service Scheme. The pension cost charge represents contributions payable by the Society to the individual employee funds and death in service premiums and amounted to £1,015,000 (2023: £886,000). There were pension contributions payable at the year end of £75,000 (2023: £65,000). There was a prepayment at the year end of £33,000 (2023: £25,000) for the Society Death in Service Scheme.

30. Capital structure

The Society's policy is to maintain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The formal annual ICAAP process (Internal Capital Adequacy Assessment Process) assists the Society with its management of capital. Through its regular updates the Board monitors the Society's capital position to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position are reviewed against a stated risk appetite which aims to maintain capital at a minimum level above the Total Capital Requirement (TCR) provided by the PRA.

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

- a) Lending decisions – The Society's lending policy is closely monitored by the Credit Committee to ensure it aligns with the Society's risk appetite.
- b) Pricing – Pricing models are utilised for all residential mortgage products. The model includes expected return and capital utilisation enabling the calculation of a return on capital.
- c) Concentration risk – The design of both retail and mortgage products takes into account the overall mix of products to ensure that concentration levels are maintained within the Society's risk appetite.
- d) Counterparty risk – Deposits are only placed with approved counterparties in line with the Society's treasury policy and are subject to a range of limits. The limits are monitored daily to ensure the Society remains within risk appetite.

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

Common equity tier 1 capital

	2024 £000	2023 £000
General reserve	115,311	107,285
Revaluation reserve	726	726
Available for sale reserve	94	-
Intangible assets (1)	(16)	(29)
Total common equity tier 1 capital (unaudited)	116,115	107,982

Tier 2 capital

Collective provision	1,188	2,137
Total tier 2 capital	1,188	2,137
Total regulatory capital (unaudited)	117,303	110,119

Notes:

(1) Represents amount of intangible assets deducted from regulatory capital in accordance with Capital Requirements Regulation as amended following the European Union (Withdrawal Agreement) Act 2021.

31. Country-by-country reporting

The regulations under Article 89 of the CRD IV require the Society to disclose the following information about the source of the Society's income and the location of its operations:

- Name, nature of activities and geographical location: The Society has three dormant subsidiaries and was incorporated and operates only in the United Kingdom. Given the dormant status of these subsidiaries they are not required to be consolidated. The Society has no ultimate controlling party or parent. The principal activities of the Society are noted in the Strategic Report on pages 10 and 11.
- Average number of employees: as disclosed in Note 7 to the accounts.
- Annual turnover is equivalent to total operating income and, along with profit before tax, is as disclosed in the Income Statement on page 71.
- Corporation Tax paid: as noted in the Cash Flow Statement on page 74.
- Public subsidies: there were none received in the year.

Other information

Annual business statement as at 31 October 2024

	2024 %	Statutory limit %
1. Statutory percentages		
Lending limit	1.3	25
Funding limit	6.4	50

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986.

The lending limit measures the proportion of business assets not in the form of loans secured on residential property. Business assets are the total assets of the Society plus provisions for bad and doubtful debts less liquid assets and tangible fixed assets as shown in the Society balance sheet.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

The statutory limits are prescribed in building society legislation and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

	2024 %	2023 %
2. Other percentages		
Gross capital as a percentage of shares and borrowings	7.64	7.65
Free capital as a percentage of shares and borrowings	7.16	7.22
Liquid assets as a percentage of shares and borrowings	17.69	19.86
Profit after tax as a percentage of mean total assets	0.50	0.49
Management expenses as a percentage of mean total assets	1.01	0.98

The above percentages have been prepared from the Society accounts:

- 'Shares and borrowings' represents the aggregate of shares, amounts owed to credit institutions and amounts owed to other customers;
- 'Gross capital' represents the aggregate of general reserves and revaluation reserve;
- 'Free capital' represents the aggregate of gross capital and collective impairment for losses on loans and advances less intangible and tangible fixed assets;
- 'Mean total assets' represents the average of the total assets at the beginning and end of the financial year;
- 'Liquid assets' has the same meaning ascribed in the balance sheet;
- 'Management expenses' represents the aggregate of administrative expenses and depreciation and amortisation shown in the income and expenditure account.

3. Directors and other officers as at 31 October 2024

Name	Year of birth	Business occupation	Date first appointed	Other directorships
Debbie Beaven FCMA, CGMA	1963	Non-Executive Director	01/02/22	Community Forest Trust; Leap Confronting Conflict; Ltd; Gifford Global Ltd; Boundless (CSMA Ltd); Salisbury NHS Foundation Trust
Chris Brown BA (Hons), Eng, Oxon	1961	Group IT Director	01/06/19	
Phillippa Cardno PGCert, CeMap	1969	Building Society Chief Executive Officer	19/02/15	Temptings Ltd; Newbury Mortgage Services Ltd; Newbury Insurance Services Ltd; Newbury Financial Services Ltd
Darren Garner FCCA	1971	Building Society Chief Financial Officer	03/08/20	
Nailesh Rambhai MA Oxon	1974	Lawyer and Non-Executive Director	26/09/22	The Pension Protection Fund; UCL Hospitals NHS Foundation Trust; Birmingham Womens and Children's Hospital NHS Foundation Trust; United Way UK Charitable Trust; Cholmeley Court Limited; Whittington Hospital NHS Trust
Alistair Welham	1963	Director of Marketing and Communications	24/02/20	Trustee University of Brighton Student Union
John Piers Williamson BA (Hons), FCT, ACIB	1961	Non-Executive Director	01/01/18	Sustainability for Housing Ltd

Phillippa Cardno has a service contract with the Society, signed on 30 July 2018, terminable by either party giving 12 months' notice. Darren Garner has a service contract with the Society, signed on 5 April 2022, terminable by either party giving 12 months' notice.

Other officers

Emma Jones – Director of People

Melanie Mildenhall – Director of Customer Service

Erika Neves – Director of Data and Governance and Company Secretary

Dean Scott – Director of Proposition and Distribution

Matt Smith – Interim Chief Risk Officer

Auditor

Deloitte LLP
Four Brindley Place
Birmingham
B1 2HZ

Bankers

National Westminster Bank Plc
30 Market Place, Newbury, Berkshire RG14 5AJ

Glossary of terms

Set out below are the definitions of the terms used within the Annual Report and Accounts to assist the reader and to facilitate comparison with other financial institutions:

Arrears

A customer is in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan commitment is overdue. Such a customer can also be said to be in a state of delinquency.

Basis point

One hundredth of a percent (0.01%), so 100 basis points is 1%. Used in quoting movements in interest rates or yields on securities.

Contractual maturity

The final payment date of a loan or other financial instrument.

Effective interest rate method (EIR)

The method used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense to produce a level yield over the relevant period.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between willing parties in an arm's length transaction.

Forbearance strategies

Strategies to assist borrowers in financial difficulty, such as interest only concessions, payment plans and reduced payment concessions.

General reserves

The accumulation of the Society's post-tax profit since inception. It is the Society's main component of Tier 1 capital which is a measure of strength and stability.

Impaired loans

Loans where there is objective evidence that an impairment event has occurred, meaning that the Group does not expect to collect all the contractual cash flows or expect to collect them when they are contractually due.

Individually/collectively assessed

Individual assessments are made of all mortgage loans where objective evidence indicates losses are likely or the property is in possession. A collective impairment provision is made against the remaining group of loans and advances where objective evidence indicates that it is likely that losses may be realised.

Interest margin

Represents net interest income divided by mean total assets.

Internal capital adequacy assessment process (ICAAP)

The Group's own assessment of the level of capital that it needs to hold for risks it faces under a business-as-usual scenario and a variety of stress scenarios.

Liquid assets

Total of cash in hand and balances with the Bank of England, loans and advances to credit institutions, and investment securities.

Liquidity coverage ratio

The liquidity coverage ratio (LCR) refers to the proportion of highly liquid assets held by financial institutions, to ensure their ongoing ability to meet short-term obligations.

Liquidity risk

The risk that the Group is not able to meet its financial obligations as they fall due, or will have to do so at an excessive cost. This risk arises from timing mismatches of cash inflows and outflows.

Loan to value ratio (LTV)

A ratio which expresses the amount of a mortgage as a percentage of the value of the property. The Group calculates

residential mortgage LTV on an indexed basis (the value of the property is updated on a quarterly basis to reflect changes in the house price index).

Loans past due/past due loans

Loans are past due when a counterparty has failed to make a payment when contractually due.

Management expenses

Management expenses represent the aggregate of administrative expenses, depreciation and amortisation. The management expense ratio is management expenses expressed as a percentage of total mean assets.

Market risk

The risk that movements in market risk factors, including interest rates, credit spreads and customer-driven factors will create losses or decrease portfolio values.

Mean total assets

Represents the average of the total assets at the beginning and end of the financial year.

Member

A person who has a share investment or a mortgage loan with the Society.

Net interest income

The difference between interest receivable on assets and similar income and interest payable on liabilities and similar charges.

Replacement cost

The amount the Society would need to replace derivative contracts that are favourable to the Society, if the counterparty with whom the contract was held, were unable to honour their obligation.

Residential loans

Residential mortgage loans secured against residential property.

Risk appetite

The articulation of the level of risk that the Society is willing to take (or not take) in order to safeguard the interests of the Society's members whilst achieving business objectives.

Risk weighted assets

The Society's assets or off balance sheet exposures, weighted according to risk.

Shares

Money deposited by a person in a savings account with the Society. Such funds are recorded as liabilities for the Society.

Shares and borrowings

Represents the total of shares, amounts owed to credit institutions and amounts owed to other customers.

Total capital ratio

Measures the Society's reserves (after required adjustments) and collective impairment provisions as a proportion of its risk weighted assets.

Tier 1 capital

A measure of financial strength as defined by the PRA. Tier 1 capital is divided into Common Equity Tier 1 and other Tier 1 capital. Common Equity Tier 1 capital comprises general reserves from retained profits. The book value of intangible assets is deducted from Common Equity Tier 1 capital and other regulatory adjustments may be made for the purposes of capital adequacy.

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