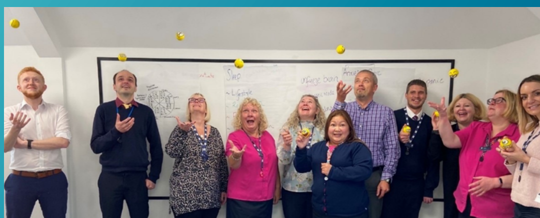
MEMBERS' REVIEW

INCORPORATING SUMMARY FINANCIAL STATEMENT FOR THE YEAR ENDED 31 OCTOBER

2022



Newbury
Building Society

OUR PERFORMANCE HIGHLIGHTS

PROFIT AFTER TAX

£11.8M
2021: £6.0M

TOTAL CAPITAL RATIO

22%
2021: 20.9%

GROSS MORTGAGE LENDING

£212M
2021: £214M

SAVINGS BALANCES GROWTH

£21M
2021: £110M

CUSTOMER AWARDS

INSTITUTE OF CUSTOMER SERVICE DISTINCTION ACCREDITATION

BEST SPECIALIST MORTGAGE PROVIDER - BRITISH BANK AWARDS 2022

CHARITABLE DONATIONS

£187K
2021: £63K

MEMBERS' REVIEW

The Directors have pleasure in presenting the Members' Review incorporating the Summary Financial Statement of the Society for the year ended 31 October 2022.

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CHAIRMAN'S STATEMENT

> I'm pleased to report that the Society has delivered another strong performance in 2022 despite the challenging economic environment.
>
> **Piers Williamson**
> Chairman of the Board

In my first year as your Chairman, and in the Society's 165th year, I am pleased to report that the Society has delivered another strong performance despite the challenging economic environment. 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 steady growth, improved profitability and a strong capital position, something which has characterised so many of our recent performances.

Domestic and global economic volatility, together with significant inflationary pressures leading to cost-of-living challenges and the tragic events taking place in Ukraine have all contributed to a year of uncertainty. The Covid-19 pandemic also continued to play a part in our fortunes and although we started 'Living with Covid' from March 2022, the first five months of our financial year commenced with us continuing to manage the business with reduced branch opening hours, colleagues working from home and restrictive trading conditions.

Notwithstanding the challenges, we delivered a strong financial performance and progressed our strategic investment programme which will continue to underpin our success and sustainability for many years to come. Strong attention to delivering excellent customer service, improving our digital capabilities and looking after our people remained a key focus.

MARKET CONDITIONS

Mortgages

The housing market remained relatively buoyant during the year given the after effects of Covid-19 on the wider economy, and the national market saw house prices rising on average by over 10% during the year, as demand for property exceeded supply, particularly in the suburban and rural markets.

However, global challenges, particularly the Ukraine/Russia conflict and significant increases in energy prices, continue to delay economic recovery, and have contributed to already significant inflationary pressures, the likes of which have not been seen in decades. There have been eight Bank Rate changes implemented by the Bank of England since December 2021 totalling 3.25% and therefore Bank Rate now stands at 3.5% (15 December 2022), in an effort to address inflation. The last time the Bank Rate was as high as 3.5% was October 2008 and many of our customers and employees have never experienced a rising interest rate market. The Bank of England has forecast that the economy will enter into recession as household spending is squeezed by higher inflation, a rising tax burden and higher unemployment.

Despite this backdrop, which unfolded in the second half of our financial year and remains current today, the Society achieved a solid mortgage growth performance of 4%, growing mortgage balances to £1.111bn (2021: growth of 5.4% to £1.068bn).

What is noticeable about this year's performance is that with rapid increases in Bank Rate and the market reaction to the 'mini-budget' announced in September 2022 (albeit most of which has been subsequently withdrawn), many lenders were forced to withdraw fixed rate mortgage products, which led to the Society attracting enquiries and applications on variable rate products at record levels, therefore, as we enter our new financial year we have a strong pipeline of mortgage business.

However, confidence is a fragile thing and with further increases in interest rates continuing to loom, potential rises in the level of unemployment and a decrease in the forecast for Gross Domestic Product, all resulting in households facing increasing costs, the outlook for the housing market is uncertain.

Savings

The requirement to raise funding through retail savings stayed low for the majority of the year as liquidity levels remained high, resulting in a modest shares and deposit balance increase of £21m (including capatalised interest) (2021: £110m). We ended the year with more liquidity than we would normally hold, representing 24.3% of total savings and deposits liabilities (2021: 24.5%), boosted by swap collateral receipts. This is planned to reduce to around 20% next year and in the region of 18% in the longer term.

Both a limited savings account product range and postcode restrictions remained in place for the majority of the year. This started to change in late summer as interest rates began to increase after more than a decade of a low interest rate environment with little return for savers.

We reacted to market changes and increased rates for all savers whilst balancing the need to protect mortgage borrowers at the same time. We reopened a number of products and lifted some postcode restrictions. As we head into our new financial year, the Society has a clear strategy in place to generate retail funding as we commence plans to repay the Bank of England's Term Funding Scheme (TFSME) which offered us the opportunity to borrow low-cost funding in the last decade, something which is now closed.

Our pricing for members remains competitive, but we have seen the market 'open up' in recent months with customers being more attuned to the different product offerings available in the market and how they can make their savings work harder for them. 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.

CUSTOMERS AND COMMUNITIES

Throughout the financial year the Society continued to support customers, both savers and borrowers alike. We upheld our excellent customer service delivery values, resulting in the Society achieving a Customer ServiceMark Accreditation with 'distinction', granted by the Institute of Customer Service, the only building society in the country to do so. We are immensely proud of this achievement, and it is testament of our strong customer centric culture and how helping you, our members, meet your financial needs, is part of our core existence.

Furthermore, in 2022 we won 'Best Specialist Mortgage Provider' at the British Banking Awards, further demonstrating our service capability and commitment to our members.

Investment in our branches continued. Following our newly refurbished and relocated branch in Abingdon in the previous financial year, we fully refurbished our Newbury branch which reopened to customers on 29 November 2022. Plans are underway to continue investing in our branch network as we head into our new financial year and beyond.

We provided cost of living support to our communities with £187k (2021: £63k) donated to a range of charities, in particular those needing most help and support as a result of high food and energy costs, and undertook additional volunteering days for employees to help and support our charity partners.

BOARD STRATEGY

The Board undertook a review of its strategy in the 2021/22 financial year which culminated with an agreement for our future plans in July 2022. The Board endorsed the existing strategy, which is to help our members build sustainable futures by being the trusted provider of savings and mortgages in our communities. In order to deliver this core aim, we specifically agreed to keep our focus on customer value over the long term, to continue to develop and accelerate our digital transformation, to deliver steady growth, to look after our employees and to demonstrate a community conscience.

BOARD CHANGES

The Board's responsibility is to ensure the Society delivers on long-term value for members. 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. As leadership and governance are key to the Society's success, we are pleased to have managed an orderly change of leadership between our previous Chair, Peter Brickley to myself, and our previous CEO, Roland Gardner, to our new CEO Phillippa Cardno.

Peter made an outstanding contribution, leading the Board through unprecedented risks in the past seven years. The role of chair has become increasingly complex and demanding, with greater expectations of the individuals holding it. Peter more than lived up to those expectations, leading the Board's contribution to our strategy development whilst also providing significant support to developing our technological capabilities. The growth of the Society in Peter's seven years in the chair has been a key feature and goal of his period in charge (£820m in assets at the beginning of 2015 increasing to £1.45bn now). Peter has also been instrumental in supporting the Society's technological efforts, initially during our core systems migration from Yorkshire Key Services to SOPRA, and in recent years, by encouraging the establishment of our Digital Advisory Panel and in the development of greater cyber security and operational resilience.

Roland Gardner retired in March, after 35 years at the Society and 15 of those as the CEO. Throughout his years as CEO our total assets have more than doubled, our capital reserves have tripled and overall membership has grown by approximately 50%, but most importantly everything he has done has been for the good of the membership. These are strong metrics underpinning the Society's strength in depth.

As CEO Roland led the Society through two global crises; the banking crisis of 2008, and the Covid-19 pandemic. These have been thorough tests of leadership and Roland handled each in an exemplary manner - calm, practical and rational. Under his care we opened two branches; Basingstoke and Winchester, and he has been an advocate of bricks (branches) and clicks (technology); a balanced strategy and one that remains at the heart of the Society today.

The Board thanks both Peter and Roland for their loyalty and commitment to the Society over many years and wish them well in their retirements.

We welcomed two new non-executive directors (NEDs) to our Board this year: Debbie Beaven is a Fellow of the Institute of Chartered Management Accountants with an extensive career in financial leadership roles across different market sectors, and Nailesh Rambhai is a qualified lawyer with significant experience across private, public, mutual and charitable sectors. Nailesh has been appointed as Chair of the Risk Committee. We are delighted to have secured their services and look forward to the benefit of their wisdom and experience moving forward.

This followed the resignations of two NEDs who joined our Board earlier in the year. Both Fiona Phillips and Nicola Bruce resigned to pursue other business interests. There is no question that the time demand on NEDs has increased in recent years, and I thank both Fiona and Nicola for their contributions despite their short tenures.

BOARD EFFECTIVENESS REVIEW

During the year the Board conducted a Board Effectiveness Review which was undertaken by an independent third party. The review concluded that the Society is a highly successful and effective organisation and creates and maintains a culture that is consistent with the Society's values and wider business strategy, with customers at the centre of everything we do.

CONCLUSION

There are many challenges ahead as we move towards choppier economic waters (both domestically and globally), the strong likelihood of a recession, the ongoing increases in energy and fuel costs and higher prices for goods and services. Together with navigating how climate change affects us all, the need to continue to support our members and communities, the Society is in a strong financial position to weather the storms and 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 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
21 December 2022

CHIEF EXECUTIVE'S REVIEW

> Our award successes this year in providing excellent customer service are exceptional and I sincerely thank each and every one of our people for their contribution to what is another successful year for the Society.
>
> **Phillippa Cardno**
> Chief Executive

When I was appointed CEO in March 2022, I could not have predicted the economic challenges we have had to face in recent months, balancing the needs of savers, borrowers, and our people simultaneously. However, reflecting on this year's performance, I am immensely proud that the Society not only successfully navigated through the challenges, but that we continued to strengthen our financial standing for the future, as well as investing in a number of customer and digital initiatives to better serve the needs of our members. My colleagues have worked exceptionally hard to provide you, our members, with a level of care and attention you expect and deserve. As our Chair has mentioned, our award successes this year in providing excellent customer service are exceptional and I sincerely thank each and every one of our people for their contribution to what is another successful year for the Society.

From a business results and development perspective, this has been another extremely satisfactory year for the Society. Given the prevailing economic backdrop, the progress made is most rewarding, in terms of looking after our customers, continuing to develop our digital future to better support member needs and supporting our communities, as well as in terms of delivering the quality of financial results which strengthen the Society's capital base and grow the balance sheet. Every single employee of the Society has had to work hard to provide members with our usual standard of high service, and despite the challenges of recent months, the regular feedback from you, collected independently by Smart Money People, suggests we continued to be successful in doing so.

BUSINESS PERFORMANCE

The Society's mortgage lending proposition is 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.

We started the financial year with a lower pipeline than previous years, partially as a result of the stamp duty exemption ending in September 2021 which resulted in a large flow of business completing at the end of the previous financial year. With a new Covid variant (Omicron) circulating at the time, and a lack of supply of properties coming onto the market, the market remained quiet until we started 'Living with Covid' from March 2022. At this point the market started to open up and business flowed in, with the Society ending the year with £212m of gross lending (2021: £214m) resulting in 4% growth of the mortgage book and concluding with total balances of £1.111bn. A lower performance than planned but given the competition for business in a finite sized market, significant market volatility with mortgage product pricing, increasing interest rates, consumer worry about affordability and cost of living pressures coupled with conveyancing delays outside of our control, the result is satisfactory.

As in recent years, we continued to 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. 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.

Despite the challenges of the market, our arrears statistics actually improved during the year, with the number of cases two months or more in arrears decreasing from 42 to 34 albeit the arrears amount increased slightly from £142k to £152k, which out of a book of over £1.1bn, is simply a great position for the Society to be in. To date it is comforting that borrowers have been collectively able to withstand recent stresses created by the wider economy. The figures provide tangible evidence of the underlying quality of the book as a result of our prudent lending policy. We ended the year with one property in possession; a long standing arrears case.

However, we continue to be prepared for a rise in arrears next year, as cost of living challenges and rising interest rates continue to bite, although it is difficult to assess exactly where the level of arrears may move. What I can say, is we are well prepared for a stormy ride if house prices suffer a significant adjustment. We have significant headroom for any reductions in house prices caused by the likelihood of a recession, rising rates or even delayed reaction to Brexit for that matter. Our average loan to value ratio (LTV) at 31 October 2022 was around 28% (2021: around 30%) and less than 1% of the book is over 80% LTV (2021: less than 1%) and therefore the potential for losses is significantly reduced. Members should not be surprised therefore to learn that all our stress tests are comfortably passed.

We have responded to seven Bank Rate change decisions by the Bank of England since December 2021 by enacting five global rate changes, three in the last financial year and two in the new financial year, something we have not had to contend with from both a strategic and operational perspective since 2009. Looking after both borrowers and savers in a fast-changing interest rate environment is a key focus of the Society. We have to protect our interest margin to ensure we continue to be a sustainable organisation and add value to our members in the years to come. We have sought to protect our existing borrowers and to date we have only passed on 1.65% of the 2.90% move by the Bank of England. Whilst looking after borrowers, we have also been mindful of our savers and have paid out £2.9m more interest to our saving members, around £1.3m more than the additional income received from borrowers.

Our financial success in recent years has been aided by our use of the TFSME (Term Funding Scheme with additional incentives for SMEs) issued by the Bank of England. This borrowing is linked to Bank Rate movements, so will start to cost more as Bank Rate rises. As a result of this we made a first repayment of £5m to the Bank of England at the end of October, bringing down our borrowing of £155m to £150m and plan to continue with a repayment strategy until 2025 when full repayment must have concluded. As this repayment programme commences, we will reopen saving products and services to our members. In fact, a number of products have already become available for sale for both new and existing members.

FINANCIAL PERFORMANCE

The Society recorded post-tax profit of £11.8m, a marked increase from the £6.0m last year and higher than we had forecast, the result of a number of favourable factors all combining at the same time. The net interest margin improved, coupled with favourable fair value movements in the Society's derivatives as interest rates increased. These favourable fair value movements resulted from derivatives that are designed to hedge the financial risk associated with fixed rate mortgage lending. Excluding the gains from derivatives, pre-tax profit was £9.8m, an increase from £6.1m in 2021.

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. This year's increase in profit has led to an uplift in the Society's capital ratio from 20.9% of Risk Weighted Assets to 22.0%, a good position for the Society to be in as we head into choppier economic waters and the strong likelihood of a recession.

Further detail on the Society's financial position and year on year performance is contained in the Financial Review on pages 36 to 40.

STRATEGY AND CHANGE HIGHLIGHTS

The Society's strategic plans continue to be underpinned by a digital agenda that is member-centric, service-driven and value-focused. Over the past year we have:

- modernised and introduced many digital services, with an emphasis of moving from traditional on-premises systems to consuming high-quality cloud partner services, but never losing the heart of what the Society does best – looking after our members.

- continued to work on a major system upgrade with SOPRA. Once the upgrade completes in 2023 and we have launched our mobile app, we expect to be in an improved position to push forward digital activities to provide better services to customers and easier processes for employees.
- implemented a new HR and payroll system – PeopleHub, providing our people with an interactive 'one-stop' shop for their data.
- started to utilise open banking functionality to digitally capture customers' financial data history, assisting both new lending case assessments and supporting customers in financial difficulty. By reducing the need for paper bank statements, we are becoming both faster and 'greener' in our service offering.

At work and home, we continue to face a heightened and relentless threat from a cyber incident. We constantly review, monitor, and enhance our defences to ensure that our members' interests are protected from a cyber-attack. We have introduced a number of additional security defence tools over the past year to help combat this threat, including significant investment in security devices and a security partner that continually monitors our systems and reacts to any potential incident day and night.

During the year, and concluding in November, we fully refurbished our flagship branch in Newbury. Members experienced the use of a temporary 'pop-up' branch for just over two months at our Head Office but will now be able to experience a new and modern environment with the personal face-to-face service we have always offered. Our 'customer first approach' supports the view that our customers want to borrow and save with an organisation that understands their needs. Providing core transactional services remains a key service offering but we want to provide our members with additional services that offer guidance and support to better understand their financial needs. This will be a key requisite as we develop our distribution strategy.

We are fully committed to a branch network and investment in our branches will continue as the years progress.

PEOPLE

Our people are key to us offering the unique and meaningful customer experience that the Society is known and recognised for. We fully recognise the importance of our people to deliver our high standards of customer service within high quality policy and management standards. We have a strong vibrant culture, where our people feel empowered to deliver great customer service.

This year through an independently run employee survey, we achieved an employee net promoter score of +58 (previous survey +36), based on the question, 'would you recommend the Newbury as a place to work?' I am incredibly proud of this achievement, and it is a great testament to the values and behaviours of our people and the culture within the organisation.

A focus on our employees' wellbeing has been maintained as we exited the challenges of the pandemic but entered the challenges of the cost-of-living crisis, and we continue to support our people through a range of options such as an Employee Assistance Programme (EAP), access to mental health first aiders and training sessions on financial wellbeing. Inclusion and diversity have continued to be an important area of focus for the Society. We set up a working party a number of years ago to help support fairness and inclusion in all we do, this work continues to this day.

This year we welcomed two new executives to our senior leadership team: Emma Jones, Head of People and Dean Scott, Head of Sales and Marketing. Both bring a wealth of knowledge and experience having worked most of their careers in financial services.

As we move forward, we continue to look after our people by investing in them and growing our talent. Providing managers with skills needed to manage today's workforce, growing agile mindsets to drive through improvements and efficiencies in all we do, and providing you, our members, with the service you need and want.

COMMUNITY

One of the joys of running a mutual business is that our owners are also our customers. A key component of the Society's purpose is to be socially responsible and to make a positive difference to the local community. We continued throughout the year to support those who live and work in our branch communities. As a member-owned business, 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. To mark our 165th year we provided further support to our branch communities by giving more donations and offering more of our time. Cost of living help, mental health support and financial wellbeing were just a few of the areas we supported.

Pages 16 and 17 will give you further insights into this.

GREEN AMBITION

The focus and importance of environmental and climate change has never been more prominent, and the Board's three pillar approach to its Green Ambition Strategy is:

- To minimise our own carbon footprint by improving the energy efficiency of our buildings and conserving energy through new technology;
- To help our members lead greener lives by providing access to guidance, funding and support to help with home improvements; and
- To support initiatives to make the homes on which we lend more energy efficient and better prepared for regulatory and environmental change

Like many of you, we are navigating our way through the complexities that climate change is having on our world and do not have all the answers, let alone all the questions we need to ask. We have started to increase our knowledge and awareness and know we have a part to play, both as an employer reducing our own footprint and as a mortgage lender helping members improve their homes. Pages 20 and 21 summarise some of the things we have achieved to date together with what is next.

OUR FUTURE

As we look to the future the Society is well placed to steer through the many challenges ahead, as we continue to navigate through difficult trading conditions due to the current economic uncertainty facing us.

With digital solutions available to support people in managing their money, there are more options than ever for people to engage with. We have already started on our programme of digital activity to support our customer service proposition – from an online appointment system, to a live chat service for brokers and in due course the launch of a mobile app. Our plans for the future continue with the theme of digital transformation, embracing change by investing in our people and technological capabilities, and members will therefore continue to see changes and improvements in the way the Society delivers its products and services in the coming months and years. The growth and profitability of recent years has provided the foundations for the Society to make these investments, not only for the benefit of our current members, but also for those who will be our future members.

Whilst our ambition is to improve our customer service offering through the support of digital initiatives, our core goal of serving our customers in any way they choose remains. We will continue to support members through whichever channel best suits them; be it in-branch, by telephone, online or mobile. Technology acts as an enabler to our service proposition and whilst technological development remains a key focus, the Board also remains fully committed to a branch network, promoting a savings culture using fair and transparent products, which offer good value in the short, medium and long term. Together with a branch refurbishment investment programme we plan to deliver on these aims.

The Society will continue to provide a full mortgage and savings service in its branches, and we will operate in niches where the wider market lacks capacity or capability. Supplemented by the Society's online capability, members will enjoy the real advantages of a 'bricks and clicks' service. Our aspiration is for the Newbury brand to be instantly recognisable in our branch towns and synonymous with what differentiates the Society from banks: being a mutual, member centric, with relevant attractive products and exceptional customer service.

We have much to accomplish in the years to come and a focus on customer, digital and people remains at our core, however the need to become more efficient and productive has never been greater. Together with our financial strength, we are in a strong position to achieve our aspirations, and serve you, our members, with the products and services you need.

Phillippa Cardno, Chief Executive
21 December 2022

STRATEGY

PURPOSE AND VALUES

The Society exists to help our members build sustainable futures by being the trusted provider of savings and mortgages in our communities.

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 by colleagues from across the Society and ensure the Society does the right thing by our customers, communities and people.

The Society's business model and strategy 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 the communities in which we operate.

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.

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 with our lending criteria in appropriate cases. The UK mortgage market is fiercely 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.

Funding is provided through members' deposits, supplemented 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.

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 investments.

Sustainability
financially secure, operationally strong and environmentally conscious

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

The Society's liquidity position is maintained to ensure sufficient cash is available to meet its obligations as they fall due and is principally held in the form of a deposit with the Bank of England.

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.

The Society remains fully committed to its branch network and expects to continue a programme of modernisation which started with the opening of a new look branch in Abingdon, followed by the Society's branch in Newbury town centre. The Board also recognise that our members have a choice in how to access and manage their personal finances and will make further investment in technology that will enhance the delivery and accessibility of the Society's services. 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 for the benefit of current and future members alike.

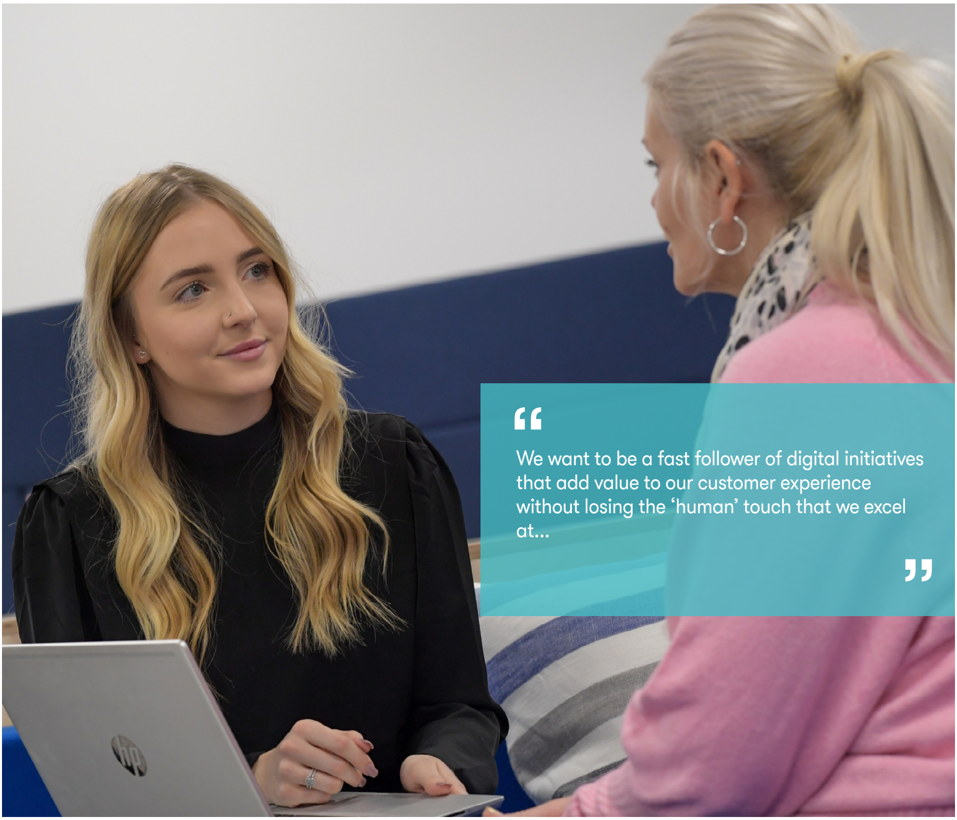
The Society's long term strategy, shaped around the Society's key stakeholders, is to deliver steady and sustainable growth through:

- A focus on **customer** value over the long term;
- Developing and accelerating the Society's digital transformation;
- Demonstrating a **community** conscience; and
- Looking after our **people**.

A focus on driving efficiencies and greater productivity through process optimisation and digital transformation is key to our future success as customer needs continue to change and adapt, and the manner in which customers want to receive a service crosses over both face-to-face and online methods. We want to be a fast follower of digital initiatives that add value to our customer experience without losing the 'human' touch that we excel at and we also need to leverage current systems further to gain greater process efficiencies to maintain the excellent service we provide.

In 2021/22 we commenced activity to invest in people and skills, increasing headcount across most business functions. We are acutely aware that continued investment in both people skills and technology remains 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 business objectives within six key workstreams: customer, service, product, digital, data and people, with customer being the overarching workstream. The plan also recognises climate change on a long-term basis and continues to pursue our Green Ambition and understanding of climate change risk. Further details of our focus on the customer, community, people and climate are set out on pages 13 to 21.



LOOKING AFTER OUR CUSTOMERS

SUPPORT IN DIFFICULT TIMES

Our support for customers last year was still firmly focused on the impacts of Covid-19. Since then, we have faced new challenges, with instability on the world stage due to the conflict between Russia and Ukraine, and nationally with rising inflation, interest rates and cost of living.

The conflict between Russia and Ukraine brought financial services firms together, uniting to support borrowers who wanted to give displaced Ukrainians a safe haven in their homes. The Society was keen to support the "Homes for Ukraine" initiative and developed a barrier free process to ensure borrowers could easily participate.

To assist with cost of living, we have provided a raft of additional support for our customers and their communities. We introduced a new Cost of Living hub on our website to help those who may need access to support as a result of increased living costs. This includes debt support, information on where to go if fuel bills are difficult to pay and ideas on reducing outgoings. We have also donated a significant amount of money to support local community groups to support customers in five areas: food, energy bills, fuel and travel costs, debt and mental wellbeing. Our volunteering pledge for our 165th anniversary has also provided practical help for local charities and community-based organisations.

We are acutely aware of rising interest rates impacting our own borrowers. We need to pass on rate rises, not to do so would be unsustainable commercially, however as a mutual organisation these decisions are taken seriously to balance the needs of both savers and borrowers.

We know that some of our borrowers will struggle, and we have a dedicated and experienced payment support team who are equipped to help those who need it. The earlier contact is made with us, the more likely we can support borrowers through what we all hope will be temporary difficulties.

KEEPING STANDARDS HIGH

In January 2022, the Institute of Customer Service (ICS) conducted their regular survey measuring the quality of customer interactions and experiences with the Society. The last time this survey was conducted for the Society was in December 2020. The results were again outstanding.

Overall satisfaction scored 91.0, compared to the UK banks and building society average of 80.2*(Dec 2020: 90.8 and 78.3), and our Net Promoter Score (NPS), which measures how likely a customer is to recommend an organisation, came in at 72.1, (Dec 2020: 70.2), compared to the UK banks and building society average of 30.4*. 9.3 out of 10 of those surveyed said they intended to remain a customer and 9.1 out of 10 said they would recommend the Society.

(* source: Institute of Customer Service UK Customer Satisfaction Index July 2021.)

> "I was impressed with how much focus is placed on developing and understanding soft skills. For example, how the language is used to navigate difficult conversations and deliver and obtain information from customers without coming across as distant and uncaring."
>
> **The Institute of Customer Service report**
>
> September 2022

> Customers are spoken about in warm and caring tones, often people described them as 'my customer' rather than 'our customers', clearly signalling taking personal ownership of delivering great customer experiences.
>
> The same standards apply internally. Employees understand the concept of internal customer service and treat their colleagues with the same care and consideration. There is a strong team approach, colleagues in all areas of the business consider customer first and work together to find the right solution for them.

The Institute of Customer Service report
September 2022

Our exceptional ICS survey results made us eligible to elevate our ServiceMark accreditation to a distinction level. Following a comprehensive 3-day assessment of customer strategy, plans, customer feedback and interviews with employees, we were delighted to be awarded the distinction level ServiceMark accreditation in September this year; the only bank or building Society with this honour.

ServiceMark with Distinction
Accredited from Sep '22 to Sep '25
The Institute of Customer Service

In May 2022, we were delighted to win "Best Specialist Mortgage Provider" at the British Banking Awards for the third year in a row. The British Banking Awards are entirely based on customer feedback, which makes us especially proud.

RESPONDING TO CUSTOMER FEEDBACK

The ICS surveys are conducted every 18 months to ensure that we are maintaining the ServiceMark accreditation standard. The surveys not only give us quantitative insight on the quality of our service but also qualitative insight into what customers value about us and what more they would like from us. To complement the ICS surveys, we also encourage customer feedback at various touchpoints in our savings and mortgage customer journeys through Smart Money People (SMP), a ratings and review service dedicated to financial services. The Society receives consistently high ratings the Smart Money People service, with an average rating of 97.9% for the year ended 31 October 2022 (2021: 97.4%).

The qualitative feedback from the ICS and SMP, as well as root cause analysis from complaint handling, helps to prioritise our operational change and informs strategic business developments.

In the last few years, customer priorities have been about savings interest/product range, online services and branch environment. We have responded to customer feedback in the following ways:

- Bank Rate changes have given us an opportunity to reward savers with more interest on their savings and open up some of our popular accounts that were closed during the Covid-19 period.
- An online appointments service for savings has been implemented, adding to our existing mortgage appointment platform. This enables customers to book appointments directly with Savings Advisers through our website at a time to suit them.
- Integrated telephony between our head office and branch premises gives seamless customer handover, whilst retaining the personalised answering protocols our customers enjoy.
- Our Newbury branch has undergone a complete refurbishment and re-opened for business in November. During the refurbishment period we provided continuity of service through a temporary branch at our head office.

We also launched our Member Panel and onboarded over 100 customers who have volunteered to help us gain more insight on top of the feedback provided through the ICS and SMP.

PLACING 'CUSTOMERS FIRST' INTO THE FUTURE

As we move forward, we will continue to centre our strategic plans around our customers. To grow and continue to be sustainable, we need to meet the needs of both existing and future customers.

Our "Customer First Approach" supports the view that customers want to borrow and save with an organisation that understands their needs and does good in the world and delivers value through products, supported by a first-class customer service underpinned by frictionless processes and appropriate digital solutions.

Our focus continues to be about providing customer excellence across all channels – branch, intermediary and online. In 2022/23 we plan to:

- Deliver a mobile app that elevates our myaccounts service to provide transactional functionality on mobile devices.
- Implement a live chat service to customers to provide generic information around savings and mortgages to complement existing communication channels.
- Refurbish at least one more of our branches in a style that supports how customers interact.
- Progress our process optimisation program focusing on frictionless and digital solutions.
- Upgrade our core system to enable us to take advantage of new technologies to support services.

We encourage customers to continue to give us feedback. The next ICS survey will be conducted next summer and customers can rate and review the Society any time at www.smartmoneypeople.com.

OUR COMMUNITIES

Whilst today's building societies are entirely different from the simpler entities founded in the 19th century, the principles of mutuality still hold true. This is especially the case with 'The Newbury' in its 165th year. One thing remains unchanged: our commitment in supporting those members and communities.

The last year has been a challenging one for many, and our support of and involvement in our communities in Berkshire, Hampshire, and Oxfordshire remains incredibly important to us. Now, more than ever, people living and working in our branch town communities benefit from the support we are fortunate to be able to provide. To mark our 165th year we committed to donating £165,000 to charitable and community organisations in total and also to donate 165 days of volunteering to charities and local groups in need of help. In total this year, the Society made donations of £186,800 (2021: £63,000).

We launched a Cost of Living Support initiative in September, with the aim of supporting people in our branch communities with rising costs in food, energy, travel, debt or their mental wellbeing. We made donations to a total of 25 organisations across our branch towns, who are on the front line of delivering this support. These donations totalled £96,500 and assisted with enabling the organisations to provide more services, and to maintain physical premises enabling them to continue to provide front line support.

Our 165 Days of Volunteering initiative has seen our people utilising their two days of paid volunteering to go and help a range of organisations, including:

- Prior's Court, Newbury
- The National Animal Welfare Trust, Newbury
- Trinity Winchester
- The Brendoncare Foundation, Alton
- Swings and Smiles, Thatcham
- Hungerford Environmental Action Team

Our branches and head office have continued to each support their chosen charity partners through a blend of volunteering and fund raising, and the Society fund-matched the amounts raised to boost the total financial support to the community.

The Society's Charity account continued to be popular. The Society now makes an annual donation of 0.6% interest to each account member's preferred charity in addition to the interest paid to our savings members. This account generated £52,000 (2021: £24,000) during the financial year, and this was split between the nine partner charities.

The Society's Community Support Scheme, which provides donations and sponsorships to community projects, supported 22 different community organisations and groups during the year, donating a total of £10,500 (2021: £11,432). These donations aim to improve community life within the Society's ten branch towns. Projects which benefitted from the scheme in 2021/22 included:

- **Dingley's Promise**, a charity who support children and their families with special educational needs in West Berkshire.
- **Maggie's Oxford**, a cancer charity who provide free support and guidance to people living with cancer, as well as spaces to meet other people in similar situations.
- **Berkshire Vision**, who support blind and partially sighted people.
- **Francis Bailey Primary School**, to create a long-lasting mural to honour the Platinum Jubilee of Her Majesty Queen Elizabeth II.

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

- Colleagues in our Head Office baked for the Macmillan Coffee Morning and held a raffle which raised £390.
- Basingstoke branch raised £588 for St Michael's Hospice by completing a range of activities in celebration of the charity's 30th anniversary.
- Michael Harden, a member of our Marketing team, organised a charity photoshoot in Hungerford, from which proceeds went to support Prior's Court.

Other events and activities undertaken in our communities included:

- Our Junior Newbury Building Society initiative, which provides financial education to nine junior schools in Newbury and Basingstoke, assisting and encouraging children to develop savings habits.
- A collaboration with EVERFI inc to offer sustainability education to local schools in Hungerford, Newbury, and Thatcham.
- Basingstoke branch completed #WeSupportDeafAwareness training to support members with hearing loss.
- WizeUp financial education workshops provided financial awareness and budgeting courses for Sixth Form students at Park House School in Newbury.

COMMUNITY SUPPORT SCHEME

We are committed to supporting the communities in which our members and employees live and work. Each year we support a number of initiatives and events by giving donations and sponsorship to community organisations, groups, and teams. As part of our plan to become a greener building society, we also launched a 'Green' Community Support Scheme, supporting environmental and sustainability projects in and around our branch towns. Donations are made quarterly and can be applied for through your local branch or our website.

VOLUNTEERING

Each year our people can use two paid days to volunteer in their local communities with groups or charities of their choice. This year we have seen over 100 days of volunteering undertaken. Employees have been painting, gardening, building guinea pig hutches and cooking for the homeless, among many other tasks for over 20 different organisations.

FINANCIAL AND SUSTAINABILITY EDUCATION

Newbury Building Society is passionate about providing children with the right skills to become savvy with money management. For the last 15 years, our JNBS (Junior Newbury Building Society) initiative has encouraged children aged seven and older to save. More information can be found on our website. In the last year we also sponsored an online sustainability course called Sustainability Foundations for secondary schools in our branch towns.

COST OF LIVING

As people across the country feel the effects of rising prices, supporting our members, our people and our communities is more vital than ever and central to our mutual values. We have been providing this through financial support to charitable and community organisations who are currently helping local people in need of support with food, debt, travel, energy bills, and their mental health. We also created of a range of resources and information on our website for members to access.

PEOPLE

> 92% of our employees are proud to work for the Society.
>
> **Employment engagement survey,** May 2022

Our people are the enabler to offering the unique and meaningful customer experience that The Newbury is known for. We continue to create an environment where our people are skilled, enabled, engaged and supported to be the best they can be.

We are focused on:

- Building a sustainable talent pipeline of key skills and competencies for the future
- Developing inspiring and empowering leadership
- Nurturing our inclusive and vibrant culture

"95% of our employees say we have a vision, mission and goals that encourage and deliver great customer service."

A VIBRANT CULTURE

Our employees are engaged in our purpose, supported to perform at their best and feel listened to.

Our bi-annual employee engagement survey results delivered in May 2022 demonstrate that the Newbury has a vibrant, inclusive and caring culture for all its employees.

Our employee net promoter score, based on the question "Would you recommend the Newbury as a place to work?" continues to steadily increase (a +22 increase at +58) evidencing that we have continued to enhance the employee experience at the Newbury.

In June 2022, we launched a new employee listening initiative to provide more dynamic feedback.

Understanding our employees' views on things that really matter to them helps us to ensure we stay relevant. Teams are provided with a framework to discuss and feedback their ideas as well as being empowered to make changes.

"91% of our employees say we care about their wellbeing."

We continue to support our employees' wellbeing; we invest in Mental Health First Aiders alongside our Employee Assistance Programme and digital and face to face wellbeing initiatives to ensure employees have easy access to support and guidance. We are incredibly conscious of the Cost of Living challenges for both our customers and employees. In 2022 we brought forward our pay review as well as making a one-off payment of £1,250 to support our employees.

SKILLS FOR THE FUTURE

Our employees are demonstrating excellence, constantly learning and adapting to meet our future member needs.

We currently have two apprentices and have supported over 25 employees in gaining their professional qualifications. The Society remains strongly committed to the ongoing learning and development of our people, knowing that we cannot achieve our core purpose without investing in skills and development.

The competency framework puts our values at the heart of the relationship with our employees and over the last year we have strengthened recruitment procedures, hiring for the right values and skills.

This coupled with our quarterly competency review process means we continue to monitor and manage skills progression.

"91% Our people are encouraged to improve their customer skills through training and development."

INSPIRING AND EMPOWERING LEADERSHIP

The Newbury has continued to strengthen its management team to drive forward our ambitious plans. This year Phillippa Cardno succeeded Roland Gardner as Chief Executive and Emma Jones and Dean Scott were recruited into the trusted and experienced Executive Team to lead the People and Product and Marketing teams, respectively.

"98% of our employees say they respect their manager."

A SUSTAINABLE TALENT PIPELINE

We identify, attract and retain diverse talent to meet our future member needs.

As we have emerged from Covid-19 lockdowns, employees' expectations have changed significantly and the UK has experienced a particularly volatile, candidate led job market. The Newbury are proud that we have kept our attrition and retention stable during this period and been able to successfully attract and recruit talent in a difficult and competitive market. Hybrid working, our strong local brand, our attractive culture and our commitment to modernise working conditions continue to be an enabler of this. Internal career progression remains strong with over 25% of vacancies filled internally.

INCLUSION AND DIVERSITY remains at the heart of our people activities, ensuring we have the diversity of background and experiences in order to meet our customer and employee needs.

The Society's Diversity and Inclusion Working party sponsored by our Executives, increase employees' awareness, education and engagement.

The Board recognises the importance of embodying the Society's culture by role-modelling inclusivity and maintaining a diverse composition. This inspires the confidence of employees and members in both the Board's ability to reflect wider societal interests and employ robust decision making.

The Society continues to be committed to promoting diversity of gender, social and ethnic backgrounds, and cognitive and personal strengths when recruiting directors to the Board.

As of 31 October 2022, the Society operates with 17 executives and senior managers, of which 10 (59%) are female.

"86% of our employees believe inclusion and diversity is taken seriously at the Society."

DIGITAL PEOPLE EXPERIENCES

This year we made significant investment in people-focused technology which has improved the employee experience by bringing together our corporate goals, key development activities and pay and benefits into one place. Embracing digital is one of our core Society objectives and we have already begun to see the benefit of an intuitive, self-service, streamlined system on our capacity to focus on adding value where it matters – to our people.

THANK YOU

We thank all colleagues for their outstanding performance, commitment and customer care that they have shown over the last 12 months.

CLIMATE

> The Society's corporate plan recognises the long-term risks of climate change and continues to pursue our green ambition and understanding of climate change risk.

An overview of the Society's approach to climate change risk management is set out below:

VISION	"To be a sustainable business which works in a socially responsible and environmentally friendly way"		
PILLARS	GREENER NEWBURY BUILDING SOCIETY Minimise our own carbon footprint	GREENER HOMES Improve the environmental standard of our borrowers' homes	GREENER LIVES Supporting our branch communities
TARGETS	Carbon neutral status by 2030 on Scope 1 and 2 emissions Green accreditation	Year-on-year improvements in EPC ratings	Support at least one green initiative in each of our branch towns every year

Our climate change strategy has been introduced with consideration of all principal stakeholders.

OUR PEOPLE

- **Facilitate volunteering in green-related community events**
- **Encourage, educate and support our people to improve their carbon footprint**

OUR MEMBERS

- **Improve energy efficiency of homes we help to finance**
- **Provide access to information and resources**

OUR REGULATOR

- **Demonstrate that the Society understands and is managing climate-related risks**
- **Comply with regulatory requirements**

OUR COMMUNITIES

- **Support initiatives to make homes more energy efficient**

During the year the Society commissioned an external assessment of the Society's mortgage portfolio against three climate related scenarios, considering an increase in temperatures from 0.9 to 5.4 degrees centigrade. All scenarios considered the perils of Flood, Subsidence, Coastal erosion, Height above Sea level and an Energy Efficiency policy change over a long range view out to the yar 2060.

The climate risk analysis provided the following insights for the Society:

- The Society has low potential exposure to the impacts of physical risks, even under the most severe (high emissions) climate scenario.
- Transition risks pose a greater potential risk to the Society as the UK moves towards a low carbon economy requiring properties to undergo expensive remediation.
- Modelling of climate change risks remains complex and uncertain. We intend to use the data obtained from the scenario to enhance internal reporting on climate related matters and to repeat the third party assessment periodically.

METRICS AND TARGETS

The Society developed a suite of internal key risk indicators (KRIs) to help support the monitoring of climate risks through relevant internal governance forums. These KRIs will continue to be refined and built out over time, as more data becomes available and new risks emerge.

Energy Consumption

SCOPE			
		2022	2021
1 - Direct emissions	Natural gas consumed (thousand kWh)	114.9	202.3
	Travel with company owned vehicles (thousand kWh)	15.0	15.1
2 - Indirect emissions	Purchased electricity for own use (thousand kWh)	372.2	408.1
Total scopes 1 and 2 energy consumption (thousand kWh)		**502.1**	**625.5**

Emissions assessment

SCOPE	tCO2e		
		2022	2021
1 - Direct emissions	Natural gas consumed and travel with company owned vehicles	28.9	45.3
2 - Indirect emissions	Purchased electricity for own use	72.0	87.6
Total scopes 1 and 2		**100.9**	**132.9**
3 - Indirect emissions	Water consumption, employee business, rail travel, electricity (transmission and distribution) and contractor owned vehicles	54.7	49.0
Total scopes 1, 2 and 3		**155.6**	**181.9**

Notes:

1) t/CO2e means tonnes of carbon dioxide equivalent.

Measurement

Electricity: Kilowatt hours consumed from meter readings.

Gas: Kilowatt hours taken from the utility billing.

Travel: Business miles travelled by size of vehicle and fuel used.

Water consumption: Consumption in cubic metres from meter readings (prior year from estimated usage taken from the utility billing).

2) Scope 3 emissions

Scope 3 emissions data is voluntary and does not incorporate emissions information across the Society's value chain. It is restricted to emissions data on business travel and water consumption only and therefore may be difficult to compare with scope 3 emissions data reported by other organisations.

The Society does not currently purchase carbon offsets but is considering doing so.

WATER AND WASTE CONSUMPTION

Water

The Society monitors its water consumption across its head office and branch properties. Consumption data is derived from monthly meter readings for each property.

	2022	2021
Water consumption (m3)	974	2,630

The reduction in water consumption can be mostly attributed to the remediation of a leaking mains water pipe located underneath one of the Society's branch properties.

Waste

The Society does not currently have data available to report on waste materials across our head office and branch sites, however this is something that we plan to review and will provide an update in future disclosures at the appropriate time.

The Society's annual report and accounts contains more detailed information and disclosures on the Society's approach to climate change risk management.

THE BOARD OF DIRECTORS

> "The Board's role is one of stewardship, running the Society for the benefit of future generations of members, as well as the current members, and therefore promoting the long-term sustainability of the Society."
>
> **Piers Williamson**
> Chairman of the Board

EXECUTIVE 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 a member of the UK Finance Mortgage Product and Service Board.

LEE BAMBRIDGE, Chief Risk Officer
Lee joined the Society and the Board of Directors in July 2007 after nearly two decades in senior positions in the Aerospace industry. He is a Chartered Accountant and a Corporate Treasurer. Lee acted as the Society's Finance Director until February 2018, when he was appointed Chief Risk Officer. Lee is responsible for the Society's Risk and Compliance functions.

DARREN GARNER, Finance Director
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, almost 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 holds executive responsibility for the premises department and, since 1 November 2021, IT and Business Change.

NON-EXECUTIVE DIRECTORS

PIERS WILLIAMSON, Non-Executive Director
Piers was appointed to the Board of Directors in January 2018 and appointed Chairman of the Board on 23rd February 2022. He has more than 35 years' financial markets experience specialising in treasury risk management and is Chief Executive of The Housing Finance Corporation, a mutual company that lends funds to Housing Associations. Piers is also Chair of the Nomination Committee, a member of the Remuneration 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 across different market sectors, business models and structures, leading change programmes and improving performance outcomes. 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 a member of the 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. She has 18 years' experience in leading all aspects of technology and digital in commercial organisations, of which 11 have been spent in financial services. Chris is Chair of the Digital Advisory Panel and a member of the Audit, Remuneration and Nomination Committees.

NAILESH RAMBHAI, Non-Executive Director
Nailesh was appointed to the Board 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 at Coventry Building Society. Nailesh is currently a non-executive director at several organisations, including the Pension Protection Fund, and he is also a trustee of the charity United Way UK (United Kingdom), a network of over 1,800 non-profit fundraising organisations. Nailesh is Chair of the Risk Committee.

WILLIAM ROBERTS, Non-Executive Director
William was appointed to the Board of Directors in February 2015. He is a Chartered Accountant and is Finance Director of Hastoe Housing Association. William has more than 20 years' experience in the property sector and 15 years' experience in the Housing Association sector. William is Chair of the Audit Committee, Chair of the Remuneration Committee and a member of the Nomination Committee.

ALISTAIR WELHAM, Non-Executive Director
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 and Nomination Committees and the Digital Advisory Panel. He attends and advises the Executive-led Sales, Marketing & Product Committee.

EXECUTIVE TEAM

The Executive Team comprises the Executive Directors, introduced on page 22, together with the individuals shown below. Meetings of the Executive Team are chaired by Phillippa Cardno, Chief Executive.

JIM BENDON, Head of IT and Business Change
Jim joined the Society and the Executive team in January 2020. Jim is responsible for delivering the Society's IT and Business change strategy whilst also being accountable for all technology and business change. Jim reports to the Finance Director.

EMMA JONES, Head 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 Head 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. Emma reports to the Chief Executive.

MELANIE MILDENHALL, Head 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 Branch, Mortgage underwriting and Customer Support functions and reports to the Chief Executive.

ERIKA NEVES, Head of Risk and Company Secretary
Erika joined the Society in 1991 and was appointed an Executive in 2002. She is responsible for developing and implementing the Society's Risk Management Framework. Erika leads the Risk Function, is the Company Secretary and reports to the Chief Risk Officer.

DEAN SCOTT, Head of Sales and Marketing
Dean joined the Society in May 2022 after 14 years in product and marketing roles at Nationwide Building Society. Dean leads Society's sales and marketing teams, with responsibility for intermediaries and broker introduced mortgages, direct mortgages and savings and the marketing team, with responsibility for external communications and community initiatives. Dean reports to the Chief Executive.

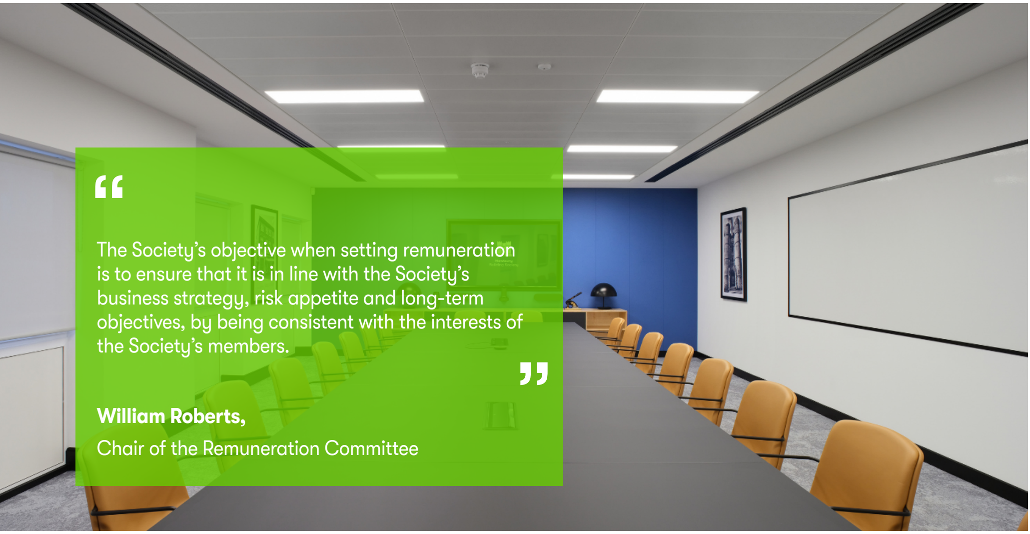
DIRECTORS' ATTENDANCE RECORD

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 meeting for which the directors were eligible to attend.

Board Member	Board	Audit	Risk	Remuneration	Nomination
Non-Executive					
Peter Brickley	3 (3)			*1 (1)*	*1 (1)*
Piers Williamson	11 (11)	*1 (1) A*	4 (4)	4 (4)	4 (4)
Debbie Beaven	8 (8)	3 (3)	*1 (1) A*		
Chris Brown	11 (11)	4 (4)		*3 (3)*	*3 (3)*
Nicola Bruce	1 (1)	*1 (1)*	*1 (1)*		
Fiona Phillips	8 (8)	*1 (1)*	*1 (3)*		
Nailesh Rambhai	2 (2)	*1 (1) A*			
William Roberts	10 (11)	4 (4)		4 (4)	4 (4)
Alistair Welham	11 (11)		4 (4)		*3 (3)*
Executive					
Roland Gardner	4 (4)	*1 (1) A*	*1 (1) A*	*1 (1) A*	*1 (1) A*
Phillippa Cardno	11 (11)	*4 (4) A*	*4 (4) A*	*4 (4) A*	*4 (4) A*
Lee Bambridge	11 (11)	*4 (4) A*	*4 (4) A*	*4 (4) A*	*4 (4) A*
Darren Garner	11 (11)	*4 (4) A*	*4 (4) A*		

A denotes attendee only.

DIRECTORS’ REMUNERATION REPORT



> 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.
>
> **William Roberts,**
> Chair of the Remuneration Committee

This report explains how the Society applies the principles of the UK Corporate Governance Code April 2018 (the Code) 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 2022, all of the Non-Executive Directors and Executive Directors, as well as the other members of the Executive management team, were classified as Material Risk Takers (MRTs) and subject to the Remuneration Code. The Remuneration Committee does not consider that any employees who are not members of the Board or the Executive management team should be classified as MRTs.

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 on pages 28 and 29. 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 performance related pay schemes 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 3.5% of salary based on personal contribution.

2. A three-year medium term incentive plan based on business performance benchmarked against peer group societies and team and individual performance based on strategic development

of the business. This pays a maximum of 15% of salary after three years (equivalent to 5% per annum) and includes a maximum 3% based on individual contribution.

It should be noted that the Remuneration Committee have made the decision to close the three-year scheme at the end of this financial year. A new medium term incentive plan will be in place for the Executives for the next two years that has a stronger link to the deliverables of our corporate plan. This is intended to pay a maximum of 20% over two years and removes the payment for individual contribution in favour of a collective team-based reward.

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 20.25% of salary (before salary sacrifice where applicable) to Executive Directors' private pension arrangements.

Executive Directors receive other benefits comprising private healthcare, death in service and income protection insurance. The Society does not provide concessionary home loans to Directors.

Executive Directors Contractual Terms
Phillippa Cardno, Lee Bambridge 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. Non-Executive Directors chose to forego the recommended increase in 2021 due to the uncertain trading conditions as a result of Covid-19. Their salaries were reviewed twice in 2022 to keep in line with competitors and the Society pay review cycles.

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 senior management, who are considered Material Risk Takers, in consultation with the Chief Executive. These are the Head of Customer Service, Head of Sales and Marketing, the Head of Risk and Company Secretary, the Head of People and the Head of IT and Business Change. 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 senior management 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, Chief Risk Officer and Head 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 and 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 peer comparison and the views of the other Executive Directors. The proposed fees are then approved or otherwise by the Remuneration Committee with the Chair's fees being considered by the Committee in the absence of the Chair.

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 2022 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.

William Roberts, Chair of the Remuneration Committee
21 December 2022

DIRECTORS' REMUNERATION AND TRANSACTIONS

The emoluments for both Executive and Non-Executive Directors totalled £1,007,000 for the year (2021: £1,051,000).

Executive Directors' Emoluments

2022	Salary £000	Performance Related Pay £000 Short Term	Performance Related Pay £000 Medium Term [3]	Taxable Benefits £000	Pension Contribution [1] £000	TOTAL £000
Roland Gardner (retired 8/3/22)	100	-	19	2	-	121
Phillippa Cardno	183	16	19	4	39	261
Lee Bambridge	161	12	13	5	-	191
Darren Garner	163	15	16	1	34	229
TOTAL	607	43	67	12	73	802
2021						
Roland Gardner	243	21	-	5	-	269
Phillippa Cardno	151	17	-	4	32	204
Lee Bambridge	148	12	-	5	-	165
Darren Garner	146	15	-	1	31	193
TOTAL	688	65	-	15	63	831

Notes

1. 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. Roland Gardner and Lee Bambridge, with agreement from the Society, took their pension contributions as salary.

2. Lee Bambridge also received £14,250 (resigned 31/07/2022) (2021: £18,300) from Sovereign Housing Association for his services as a Non-Executive Director.

3. Pro-rata amounts awarded following the early closure of the medium term incentive scheme. See Directors' remuneration report on pages 26 to 28 for further details.

Non-Executive Directors' Emoluments (comprising fees only)

	2022 £000	2021 £000
Peter Brickley (Chairman) (retired 23/2/22)	14	45
Piers Williamson (Chairman)	44	31
Debbie Beaven (appointed 1/2/22)	22	-
Chris Brown	29	28
Nicola Bruce (appointed 1/11/21) (retired 31/1/22)	7	-
Sarah Hordern (resigned 31/10/21)	-	31
Fiona Phillips (appointed 1/11/21) (retired 30/6/22)	21	-
Nailesh Rambhai (appointed 26/9/22)	4	-
William Roberts	35	31
Zoe Shaw (resigned 5/10/21)	-	26
Alistair Welham	29	28
TOTAL	205	220

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 (2021: £nil) representing loans to none (2021: none) person. 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.

DIRECTORS' REPORT

DIRECTORS

The following served as Directors of the Society during the year and to the date of this report.

Non-Executive directors	
Peter Brickley	Resigned as Chairman 23 February 2022
Piers Williamson	Chairman (from 23 February 2022)
Debbie Beaven	Appointed 1 February 2022
Chris Brown	
Nicola Bruce	Resigned 31 January 2022
Fiona Phillips	Resigned 30 June 2022
Nailesh Rambhai	Appointed 26 September 2022
William Roberts	
Alistair Welham	
Executive directors	
Roland Gardner	Resigned as Chief Executive 8 March 2022
Phillippa Cardno	Chief Executive (from 9 March 2022)
Lee Bambridge	Chief Risk Officer
Darren Garner	Finance Director

Biographies of the Directors appear on pages 22 and 23 and their attendance at meetings of the Board and Board Committees is set out on page 25.

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 with the exception of Debbie Beaven and Nailesh Rambhai who are standing for election, having both been appointed to the Board since the last AGM.

OTHER MATTERS

CREDITOR PAYMENT POLICY

It is the Society's policy to pay suppliers within agreed terms providing the supplier performs as according to the terms of the contract or agreement. The number of creditor days at 31 October 2022 was 12 (2021: 13).

CHARITABLE DONATIONS

During the year charitable donations of £187k were made to a number of organisations (2021: £63k).

POLITICAL DONATIONS AND GIFTS

The Society has not made any political gifts or donations in the year to 31 October 2022 (2021: £nil).

EVENTS SINCE THE YEAR-END

The Directors do not consider that any event since the year end has had a material effect on the financial position of the Society as disclosed in the Annual Accounts.

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.

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 2023. A resolution for their appointment will be proposed to the forthcoming Annual General Meeting of the Society.

GOING CONCERN

The Directors are required to consider whether the Society will continue as a going concern for a period of twelve months from the signing of the accounts. In making the assessment the Directors have reviewed the Society's 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 high inflation and rising 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.

PILLAR 3 DISCLOSURES

The Society is required to set out its capital position, risk exposures and risk assessment processes in its Pillar 3 disclosures document. These are available on the Society's website.

Piers Williamson, Chairman
21 December 2022

RISK MANAGEMENT REPORT

> The Society has a cautious risk appetite across all its principal risks except for conduct risk where the appetite is risk averse.
>
> **Nailesh Rambhai**
> Chair of the Risk Committee

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 an Executive Director on the Board, 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 normal 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 which is reviewed by the Risk Committee and, where considered necessary, actions are implemented.

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 below 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 risk 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
Strategic risk The risks resulting from the Society's strategic decisions which have the potential to reduce the Society's profit levels and contribution to capital, thereby threatening the financial strength of the Society. In particular, it is the risk on the Society's business model and strategic objectives as a result of macroeconomic, regulatory, political or other factors.	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.		The risk profile is increasing due to economic unpredictability which has seen a sharp increase in inflation, resulting in a cost of living challenge for our members and the expectation of recession. During the year the Board has: • reviewed the Society's strategy and confirmed it remains appropriate. The strategy is reflected in the Society's latest corporate plan which was reviewed by the Board and 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.
Credit risk Credit risk is the risk that mortgage loan customers or treasury counterparties default on their obligation to repay the Society.	Mortgage credit risk is controlled in accordance with the Board-approved Lending Policy which is aligned with a cautious risk appetite. Lending is done on prudent terms, is maintained within carefully controlled limits and is subject to regular Credit Committee and Board reviews. 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. 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. 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.		The risk profile has been stable during most of the year with low levels of mortgage arrears and forbearance. However the current cost of living challenge is expected to result in more households struggling to meet monthly costs, including their mortgage, therefore the risk profile is increasing. During the year the Board: • 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. During the year the Society has continued to proactively manage arrears and provide forbearance to members with payment difficulties.

Risk and impact	Mitigation	Movement in risk profile	Progress
Liquidity risk 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.	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. 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. 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.		The risk profile has remained stable during the year. Over the past year the Risk Committee has: • reviewed and recommended the Treasury Policy to the Board for approval. • reviewed and recommended the ILAAP to the Board for approval. • developed the portfolio of liquidity stress tests to ensure all aspects of liquidity risks remain appropriately addressed.
Legal and Regulatory risk 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.	Legal and Regulatory change is closely monitored and reported to the Executive Committee and Board. Horizon scanning for legal and regulatory change is well embedded to ensure timely changes are made to any announced changes of law or regulation.		The risk profile has remained stable during the year. During the year all relevant legal and regulatory changes have been successfully implemented. This includes the implementation of the new Operational Resilience requirements, effective from March 2022.
Market risk 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.	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 administered interest rates. To mitigate the risks associated with non-administered assets, hedging contracts are used in accordance with the Board-approved Treasury Policy. Market risk is regularly reviewed by the Assets & Liabilities Committee.		The risk profile has increased during the year due to the volatility of rates within the market. The 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.

Risk and impact	Mitigation	Movement in risk profile	Progress
Operational risk 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.	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, actions, horizon scanning and controls testing. 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). 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 key business services. 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 Operations 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.		The risk profile has remained stable during the year. 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. In respect of systems security, over the past year the Society has continued to strengthen its defences. The following are examples of the actions taken: • deployed multi-factor authentication • implemented additional controls to minimise the risk of cyber attack via email • introduced a more secure VPN client • conducted regular phishing tests to raise employee awareness of the risk The Operational Resilience Framework development continued during the year and the Board confirmed it met the new regulatory requirements in March 2022.
Conduct risk Conduct risk is the risk of developing systems, behaviour and attitudes within the Society which do not deliver fair customer outcomes, or which create an environment which does not result in employees being open, honest, and doing the right thing. This can result in the risk of reputational loss, customer redress or regulatory fines.	The Society is committed to treating customers fairly 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. The implementation of the new Consumer Duty, due in 2023, is being overseen by the Board.		The risk profile has remained stable during the year. Over the past year the Society has continued to support borrowers, including those affected by the cost of living with suitable forbearance options. The Board approved the Consumer Duty implementation plan. 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. In 2022 the Society's Institute of Customer Service accreditation was independently reviewed and the Society achieved distinction level.

RISK OUTLOOK

Last year's report noted the ongoing risk of Covid-19 on the country and the potential impact on a number of the Society's principal risks. These risks did not develop in any material way. Forthcoming senior management changes were also noted, but the mitigating actions put in place at the time have resulted in a smooth transition to the new Management team.

Heading into the new financial year the Society faces a number of new challenges. Timely identification and monitoring of these emerging risks enables the Society to take steps to mitigate against the emerging threat. The Society has identified a number of risks which may have a future impact on the Society. These include:

Macro-economic conditions including a recession, continued high levels of inflation and higher interest rates than have been experienced in recent times, leading to house price corrections and increased borrower difficulties in making repayments. 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 below 28%. A key factor in repayment difficulty relates to employment being maintained. The latest OBR forecasts indicate that unemployment will peak at 4.9% during 2024, before returning to 4% during 2027. It is expected that the Society is likely to see an increased level of arrears and forbearance arrangements.

Business model development for 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 and a competency framework to mitigate these risks.

Climate change. The Society also 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. The Society recognises two key risks - physical and transitional:

- Physical risks relate to specific weather events such as flooding, or longer-term events such as rising sea levels. A key element of this risk is to property, both the Society's own properties and properties held as security for lending. This year the Society commissioned an updated report to assess the risks to the mortgage portfolio from climate change. This did not highlight any concerning areas of risk within the portfolio, although it may lead to changes to lending policy and pricing strategy.
- Transitional risks can arise from the process of adjustment towards a low-carbon economy. This could lead 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. It may also impact property held as security, for example the energy efficiency expectations of mortgaged properties.

The Society is increasingly mindful of these risks when making business decisions. The Finance Director has responsibility for monitoring climate change risk at an operational level, with oversight provided by the Risk Committee.

Further information on the Society's approach to climate change risk management can be found on pages 20 to 21.

Nailesh Rambhai, Chair of the Risk Committee
21 December 2022

SUMMARY FINANCIAL STATEMENT

This Financial Statement is a summary of the information in the Audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand from all Newbury Building Society offices from 1 February 2023 or can be downloaded from www.newbury.co.uk from 3 January 2023.

> "The financial performance of the Society for the year ended 31 October 2022 represents another year of mortgage growth and further strengthening of the Society's capital position following a profit after tax of £11.8m, a record for the Society."
>
> **Darren Garner**
> Finance Director

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 ad prospective and continued investment in infrastructure to provide outstanding service and support to members under all economic conditions.

		2022	2021
Balance sheet	**Assets**	£1.45bn	£1.40bn
	Loans to Customers	£1.09bn	£1.06bn
	Retail Shares and Deposits	£1.17bn	£1.15bn
Operating performance	**Management Expenses** as a % of Mean Total Assets	0.90%	0.94%
	Interest Margin as a % of Mean Total Assets	1.60%	1.37%
	Mortgage Arrears - on accounts two months or more in arrears	£0.15m	£0.15m
	Profit After Tax	£11.8m	£6.0m
Financial strength	**Regulatory Capital**	£102.2m	£89.9m
	Total Capital Ratio	22.0%	20.9%
	Liquid Assets as a % of Shares and Borrowings	24.3%	24.5%
Members	**Members** - numbers	73,698	73,854
	Mystery Shopping - % score achieved	92%	94%
	Complaints - as a % of members	0.08%	0.07%

OVERVIEW OF INCOME STATEMENT

The Society's profit after tax as a percentage of mean total assets increased from 0.46% in 2021 to 0.83% in 2022, as profits increased from £6.0m to £11.8m, a record for the Society. The increase in profits reflect an improvement in net interest margin, driven in part by greater returns from the Society's liquid assets, together with further gains on derivatives transacted to hedge interest rate risk following the increases in Bank Rate and market expectations for future increases.

NET INTEREST INCOME

Net interest income increased to £22.8m (2021: £17.9m). Interest received increased by £9.4m driven by a £2.9m increase in earnings on the Society's liquid assets and a £3.9m increase in mortgage interest receivable following a 4.0% growth in average assets and following increases in the Society's standard variable rate (SVR). The Society also experienced a decrease in the net cost of derivatives hedging fixed rate mortgages as the variable rate of interest received from the derivatives increased in line with changes to Bank Rate.

Interest expense increased by £4.5m to £11.7m (2021: £7.2m) as the Society increased rates paid on savings and deposit balances and as the rate payable on the Society's TFSME borrowings increased in line with Bank Rate.

NET INTEREST MARGIN

The Society's interest margin increased by 0.23% to 1.60% as the Society's assets and liabilities repriced into a rising interest rate environment. As Bank Rate increased from 0.1% to 2.25% at 31 October 2022 the Society sought at all times to strike an appropriate balance between rewarding savers with fair and sustainable rates whilst insulating borrowing members from the sharpest rises and protecting the Society's competitive positioning and over the year has increased savings rates by more than the increase in mortgage rates. Following the 0.5% increase in Bank Rate announced on 28th September 2022 the Society increased savings rates effective from 11th October whilst delaying any increase in SVR until early November 2022. With further increases in rates expected the Board will continue to take a balanced view in the best interest of the Society and its members.

A reduction in the net interest cost of derivatives and increase in the rates earned on the Society's liquid assets both referred to above also contributed to the improvement in net interest margin. Maintaining margin remains an important element of the Society's financial strategy. The Board anticipates a reduction in margin next year through a continuation of pressure on mortgage pricing and an expectation of intensified competition for retail deposits 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 gains on derivative financial instruments of £4,661k (2021: fair value gains of £1,526k).

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 mortgages and savings 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. 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 increases in Bank Rate, together with consumer concern over rising mortgage rates resulted in strong and concentrated demand for fixed rate mortgages. The Society hedges the interest risk associated with these products through derivatives however these are typically transacted before the mortgage completes. Throughout August and September, as the financial markets reacted to inflationary fears and fiscal policy announcements, the fair value of the derivatives increased significantly with no corresponding offset, a position further compounded by mortgages taking longer to complete.

These movements represent timing differences and are expected to reverse over the remaining life of the derivatives and be reflected in lower net interest charges in future periods.

MANAGEMENT EXPENSES

Management expenses comprise of staff costs together with all other costs and overheads necessary for the Society to function. Together with depreciation and amortisation they comprise the total operating costs for the Society.

The Board fully recognises that controlling costs is vital for the Society's competitive position in the marketplace. At the same time it remains strategically critical to continue to invest to ensure the sustainability and safety of the Society and to meet competitive challenges.

In total management expenses increased by £578k (4.7%) during the year:

Administrative expenses increased by almost £0.9m. Staff costs, which represent over half the Society's total costs, increased by 8.9%, reflecting growth in average headcount and pay awards made during the year, including a one-off cost of living payment of

£1,250 made to each employee (excluding directors) in October 2022. Of the £0.3m increase in other costs this can be attributed to a combination of additional costs notifying members of rate change decisions, costs associated with the refurbishment of the Newbury branch and additional community donations.

Despite closely monitoring and managing costs the Society cannot fully insulate itself from the impact of high inflation as the costs of goods and services increase and as the Society takes actions necessary to ensure salaries paid to its employees remain fair and sufficiently competitive in the prevailing economic climate.

Administrative expenses also includes any profits and losses from the disposal of fixed assets and any revaluation gains and losses. For the current financial year a gain of £38k primarily represents the gain on the sale of the unoccupied floors of the Society's branch premises in Thatcham, Berkshire. A gain of £81k was reported in the previous financial year for profits on the disposal of the Society's former branch premises in Abingdon, Oxfordshire, partially offset by the write off of property, plant and equipment assets disposed of with the sale of the Society's former Head Office. Net revaluation gains of £26k (2021: £nil) are in respect of the Society's freehold properties.

The reduction in charges for depreciation and amortisation arises following the change in accounting treatment to no longer classify certain types of software expenditure as intangible assets subject to amortisation charges and following the revaluation of the Society's freehold properties and property disposal referred to above. There has also been no material growth in fixed assets during the year, with the majority of additions taking place in the second half of the financial year and therefore not subject to a full year's charge.

The year ended 31 October 2021 also included a charge of £128k in respect of an unoccupied portion of the Society's head office which is available for commercial rental. This is now classified as an investment property.

The increase in total management expenses was proportionately less than growth in the Society's average total assets, resulting in an improvement to the management expenses ratio from 0.94% to 0.90%.

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 2022 there was an impairment charge of £68k (2021: credit of £440k).

The total amount set aside for loan impairment has increased by only £68k, despite growth in mortgage balances of £43.2m (4.0%). This can be attributed to a combination of increased house prices, further improvement in the underlying arrears performance of the Society's mortgage assets (covered in arrears section) and a lower level of assumed defaults.

In determining the amount of provision, whilst it is assumed that no further pandemic-related forbearance will be required, it is assumed that there will be an economic downturn with a rise in unemployment and a decline in property prices against a backdrop of inflationary pressures for households and rising interest rates leading to a greater number of loans being identified as impaired.

At 31 October 2022 there were 26 accounts (2021: 34) where clients were benefitting from a forbearance action such as temporary interest only concessions, payment plans or reduced payment concessions. Forbearance cases represent total outstanding capital balances of £2.7m (2021: £4.9m).

MORTGAGE ARREARS

The value of arrears for cases more than two months in arrears remained at £0.15m (2021: £0.15m) with the number of borrowers in this category decreasing from 42 to 34 accounts. There were 8 cases in serious arrears of twelve months or more at our year-end (2021: 7 cases). The total amount of arrears outstanding on these accounts was £64k (2021: £65k) and the aggregate balances were £560k (2021: £555k).

The Society's arrears and possession statistics 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 seeking to ensure 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 underwriting processes over many years.

The low arrears position at 31 October 2022 reflects the macro-economic environment that has persisted for most of the financial year with low interest rates and low unemployment supporting the continued servicing of mortgages. However it is recognised that the full impact of the high inflation and the cost of living crisis may not yet be fully reflected in arears and possession statistics and it is highly likely that the Society may see an increase in borrowers experiencing a squeeze on household incomes.

As a responsible lender, and as demonstrated through the Covid-19 pandemic, the Society is ready to assist and support members experiencing difficulty servicing their mortgage.

At 31 October 2022 the Society had one property in possession (2021: none).

TAXATION

The Society's corporation tax charge for the year ended 31 October 2022 of £2,628k (2021: charge of £1,635k) represents an effective rate of 19% (2021: 21.4%).

OVERVIEW OF STATEMENT OF FINANCIAL POSITION

Total assets increased by £52.3m (3.7%) (2021: £167.5m, 13.6%) and at 31 October 2022 stood at £1,453m. The increase was principally due to a £43m increase in mortgage balances and a net, combined increase of £8m in the fair value of derivatives and fixed rate mortgages.

As the primary source of capital generation for the Society profits of £11.8m 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.

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 increased to £320.9m (2021: £319.9m) including £304m held in the form of deposits placed at the Bank of England (2021: £314m) and £5m as UK Government Treasury bills, (2021:£nil). As a percentage of shares and deposits liquid assets decreased to 24.3% (2021: 24.5%). The increase in liquidity arose as outflows associated with mortgage growth and operating expenses were more than offset by growth in savings balances and a £22m increase in cash deposited with the Society by swap counterparties as collateral in accordance with the terms of derivative contracts.

The two key measures of liquidity introduced under CRD are the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR'). As at 31 October 2022 the Society reported an LCR of 311% (2021: 372%) and a NSFR of 156% at the quarter ended 30 September 2022 (2021: 154%), both measures significantly in excess of minimum regulatory requirements.

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 £212m compared with £214m achieved in the year to 31 October 2021.

A continued focus on retention activities helped the Society report net lending of £43m (2021: £54m), including the impact of mortgage repayments, voluntary redemptions and other movements. Stated after provisions and fair value adjustments, loans and advances to customers totalled £1,094.2m (2021: £1,064.4m).

Strong demand for the Society's range of standard residential owner-occupied products and affordable housing products accounted for 91% of gross lending and 112% of net lending.

The Society's book remains very high quality with an average indexed loan to value of 28% (2021: 30%) with less than 0.4% (2021: 0.9%) 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 over 71% of the mortgage assets within the South East and London geographical areas (2021: 73%).

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 2022 retail savings and deposit balances increased by £21.0m (2021: £109.6m) taking the Society's total shares and deposits balances to £1,172.7m (2021: £1,151.7m), with the Society's ISAs, Senior Saver and Existing Member Account products showing highest balance growth. Whereas the larger net inflow recorded last year was considered representative of the more widespread impact of Covid-19, with the personal finances of many members boosted by reductions in spend on discretionary items, this year's inflow was achieved against a backdrop of rising inflation and a UK-wide cost of living crisis impacting savers' ability to grow balances.

Over the forthcoming financial years the Society is looking to accelerate growth in its stock of shares and deposit balances to fund planned mortgage growth over the medium term and repayment of remaining amounts borrowed from the Bank of England under the TFSME scheme.

WHOLESALE FUNDING

It is critical that the Society 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. During the year ended 31 October 2021 the Society refinanced its TFS borrowings onto TFSME, drawing down an additional £58.6m to end the year with £155m. Amounts borrowed under TFSME mature between April 2025 and October 2025 however the Society repaid £5m in October 2022 and its growth and funding plans assume a further phased repayment profile continuing in 2023 and up to contractual maturity dates.

The Society has previously accessed funding from other financial institutions and local authorities with typical repayment profiles of up to one year however the Society had no requirement for such funding during the year.

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 (see page 31) 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 2022 have contributed to an improvement in capital and capital ratios.

After regulatory deductions, the Society's regulatory capital stood at £102.2m at 31 October 2022 (2021: £89.9m).

The increase of £12.4m comprised of retained earnings for the year, together with a decrease in amounts held in the revaluation reserve following updated valuations of the Society's freehold premises, offset by a smaller deduction for intangible assets.

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. The Society's CET1 increased from 20.5% at 31 October 2021 to 21.7% at 31 October 2022.

FUTURE OUTLOOK AND UNCERTAINTIES

The risk management report on pages 31 to 35 set out the principal risks and uncertainties faced by the Society.

OUTLOOK

As reported above, profitability was a record for the Society. It also ended the year with its highest ever pipeline of mortgage business however this was partly due to mortgage completion activities taking much longer than for previous years. The large pipeline of business should support mortgage growth for the financial year ending 31 October 2023 however this is set against a backdrop of considerable uncertainty with regards the outlook for the UK economy. In the immediate term, the ultimate peak for Bank Rate remains uncertain as does the pace with which it is reached. Coupled with high inflation these conditions will increase the challenges on borrowing members and also have implications for UK mortgage lending more generally leading to house price reductions and possibly a slowdown in activity. The risk of higher unemployment will further compound the situation.

Piers Williamson, Chairman

Phillippa Cardno, Chief Executive

Darren Garner, Finance Director
21 December 2022

SUMMARY FINANCIAL STATEMENT

	2022 £000	2021 £000
Society results for the year		
Net interest receivable	22,795	17,948
Other income and charges	(15)	49
Net gain on derivatives	4,661	1,526
Administrative expenses	(12,936)	(12,328)
Impairment of loans and advances to customers	(68)	440
Profit for the financial year before taxation	14,437	7,635
Taxation	(2,628)	(1,635)
Profit for the year	11,809	6,000
Group financial position at the end of year		
Assets		
Liquid assets	320,862	319,890
Derivative financial instruments	24,183	3,639
Loans and advances to customers	1,094,211	1,064,427
Fixed and other assets	14,150	13,196
	1,453,406	1,401,152
Liabilities		
Shares	1,139,837	1,118,616
Borrowings	183,148	188,072
Derivative financial instruments	189	561
Other liabilities	29,457	5,127
Reserves	100,775	88,776
Total reserves and liabilities	1,453,406	1,401,152

Key financial ratios	%	%
Gross capital as a percentage of shares and borrowings (note 1)	7.62	6.79
Liquid assets as a percentage of shares and borrowings (note 2)	24.25	24.48
Profit for the year as a percentage of mean total assets (note 3)	0.83	0.46
Management expenses as a percentage of mean total assets (note 4)	0.90	0.94

Piers Williamson
Chairman

Phillippa Cardno
Chief Executive

Darren Garner
Finance Director

21 December 2022

NOTES TO THE SUMMARY FINANCIAL STATEMENT

1. The gross capital ratio measures the Society's capital as a proportion of its shares and borrowings. The Society's gross capital consists of general reserves and revaluation reserve which have been accumulated over many years.
2. The liquid assets ratio represents the total of cash, deposits and government securities held by the Society as a proportion of the Society's shares and borrowings. Liquid assets are held by the Society for prudential purposes in order to meet investor withdrawals from their accounts, make mortgage advances to borrowers and to fund general business activities.
3. Profit for the year as a percentage of mean total assets represents the Society's profit for the year (after tax) as a proportion of the average total assets held during the year.
4. The ratio of management expenses to mean total assets is one of a range of ratios, widely used in the industry, to measure administrative efficiency.
5. An Audit Report is included in the Annual Report & Accounts.

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

We have examined the Summary Financial Statement of Newbury Building Society for the year ended 31 October 2022 which comprises the summary Income Statement and Statement of Financial Position together with the summary Directors' Report.

Respective responsibilities of directors and auditor

The directors are responsible for preparing the Summary Financial Statement, in accordance with applicable United Kingdom law.

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

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

Basis of opinion

Our examination involved agreeing the balances in the Summary Financial Statement to the full financial statements, Annual Business Statement and Directors' Report. Our report on the Society's full financial statements describes the basis of our audit opinion on those full financial statements.

Opinion on Summary Financial Statement

In our opinion, the Summary Financial Statement is consistent with the full financial statements, the Annual Business Statement and the Directors' Report of Newbury Building Society for the year ended 31 October 2022 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with Section 76(5) of the Building Societies Act 1986. Our 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, for our audit report, or for the opinions we have formed.

Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom
21 December 2022

NOTICE OF THE 166TH ANNUAL GENERAL MEETING

Date: Thursday 23 February 2023
Time: 11:00am
Place: Donnington Valley Hotel, RG14 3AG

Members need to pre-register their attendance at the AGM by visiting https://www.newbury.co.uk/ about-us/corporate-governance/ or by contacting their local branch. The deadline for registration is 3pm on Tuesday 21 February 2023. The meeting will commence at 11.00am on Thursday 23 February 2023 for the following purposes:

1. To receive the Auditor's Report, the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 October 2022.

2. To consider and if thought fit pass an Ordinary Resolution to re-appoint Deloitte LLP as the Society's Auditor, to hold office until the conclusion of the next AGM at which accounts are laid before the Society, and for its remuneration to be fixed by the Directors.

3. To consider and if thought fit pass Ordinary Resolutions to re-elect Lee Frederick Bambridge, Christine Margaret Brown, Phillippa Cardno, Darren Lee Garner, William Jeremy Mostyn Roberts, Alistair Richard Norton Welham, and John Piers Williamson, and to elect Deborah Jane Beaven and Nailesh Kantilal Rambhai as Directors of the Board.

4. To consider and if thought fit pass an Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 31 October 2022 (see f below).

VOTING CONDITIONS (FORMING PART OF THE NOTICE OF THE MEETING):

a) A Member may attend and vote at the Annual General Meeting as described above. Members must bring evidence of their Membership to gain admission. This must be a current passbook, mortgage statement, or documentary evidence with their name and address.

b) A Member may appoint one proxy to attend and vote on their behalf. A Member may appoint the Chair of the meeting or anyone else as their proxy. A proxy does not have to be a Member of the Society. A proxy may vote at the meeting, but only on a poll. A proxy must attend the meeting and bring a form of identification to vote on behalf of a Member. A proxy, if other than the Chair, may not speak at the meeting except to demand or join in a poll. A Member may instruct their proxy how to vote at the meeting by following the instructions on the Proxy Voting form. If you appoint a proxy to vote on your behalf and your proxy does not attend the meeting, your vote will not be counted.

c) To qualify as a voting shareholding Member, you must be an individual of at least 18 years of age on 23 February 2023; have held at least £100 in any Society share account on 31 October 2022; continue to hold shares at all times up to and including the voting date; and be first named on the account in the records of the Society.

d) To qualify as a voting borrowing Member, you must be an individual of at least 18 years of age on 23 February 2023; have held a mortgage with the Society to the value of at least £100 on 31 October 2022; hold a mortgage with the Society to the value of at least £100 on the voting date; and be first named on the account in the records of the Society.

e) You may only vote once as a Member, irrespective of the number of accounts you hold, whether you hold accounts in different capacities and whether you qualify to vote as both a shareholding and borrowing Member.

f) Resolution 4 in this Notice of Meeting relates to a resolution for Members to vote on the Directors' Remuneration Report for 2022 set out on pages 26 to 28 of this booklet. As a building society, we are not obliged to ask Members to vote on this, but in accordance with best practice we are asking for an advisory vote and the Board will consider the result and decide what action if any is appropriate.

g) The deadline for postal or online votes is 3pm on 21 February 2023.

By Order of the Board
Erika Neves – Society Secretary
24 January 2023

Notes: The Board considers that all Directors continue to have the required skills, knowledge and experience and demonstrate the necessary commitment to their roles. Biographical details of the Directors standing for election or re-election are included on pages 22 to 23 of this booklet.

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