Annual Report & Accounts

Year ended 31 October 2023

Newbury
Building Society

Our performance **highlights**

£275m
Gross mortgage lending
2022: **£212m**

£7.3m
Profit after tax*
2022: **£11.8m**

Employer of the year award
(awarded by Newbury Weekly News)

£149m
Savings balances growth
2022: **£21m**

20.8%
Total capital ratio*
2022: **22.0%**

£120k
Charitable donations
2022: **£187k**

*Key performance indicators (KPIs). For information on how these are calculated please see page 34.

Inside this report

Strategic report

Governance

Financial statements

Other information

Chairman's statement

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I am pleased to report that the Society 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.

Piers Williamson
Chairman of the Board

I am pleased to report the Society, in its 166th year, has delivered another strong performance despite the challenging economic environment we have had to trade in. Our core purpose of helping our members build sustainable futures through the Society being the trusted provider of mortgages and savings in our communities has led to improved asset growth, a solid profit performance, and a strong capital position, something which has characterised so many of our recent performances. Furthermore, strong attention to delivery excellence and customer service, improving our digital capabilities, and looking after our people remained a key focus.

As with our previous financial year, domestic and global economic volatility together with significant inflationary pressures, interest rate rises leading to cost-of-living challenges continued to dominate the market we operate in and contributed to a year of uncertainty. In addition, whilst the Covid-19 pandemic was largely behind us when we started the financial year, the aftermath of the Government's 'mini budget' in September 2022 was not. The Society managed to navigate through the turmoil and both savers and borrowers were sheltered as far as possible from the fallout.

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.

Market conditions

Mortgages

The housing market has not been immune to the effects of higher interest rates and cost-of-living pressures with house prices declining month on month throughout the year, and the average annual house price reported as falling by the end of the financial year. With potential homeowners pausing decisions to purchase, sellers having to reduce prices to ensure a sale, the UK property market is dampened and is likely to continue to be so in the short to medium term. High interest rates resulting in affordability pressures are the main driver for this property downturn.

Despite this backdrop, which unfolded during our financial year and remains current today, the Society achieved an exceptional mortgage growth performance of 11.6% (2022: 4.0%).

What is notable about this year's performance is that with rapid increases in Bank Base Rate and the market reaction to the 'mini-budget' many lenders were forced to withdraw fixed rate mortgage products at the start of our year. This led to the Society attracting enquiries and applications on variable rate products at record levels, therefore, we entered our financial year with a strong pipeline of mortgage business. Throughout the year the Society took opportunities as they arose and continued to lend in business streams we specialise in. In the final months of the financial year with falling inflation and interest rates no longer rising rapidly, and with the market flattening, operating conditions became tougher.

The outlook for the housing market is uncertain, and with low economic growth, there remains a possibility the UK will enter into recession in 2024 as household spending remains squeezed by a longer and more sustained period of higher interest rates and potentially higher unemployment. The Society will continue to remain cautious in its plans and activities but take opportunities as they arise during our new financial year.

Savings

During the year, the Society's ability to raise retail funding through its branch network and online services accelerated, with balances increasing by almost £149m including capitalised interest (2022: £21m). As a result of the strong performance, I am pleased to report the Society was able to repay a further £65m of the Society's Bank of England's Term Funding Scheme (TFSME) borrowings, with the remainder of the funding (£85m) due to be repaid by October 2025.

We entered the year with higher levels of liquidity than we would normally hold, representing 24.3% of total savings and deposits liabilities boosted by swap collateral receipts. During the year we utilised the excess on TFSME repayment and on mortgage growth, ending the year with 19.9% liquidity, which is in line with our strategic plans to continue to repay central bank funding and grow our mortgage book.

We reacted to market changes and increased rates for all savers whilst balancing the need to protect mortgage borrowers. Both existing and new savers benefitted from a suite of products to meet their needs, and after more than a decade of a low interest rate environment, customers started to see a return on their savings.

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. Our 'Customer First' Approach remained front and centre in our thinking and activities. Last year we were awarded a Customer ServiceMark Accreditation with 'distinction' by the Institute of Customer Service (ICS) and remain the only building society in the country to have this accolade. We are immensely proud of this achievement, and it is testament to our strong customer centric culture and how helping you, our members, meet your financial needs, is part of our core existence. As part of our membership of ICS they conduct surveys with our members to inform us as to how we can improve our customer service and better serve our members. At the time of writing, surveys are being conducted, and we expect to publish the findings early in 2024.

With rising interest rates through the year, we were very aware of ensuring our mortgage borrowers were fully supported and in addition to providing a range of forbearance options, we signed up to the Government's voluntary Mortgage Charter that provides more reassurance to borrowers that we are here to help them through payment worries.

In July 2023 the Society implemented phase 1 of the Financial Conduct Authority's (FCA) 'New Consumer Duty' which provides higher standards in firms to ensure they 'act to deliver good outcomes for retail customers'. We have evidenced good customer outcomes for many years and this duty strengthens our customer proposition. We will continue to build on the framework during 2024.

2022-23 has not been an easy year for many in our communities with cost-of-living pressures continuing to bite. We remained committed to providing support through our charity partners with volunteering, sponsorship and fundraising activities. We provided £42k of financial support to our communities following on from the £135k provided in 2022, being the Society's 165th year. We also make an annual donation to our member's preferred charities through our Charity Savings Account and this year paid £78k (2022: £52k).

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.

The non-executive and executive director changes to our Board in 2022 are now fully embedded and I am pleased to report that we continue to be a strong, cohesive and member focussed Board.

During the year we said goodbye to Lee Bambridge who retired from the Society in May after nearly 16 years. Lee started his career at the Society as Finance Director in 2007 just before the global financial crisis and steered us through the credit crunch period and the volatility and market disturbance the crisis brought, with great professionalism and expertise. Lee stayed in this role for 10 years and under his leadership built strong Finance and Treasury teams, and contributed to the Board's strategy which resulted in the excellent performance the Society has enjoyed for many years. In recent years he was our Chief Risk Officer and centralised our Risk and Compliance function and made it the effective and capable function it is today.

The Board thanks Lee for his loyalty and commitment to the Society over many years and wishes him well in his retirement.

Conclusion

The challenges we face are many as we move towards gloomier economic waters (both domestically and globally), with low economic growth, the possibility of a recession, a depressed property market, a prolonged higher interest rate environment and political uncertainty, to name but a few. The need to continue to support our members and communities remains at the heart of what we do, and the Society remains 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 2023

Chief Executive's review

"My colleagues have worked exceptionally hard to provide our members with a level of care and attention you expect and deserve. 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

Summary

The Society's performance in 2022/23 has been remarkable despite the turbulent trading conditions we have had to operate in during the financial year. Balancing the needs of savers, borrowers, and our people simultaneously is at the centre of who and what we are. To achieve the right balance against a backdrop of a cost-of-living burden, a property downturn and responding to a fast-moving interest rate environment, which we have not experienced for many years, has been both challenging and rewarding for the Society.

Reflecting on this year's performance, I am enormously proud that the Society has not only successfully navigated through the challenges and taken opportunities when they have arisen, but that we have once again strengthened our financial standing for our future. My colleagues have worked exceptionally hard to provide you, our members, with a level of care and attention you expect and deserve. We have continued to provide excellent customer service and support to our customers, whether they be a saver or a borrower, and I sincerely thank each and every one of our people for their contribution to what is another successful year for the Society.

Business performance

From a business results and development perspective, this has been a successful year for the Society. Given the difficult 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 support the Society's capital base and grow the balance sheet.

There have been thirteen Bank Rate changes implemented by the Bank of England since December 2021 totalling 5.00% and therefore Bank Rate now stands at 5.25% (since 3 August 2023), in an effort to address inflation. The last time the Bank Rate was as high as 5.25% was March 2008 and many of our customers and employees have never experienced a rising interest rate market. With all rate change decisions, we carefully consider the needs of both our savers and borrowers, and the need 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. Looking after both borrowers and savers in a fast-changing interest rate environment has been a key focus of the Society throughout the year.

Since December 2021 we have passed on 3.51% of the total 5.00% bank base rate move to our saving members, rewarding our existing members but also ensuring we have attractive product offerings to engage new members. At the time of writing our average savings rate is currently 4.11%. We continue to apply a principle of equal pricing for savings products regardless of whether customers use our branch or online service. This year we have paid out £30m more interest to our savings members than we did in the previous year, around £11.5m more than the increase in interest charged to borrowers, demonstrating the principled approach we have taken to interest rate decisions and supported by our financial strength.

With regard to customers with mortgages, we responded to Bank of England decisions by enacting nine changes to our mortgage standard variable rate. We have not had to contend with such rapid rate movements from both a strategic and operational perspective since 2009. We have sought to protect our existing borrowers and have, in total, passed on only 3.05% of the 5.00% bank base rate moves during the course of the year and our standard variable rate sits in the lowest rate quartile compared to other financial services organisations.

Mortgages

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.

Our focus on helping first-time buyers through Affordable Housing schemes, with Shared Ownership through Housing Associations being our particular specialism, whereby our borrower purchases up to 75% of the property and rents the remainder at a below private market rent remained a key strand of our lending strategy, albeit market conditions make it harder to operate in this specialism. 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.

As the Chairman has mentioned, we started the financial year with a strong pipeline of new lending business as a result of the fallout from the Government's 'mini budget' in September 2022, when many lenders withdrew fixed rate product offerings due to high interest rate volatility at the time. Being a predominately administered rate lender, we experienced higher volumes of mortgage enquiries and applications as customers sought to secure mortgage offers. The Society leveraged this market opportunity throughout the year and underwrote higher volumes of good quality, low risk lending transactions. We ended the year with £275m of gross lending (2022: £212m), a 30% increase compared to the previous year. Together with lower levels of redemptions as many borrowers switched their mortgage rates to new pricing with the Society rather than move to a new lender, we achieved net lending of £129m (2022: £43m). A much higher performance than planned with growth of 11.6%, compared with 4.0% the previous year, has resulted in our mortgage book growing to £1.240bn.

Arrears

As a result of the challenges of the market and affordability pressures on household incomes and outgoings, our arrears statistics increased during the year, with the number of cases two months or more in arrears increasing from 34 to 41, but just below our 2021/22-year number which was 42. Arrears amounts increased from £152k to £302k, which out of a book of over £1.240bn, is very low. Whilst it has been comforting that borrowers have been collectively able to withstand a number of payment stresses created by rising interest rates, the figures continue to provide tangible evidence of the underlying quality of the book as a result of our prudent lending policy. We ended the year with five properties in possession (2022: one); long standing arrears cases, a number of which were in distress pre Covid.

We have also continued to support borrowers in need and last year we:

- Signed up to the Government's voluntary Mortgage Charter. The charter provides support options to homeowners, for example by temporarily switching to interest only or extending a mortgage term. Whilst these options already formed part of a range of forbearance and support options we offer, it does provide further reassurance to borrowers and in addition confirms there is no impact to a borrower's credit agency records.
- In July 2023 we decided not to charge any arrears or unpaid direct debit fees to borrowers. We will keep this in place until at least 30 June 2024.
- Introduced a 'Customer Help and Support' hub on our website that provides borrowers with a range of information and tools, including external support agencies to help.

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 and the property market remains dampened, although it is difficult to assess exactly where the level of arrears may move. What I can say, like I did last year, is we are well prepared for a stormy ride if house prices suffer a significant adjustment and unemployment levels rise. We have significant headroom for any reductions in house prices caused by the likelihood of a recession and rising rates. Our average loan to value ratio (LTV) at 31 October 2023 was c29% (2022: c28%) and less than 1% of the book is over 80% LTV (2022: less than 1%) and therefore the potential for losses is significantly reduced and all our stress tests are comfortably passed.

Savings

On the other side of the balance sheet, with savings products being available and with no geographical restrictions, our branches, after more than 12 years of relatively low activity, have been driving our retail funding increases throughout the year. Our savings inflow in the first half of the year was very strong, and whilst in the second half of the year we experienced a slowdown, we ended the year with growth of £149m (including capitalised interest). This increase in savings levels brought with it 3,408 new savings relationships.

The need to raise funding through retail savings was heightened as the Society commenced its strategy to repay the Bank of England's TFSME which offered us the opportunity to borrow low-cost funding in the last decade, something which is now closed. Our financial success in recent years has been aided by our use of TFSME (and its predecessor schemes) but as borrowing is linked to bank rate movements, the cost of holding this borrowing has become more expensive. Our retail performance was substantially ahead of our plans and allowed us to accelerate TFSME repayments, repaying £65m in the year to leave £85m of the £155m originally borrowed left to repay. We plan to continue with our phased repayment strategy until 2025 when full repayment must have concluded.

Financial performance

The Society recorded a post-tax profit of £7.3m, a reduction from the £11.8m reported last year. Whilst increases in Bank Rate benefitted earnings from the Society's liquid assets and derivatives and boosted the net interest margin, part of the margin benefit was impacted by a negative fair value adjustment in the Society's derivatives as the net gains reported in previous years started to unwind. These fair value movements, both positive and negative, result from derivatives that are designed to hedge the financial risks associated with fixed rate mortgage lending. The accounting treatment of derivatives is such that you cannot eliminate all the financial risks, with the resultant hedge ineffectiveness generating profit volatility which you can never fully mitigate but we expect to see profits settle at a level commensurate with a Society of our size and scale in the coming years. Excluding these movements, pre-tax profit was £11.5m, an increase from £9.8m in 2022.

As a mutual organisation we do not seek to maximise profits. However, we do need to achieve a level of profitability that is sufficient to balance member value and retain a robust capital position to fund future investment in our business. We have built up a strong capital position over many years by having a strategy of sustainable growth, low credit losses and sound cost control. The Society's capital ratio ended the year at 20.8%, a decrease from the previous year of 22%, the main reason being the strong mortgage growth of 11.6%. This capital metric continues to place the Society in a strong position as we continue through a period of higher interest rates and low economic growth.

Further detail on the Society's financial position and year on year performance is contained in the Financial Review on pages 32 to 38.

Strategy and change highlights

A focus on driving efficiencies and greater productivity through process optimisation and digital transformation remains key to our future success as customer needs continue to change and adapt, and the manner in which customers want to receive a service continues to cross over both face-to-face and online methods. We continue to want to be a fast follower of digital initiatives that add value to our customer experience 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.

We are acutely aware that continued investment in both people skills and technology needs to remain a top priority, as both are key enablers to support our strategy going forward. With that said, 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:

- Worked on a major system upgrade with SOPRA, our core savings and mortgage system provider, moving to a cloud-based infrastructure and improving our online service proposition to savers and mortgage brokers. This was a major project for the Society and was all consuming for our business. The first phase of the upgrade completed in November 2023. Following the upgrade, phase two involves the launch of our mobile app in the not too distant future and we plan to push forward digital activities to provide better services to customers and easier processes for employees in 2024 and beyond.
- Introduced an SMS messaging service to improve customer experience, initially for customers in financial need and those redeeming a mortgage.
- Continued to evolve our use of 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.
- Implemented The Consumer Duty, a set of regulatory standards that ensure we provide our customers with good outcomes. Whilst we know we do this and feedback from Smart Money People evidences this, these regulations build on our 'customer first' approach so we can better serve you.

Branch investment

Investment in our branches continued. Following our newly refurbished and relocated branch in Abingdon in 2021 and upgraded Newbury branch in 2022, we modernised our Winchester branch in Autumn 2023 which reopened to customers on 24 October 2023.

Members will 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.

With many financial services organsations closing branches on the high street, our commitment to our members to keep branches on the high streets in our local communities remains a key requisite for our future ambitions. Therefore, plans are underway to continue investing in our branch network as we head into our new financial year and beyond.

People

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

Last 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?'. We have continued to build on this strong sentiment and this year we were recognised by Newbury Weekly News as Best Employer in their Best of Business Awards. We are proud of this achievement, and it is a great testament to the values and behaviours of our people and the culture within the organisation, but we are not complacent and continue to drive forward an agenda for our people to be the best they can be.

During the year we launched a Leading for our Future training programme for our senior and middle management team to better equip them to expand their skills and lead highly motived and engaged teams. 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 is a priority for the Society. We also continued to invest in our teams, growing existing talent, and also adding further talent to our branch, data, operational and information and technology teams.

A focus on our employees' wellbeing continued throughout the year following the pandemic years that affected people in different ways. We continue to support our people through a range of support options such as an Employee Assistance Programme (EAP), access to mental health first aiders and training sessions on financial wellbeing. We also launched a Cash Health Plan, providing more support and access to a range of medical and health services.

Inclusion and diversity has continued to be an important area of focus for the Society and this year we engaged with an external trainer to challenge our Board and Executive team on our ambition and what next. We set up a working party a number of years ago to help support fairness and inclusion in our Society, and this work continues to this day.

We said goodbye to Lee Bambridge, our CRO, during the year after a long and successful career at the Society and welcomed Lyndsey Hayes as our new CRO. Lyndsey brings a wealth of knowledge and experience having worked most of her career in financial services. I would like to note my personal thanks to Lee, who I have worked with for many years, and wish him all the best in his retirement.

Community

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. Throughout the year we continued to provide 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 24 to 26 will give you further insights into this.

Green Ambition

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

Last year I said – 'like many of you, we continue to navigate 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'; a year on, I say the same. However, we have continued 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. We are currently engaged with a charity energy company to help us help our customers, understand the benefits of making their homes more comfortable, whether that be through retrofit solutions or better energy bill management.

Pages 14 to 19 share some of the things we have achieved to date together with what is next.

Future

To conclude, we are a capable, resilient, and financially strong organisation, and are in a solid place to weather the current economic storms that continue to impact the market we trade in, something we have been able to say for the last three years since Covid-19 and the ongoing cost-of-living pressures. We need to continue to grow our business in order to deliver long-term value to our customers and the need to continue with our investment strategy and improving the products and services we offer our customers remains key to our future success. However, growth will not be at any cost and the mortgage growth will remain cautious as we head into the new year. Our careful approach to underwriting and ensuring the quality of lending we onboard continues to meet our risk appetite, will remain a key focus.

We will also continue to elevate services to support our customer proposition through face-to-face, telephone, mobile and online services and these remain at the heart of our plans. Our core goal of serving our customers in any way they choose remains. The Society will continue to provide a full mortgage and savings service in its branches and our Board remains committed to our presence on the high street in our local communities. We will drive forward our agenda to provide digital solutions to support customers in managing their money as solutions mature, and our plans for the future stays with the theme of digital transformation and embracing change by investing in our people and technological capabilities. 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 and enjoy the advantages of a 'bricks and clicks' service.

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.

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.

Your Society has a bright future notwithstanding the economic uncertainty that hovers over us. We have much to accomplish in the years to come and our focus on customer, digital and people remains at the centre in all we do. 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 2023

Our purpose and strategy

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

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

Our business model

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

How the Society is funded	How the funding is used
• Savings balances deposited from members • Additional funding raised through Central Bank funding Schemes • Society's capital reserves, predominantly accumulated profits	• Residential mortgages to owner-occupier and buy-to-let customers in line with our purpose • Liquidity, maintained to ensure sufficient cash is available to meet obligations as they fall due and at a level to comfortably exceed minimum regulatory requirements

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 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 almost entirely through members' deposits, supplemented, where required, by funding from participation in the Bank of England's Sterling Monetary Framework and, occasionally, by wholesale borrowings. Our philosophy for our savers is to operate fairly, with simplicity in product design, competitive terms and conditions, and to ensure existing members are treated at least as equally as new members.

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.

Where the Society earns its income	How the Society spends and invests
• Interest payments received from our mortgage customers, offset by interest payments made to savings customers • Interest received on our liquidity balances, offset by payments made in respect of other funding • Interest paid or received on derivative instruments used to manage interest rate risk	• Salaries and related costs in line with our remuneration policies to attract and retain colleagues possessing the skills and values needed for the Society to function • IT and property related costs to run, improve and expand the Society's infrastructure, including on protecting our members' money and data • Other strategic investments, including branch refurbishments

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 is partway through a programme of modernisation which has seen the Society's branch premises in Abingdon (2021), Newbury (2022) and Winchester (2023) open with a brand new look. Further investment is planned for 2024 and beyond. The Board also recognise that our members have a choice in how to access and manage their personal finances and will continue to invest in technology that will enhance the delivery and accessibility of the Society's services, including the launch of a Mobile App.

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.

Our values

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

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.

Our strategy

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

Customer first
- Focus on customer value over the long term
- Support our people to provide exceptional customer service through all channel choices
- Offer a balanced portfolio of mortgage and savings products

Digital transformation
- Enhance digital services to make it easier for customers to engage with the Society
- Build upon our analytical capabilities to better enable operational and strategic decision making

Leadership and talent
- Build a sustainable talent pipeline, including skills and competencies for the future
- Develop a pool of inspiring and empowered leaders
- Nurture our inclusive and vibrant culture

Community conscience
- Invest in our branch communities
- Strengthen our external credentials as a climate aware and responsible organisation

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.

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 further supported by a balanced set of financial objectives and clear business objectives.

A sustainable future

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

Environmental

The Society recognises it has a small but important role to play in addressing climate change, from minimising the carbon footprint of our operations to supporting our branch communities lead greener lives. It is also an area of increasing regulatory scrutiny. In addition to detailing the Society's ongoing activities to reduce its environmental impact, the climate-related risk disclosures set out on pages 14 to 19 also detail how climate change impacts the Society and sets out our approach to managing this long-term risk.

Social

We are committed to having a positive impact on the lives of our Customers, the Communities in which we work and our People. Pages 20 to 26 details some of the ways in which we have set about delivering on this commitment.

Suppliers

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

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

Over the course of the financial year ended 31 October 2023 the Society has purchased goods and services from 284 suppliers (2022: 283) with invoice values ranging from less than £10 to over £347,000 (2022: range from less than £10 to over £137,000). It is the Society's policy to pay suppliers within agreed terms providing the supplier performs according to the terms of the contract or agreement. The number of creditor days at 31 October 2023 was 18 (2022: 12).

Governance

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

Our approach to corporate governance is set out in the Governance section which starts on page 39, including information on the Board of Directors, the Executive Team and Board Committees.

Regulators

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

Regulators also expect the Society to be financially strong and maintain adequate levels of capital and liquidity. The financial review set out on pages 32 to 38 demonstrate how this requirement continues to be met.

Anti-bribery and modern slavery

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

"The Society is proud of its approach to ESG and the role each aspect has played in its success whilst also recognising that these are not single-year commitments. As a mutual, the Society is able to take long-term decisions and the year ending 31 October 2024 will see the Society develop its ESG strategy and continue to progress its ESG commitments".

Climate risks

The risks posed by climate change are far reaching but may not crystallise for many years to come. The financial services industry has a role to play in mitigating the risks posed by climate change and the Prudential Regulation Authority (PRA) view climate change risk as one of their supervisory priorities. Over the course of the year ended 31 October 2023 the Society has continued to work towards further embedding the requirements of the PRA's supervisory statement SS3/19 – Enhancing banks' and insurers' approaches to managing the financial risks from climate change.

The report set out below provides more details on our approach to climate change, including the understanding and mitigation of climate-related risks – the risks that may materialise in the future as a result of decisions taken today. Collectively we refer to our approach as our "Green Ambition".

Strategy	**Governance**
Risk management	**Metrics & targets**

Green Ambition

The report also sets out the progress made to date. It is the Society's intention to continue developing in these areas, including additional qualitative disclosures and metrics.

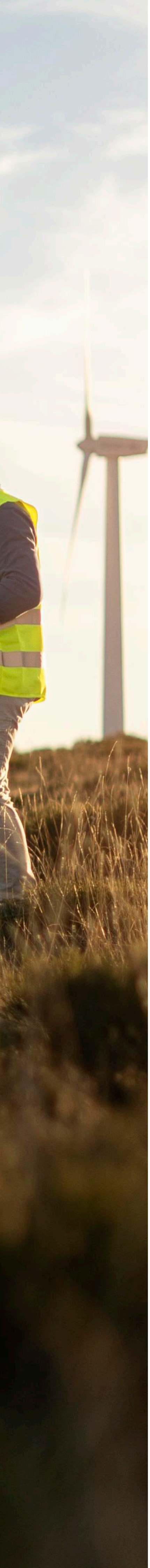
Governance

Oversight of climate change risks

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

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

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



Senior Management Function

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

Training and awareness

Through its Green Ambition strategy the Society has raised awareness of climate change and called upon volunteers from across the Society to research and progress specific activities. The Board receive climate change-related data each quarter with more specific climate change training and awareness updates held at least twice a year. Climate change was also a specific topic at the Board's annual strategy day in 2023.

Risk management

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

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

Physical risks

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

<table>
<tr><th>Flooding</th><th>Subsidence</th><th>Coastal erosion</th></tr>
<tr><td colspan="3">Future rises in temperature have the potential to adversely impact the value of mortgages properties and/or the ability of borrowers to repay amounts owed.

Flooding could impact the Society's operations or those of suppliers through damage to our properties or infrastructure.

Wider disruption may lead to increases in unemployment and falling house prices adversely impacting the Society's profitability.</td></tr>
</table>

In 2022 the Society commissioned an external assessment of the Society's mortgage portfolio against the risks and threats posed by climate change. This assessment showed that less than 1% of the Society's mortgaged properties were considered at risk of future from flooding, subsidence or coastal erosion. This increased to less than 1.5% under a high emissions scenario. Other climate-related perils such as heatwaves, wildfires, hurricanes, water stress or desertification were considered as posing negligible risk to the Society.

Transition risks

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

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

Scenarios

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

	Early action	Late action	No action
Emissions scenario	All countries implement Paris Accord	All signatories implement Paris Accord	Business as usual
Mean global warming	1.7 to 3.2 degrees	2.0 to 3.7 degrees	3.2 to 5.4 degrees

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

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

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. An updated assessment is planned for 2024.

Risk Management Framework

The Society has an established Risk Management Framework (RMF) that includes consideration of climate risks. It also considers risk factors that have a bearing on existing risks across the Society's principal risks. The management and consideration of climate -related risks and opportunities has been incorporated into existing governance and risk management processes, where relevant and appropriate, ensuring that risks are being managed in line with Board-approved risk appetite. The three lines of defence model also applies to the management of climate-related risks with the risk function overseeing the RMF and review of the ICAAP and scenario testing. During the year ended 31 October 2023 an internal audit of compliance against SS3/19, "Enhancing banks' and insurers' approaches to managing the financial risks from climate change", was also undertaken, supporting the Society with the next stage of the management and oversight of climate-related risks.

Risk appetite

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

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

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

Opportunities

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

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

Strategy

The Society's climate change vision is to be a sustainable business which works in a socially responsible and environmentally friendly way. To deliver against this vision it has structured its activities into three pillars:

Greener Newbury Building Society	Greener Homes	Greener Lives
Minimise our own carbon footprint	Improve the environmental standard of our borrowers' homes	Support our branch communities
Continuing to improve the efficiency of our buildings and reducing the carbon emissions from our operations together with reductions in the consumption of paper, waste and plastics usage	Supporting initiatives to make the homes on which we lend to become more energy efficient and better prepared for regulatory and environmental change, and mitigating the impact on properties which are most at risk through new products together with policies and support for homeowners	Providing access to guidance, funding and support to help with improvements and providing access to knowledge and resources to help consumers and customers lead greener lives

Our climate strategy is also determined with consideration of the Society's 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**

Progress made

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

to 2022	2022 - 2023
• Embedded climate change risk into strategic planning and governance processes • Developed our base case data on energy usage • Developed our mortgaged-property related risk data • Average EPC of "C" on mortgage properties • Use of 100% renewable energy across majority of our operations • Improved EPC ratings of all our branch properties through initiatives such as installing LED lighting and removing gas boilers • Purchase and refurbishment of new Head Office site, achieving EPC rating of B • Installation of EV charging points at Head Office • Replaced Society diesel vehicle with a hybrid • Reduced our water consumption since measuring began • Established "Our Green Community" website hub • CEO and Finance Director engagement with Trade Bodies on climate-related taskforces	• Verification of carbon emissions data • Appointed Corporate Sustainability Apprentice • Further reduction in gas consumption through replacement of boilers from branches • Reduced measured scope 3 emissions by reducing branch courier mileage by c70k miles per annum • Installed digital screens at all branches, reducing paper usage

Planned improvements

Further activities are planned for the coming financial year and beyond, including:

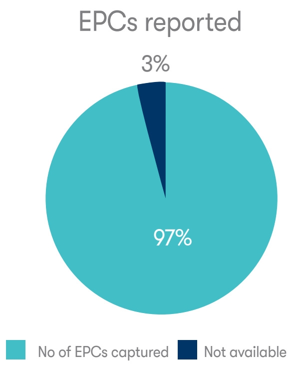
- Further branch refurbishments
- Installing EV charging points at selected branches
- Research and develop scope 3 emissions reporting
- Develop appropriate targets (see below)
- Enter into partnership(s) to support the greening of UK homes

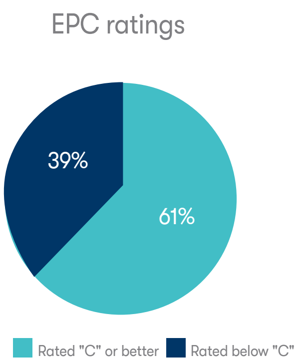
Metrics and targets

We recognise that climate change metrics and targets will be required to support the Society with its Green Ambition strategy and objectives, including minimising and reducing our own emissions over the medium to longer term. The Society uses a suite of metrics to help support the monitoring of climate risks through relevant governance channels. Targets and metrics will continue to be developed as more data becomes available, focusing on exposures to climate-risk perils and emissions and energy consumption.

Energy performance certificates (EPCs)

The Society uses EPC data as a way of assessing transition risk. An assessment was carried out by a third party using data at 30 June 2022 which determined the current EPC ratings for the Society's mortgaged properties. The information was obtained either by retrieving EPC records from the EPC register or derived using information from neighbouring properties. The Society collects EPC information for new lending as part of the mortgage underwriting process and reports the aggregate EPC position to Credit Committee at each meeting. EPC data as at 31 October 2023 is presented below.





The Society will continue to seek ways to improve the quality and depth of EPC data collected and how it is used.

Greenhouse gas (GHG) reporting

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

Reported emissions encompass the seven GHGs defined under the

Scope 1	Scope 2	Scope 3
Direct emissions: Direct emissions that originate from assets that the Society owns or controls	Indirect emissions: Indirect emissions from the generation of purchased electricity	Indirect emissions: All other indirect emissions that occur across Society operations

Emissions assessment

The Society's measured carbon footprint for the year ended 31 October 2023 is 160.3 tonnes of carbon dioxide equivalent (tCO2e) (2022: 155.6 tCO2e). The measurements for 2022 have been independently verified by the Carbon Footprint Company. The table below shows the breakdown between scopes 1,2 and 3 and is presented using a location based methodology which takes no account of the use of renewable energy sources.

Following the market-based methodology scope 1 and 2 emissions would be reduced from 106.3 to 28.4 tCO2e (2022: reduced from 100.9 to 33.0 tCO2e).

		t(C02e)	
Scope		**2023**	**2022**
1	Natural gas consumed and travel with company owned vehicles	23.2	28.9
2	Purchased electricity for own use	83.1	72.0
1 and 2		**106.3**	**100.9**
3		54.0	54.7
1,2 and 3		**160.3**	**155.6**

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 type used

The Society has considered the purchase of carbon offsets but has made no purchases to date due to the lack of accredited UK-based schemes. The Society will continue to explore these purchases whilst focusing efforts on reducing its own emissions.

The year-on-year reduction in Scope 1 emissions can be almost entirely attributed to the full year benefit of a reduction in natural gas consumption following the removal and non-replacement of seven gas boilers from the Society's premises in 2022. In contrast, the switch away from gas-powered heating to electricity powered heating and ventilation systems resulted in an increase in Scope 2 emissions. However, with the Society's electricity almost entirely purchased from renewable sources, emissions measured on a market basis show an overall reduction. Measured Scope 3 emissions (see also below) were at a similar level to the previous year as an increase in employee travel-related emissions back to pre-covid levels was offset by a reduction in the use of external couriers.

Scope 3 emissions

Scope 3 emissions data is voluntary and does not incorporate emissions information across the Society's value chain, including in respect of financed emissions. 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. There are significant challenges in data collection and verification for Scope 3 disclosures, including reliance on third party suppliers. The Society's plans include research into opportunities to improve data collection and reporting of Scope 3 emissions.

Energy consumption

Scope		2023	2022
1	Natural gas consumed (thousand kWh)	76.9	114.9
	Travel with company owned vehicles	18.2	15.0
2	Purchased electricity for own use (thousand kWh)	401.2	372.2
1 and 2	**Total energy consumption (thousand kWh)**	**496.3**	**502.1**

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.

	2023	2022
Water consumption (m3)	1,526	974

Waste

The Society is not able to collect data of sufficient quality or quantity to report on waste materials across our head office and branch sites.

As part of each branch refurbishment the Society is able to report on the amount of waste generated by the refurbishment that has been diverted away from landfill. In respect of the refurbishment of our Newbury branch, completed in November 2022, 98% of all waste was recycled. The Winchester branch, completed in October 2023, diverted almost 96% of all waste.

Looking after our customers

Cost-of-living support

Last year we reported the introduction of our customer 'Help and Support' hub on our website to help those who may need access to support because of increased living costs, and outlined the financial and practical support we provided local community groups for food, energy bills, fuel and travel costs, debt and mental well-being initiatives. This year we have continued to support in these areas, however the focus has shifted to increasing support for borrowers who are feeling the impact of the Bank of England's efforts to curb inflation through increasing interest rates.

Whilst interest rate increases are good news for savers, we accept they are less welcome news for borrowers. We need to consider our response to every movement in Bank Base Rate - to do nothing would be unsustainable commercially - however as a member-owned organisation these decisions are taken carefully to ensure we balance the needs of both savers and borrowers. We believe we have struck the right balance between giving savers value for money and protecting borrowers and, since December 2021, have passed on more of the cumulative 5% increase made by the Bank of England to savers than to borrowers.

Nevertheless, we know some borrowers are experiencing financial difficulties. In July, we signed up to the Government's voluntary 'Mortgage Charter' scheme, which gives borrowers the ability to temporarily reduce their capital and interest payments by switching to interest only, or extending their mortgage term for six months, without an affordability assessment, and without it being highlighted on their credit record. The Charter also enables borrowers on a fixed-rate deal to switch into a new deal early and change it to take advantage of cheaper deals up to the new term starting.

The Charter support is on top of what we already provide borrowers through our 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.

'Customer First' approach

Our customers are at the heart of everything we do, and we want to keep it that way. We are members of, and are accredited by, the Institute of Customer Service (ICS), an independent, professional body championing service excellence throughout the UK.

Last year we were awarded the coveted ServiceMark with Distinction accreditation from The Institute of Customer Service (ICS) for our outstanding commitment to customer service excellence. At the time of writing, we are the only bank or building society to hold this accolade.

As part of our membership the ICS conducts surveys on our behalf, which tell us how we can make our service even better. This year's survey was sent in October 2023 to a cohort of our savers and borrowers, and we expect to be able to publish the results in January 2024. The surveys are very important to us as they enable us (along with the daily feedback we receive through ratings site Smart Money People) to gauge customer sentiment and get verbatim feedback on what we do and how we support customers. We get great results but we are not complacent and are always aiming to improve.

We get invaluable insight from the surveys into what you want from us, and this drives our new initiatives. Improving our branch environment and digital capability are consistent themes, and this has supported our decision to make a huge investment in our branch network over the last couple of years, and in upgrading our core systems, online platforms and launching a new Mobile App.

An 'inside out' service culture

The fundamentals of fantastic customer service are: building and nurturing relationships; listening and demonstrating empathy; problem solving; and putting a smile on our customers' faces. What is sometimes overlooked by organisations is how colleagues support each other in the workplace. This is what the Newbury calls 'internal customer service' and it is vital to ensure we maintain this, to ensure that our 'external' customers remain at the heart of what we do.

Our Customer Charter is also our Employee Charter. It is a set of promises that we make to our customers and each other to ensure that we put each other first, take ownership, communicate effectively, and make things easy. Recognising the important part internal customer service plays in external customer satisfaction is key to ensuring we remain customer-centric and that the Society is sustainable into the future.

We take this one step further by asking our employees what they think about the customer service provided by the Society. The ICS, as part of their 2023 survey, will ask our employees to anonymously rate us based on a set of statements designed to assess our service culture, strategy, people learning, reward and recognition, and how easy we make it for them to provide excellent customer service.

We use this information to help inform what we do internally to further support our employees to support our customers. The feedback we received in 2022 was fundamental to our decision to expand our business change team to support more process optimisation activities, with a clear focus on providing efficiencies to enable our employees to spend more time adding value to their interactions with customers.

It's our duty

As we move forward, we will continue to centre our strategic plans around our customers. To sustainably grow we need to meet the needs of both existing and future customers and ensure they can pursue their financial objectives.

On 31 July 2023, the Financial Conduct Authority (FCA) introduced the 'New Consumer Duty'. This is a set of rules designed to raise the standards in financial services firms and to see them 'act to deliver good outcomes for retail customers'. The rules require firms to consider the needs, characteristics and objectives of their customers – including those with characteristics of vulnerability – and how they behave, at every stage of the customer journey.

Implementing Consumer Duty for us has been more about thinking how we better evidence that outcomes are being met. It's more than customer satisfaction. It's thinking about how and whether we:

- Design products and services to meet customers' needs, that provide fair value and help customers meet their financial objectives;
- Communicate in a way that ensures customers can make effective, timely and properly informed decisions, taking responsibility for their actions and decisions;
- Support our customers in realising the benefits of the products and services they buy and acting in their interests without unreasonable barriers; and
- Ensure that customers with vulnerabilities are treated fairly and get as good an outcome.

We have been evidencing such outcomes through the 'treating customers fairly' regime, which was the forerunner to Consumer Duty and our plans see us continuing to build on this into 2024. Implementing Consumer Duty has, through the activities undertaken to date, not found anything of concern. However, it has reaffirmed our commitment to always looking for ways to improve services to our customers and deliver the best possible outcomes by continuously looking 'outside in' on what we do.

Please tell us what you think

We encourage customers to continue to give us feedback and we will be asking for more to help in understanding whether the outcomes under the Consumer Duty are being met. Customers can rate and review the Society any time at **www.smartmoneypeople.com** and can apply for our member forum through our website **www.newbury.co.uk**.

Our people

Much of our success this year is attributable to the great efforts of our people, that go the extra mile for our customers and we continue to be recognised for our exemplary customer service. We were particularly proud to be recognised locally by the Newbury Weekly News as Best Employer in their Best in Business Awards, a real acknowledgement for the vibrant and inclusive culture we create for our people.

Inspiring and empowering leadership

2023 saw the launch of our Leadership Development Programme, Leading for our future. The programme is delivered alongside an external partner to help create the space and time for our leaders to come together, share experiences and learn with a particular focus on the skills and behaviours required to maintain the engagement and motivation of their teams. The programme will continue in 2024 and beyond as we build sustainability by enabling our leaders to deliver the programme to future cohorts.

Following the retirement of Lee Bambridge, we welcomed Lyndsey Hayes to the Executive team as Chief Risk Officer and appointed Erika Neves to a new Executive role in the important strategic area of Data and Governance.

Emma
Head of People

A picture of our wellbeing leaflet, packed with helpful information for our people on staying well.


The Marketing team wear green for Mental Health Awareness Day.


Thatcham branch plant bulbs at a local green space.

Wellbeing

This has remained an important area of focus for the Society to support our employees feel happy and healthy. Our wellbeing strategy has provided visible and accessible resources and a plan of activities that create open dialogue for employees.

We recognise how difficult it is for employees to have access to the health and wellbeing services they need and therefore we introduced a Cash Health Plan in 2023, in addition to the services we already have in place with our Employee Assistance Programme. Our employees have really welcomed this new provision with access to Virtual GP services, health screening and complimentary therapies.

We continue to invest in Mental Health First Aiders (MHFAs) and are growing our network of qualified MHFAs across the Society.

We also understand how cost-of-living pressures impact our customers and our people and have ensured they have access to a range of financial wellbeing resources. Our employees received an additional one-off payment of £500 in July 2023 and our pay review was brought forward to support employees with the rising costs they were facing.

Skills for the future

This year we successfully recruited three apprentices from our local area. Our apprenticeships were targeted at recruiting talent in key strategic skill areas important for our future strategy, being Data, IT and Environmental Sustainability. These apprentices joined us in October and November 2023, and we look forward to supporting and learning with them.

Inclusion and diversity

We believe strongly that our people can prosper at the Society regardless of their background and that a diverse range of thoughts enable us to deliver the best outcomes for our members.

Our Inclusion and Diversity (I&D) Working Party is jointly sponsored by our Chief Executive and Head of Sales and Marketing and the group focus on creating better understanding and awareness across the Society. In this financial year we invested in our learning by engaging an external partner, bringing our Board and Executive team together to challenge ourselves on keeping our I&D plans focussed and ambitious.

In our Society, 72% of our employees felt enabled to disclose their equal opportunities data, demonstrating trust and openness. This data enables us to start assessing our people activities to understand and ensure that any under-represented groups are not experiencing any unintended outcomes that could disadvantage them.

Whilst we do not actively set targets for gender representation in our workforce we are proud that 54% of our Executive and Board team and 42% of our Senior Management team are female, helping to illustrate that each person is appointed on merit, is recognised and appreciated. We maintain a culture where every individual feels accepted and motivated to perform at their best – the commitment we make in our Board Inclusion and Diversity Statement.

Community involvement initiatives help employees feel connected to our purpose and proud of the Society

We know that more people are motivated by and interested in our social purpose understanding that as a mutual we achieve more together than we can alone.

Over the previous financial year 72 people have used their volunteering hours with over 500 hours spent volunteering across the Society on a wide range of activities. These include supporting local education establishments with careers and employability guidance, environmental projects (tree planting) and supporting our community partners to raise money. These initiatives help employees feel connected to our purpose and proud of the Society. You can read more about our community activities on pages 24 to 26.

Our communities

The year 2023 remained challenging for many people and families in our branch communities. Local charities and support organisations reported unprecedented demands for assistance. Cost-of-Living pressures continued, and interest rate rises have impacted many. In light of this, the support we provide to our branch communities remains very important. We are pleased that we have been able to continue to help those who live and work in our branch towns.

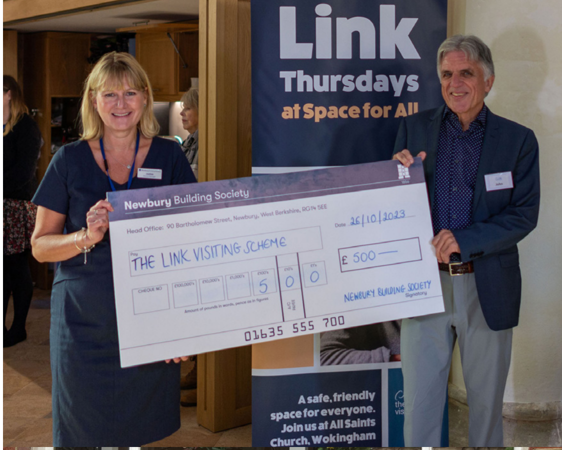
Our branches and head office each have a charity partner, who we support through volunteering, sponsorship, fundraising, and our charity savings account. We change our branch charity partners every 3-5 years, enabling us to support a wider range of causes and people in the communities, and this year, two of our branches and our head office agreed on new charity partnerships to start new partnerships with from November 2023:

- Alton branch's new charity partner is Dementia Friendly Alton, after 5 years of supporting Alton Foodbank.
- Thatcham branch is now partnering with Swings & Smiles, after supporting Newbury Cancer Care for the last five years (Our Newbury branch remains partnered with Newbury Cancer Care.)
- Head office will now be supporting and partner with Newbury Soup Kitchen, after six years of partnership with The Alzheimer's Society.

Through our Charity savings account, the Society makes an annual donation of 0.6% interest to each account holder's preferred charity in addition to the interest paid to the savings member. In 2023 the account generated £77,600 for the charity partners (2022: £52,000.) In total, our members and employees raised £83,000 for the nine charity partners; Alzheimer's Society, Helen & Douglas House, St Michael's Hospice, Prior's Court, Newbury Cancer Care, Trinity Winchester, Sue Ryder, Brecknock Hospice and Alton Food Bank through fundraising, fund-matching, and the charity account.

Our Community Support Scheme, which provides donations to community projects, supported 41 (2022: 22) different organisations, donating a total of £17,200 (2022: £10,500). Groups which benefitted from the scheme included:

- Be Free Young Carers in Didcot who received £500 to support their school holiday programme, which gives young carers much needed respite.
- The Link Visiting Scheme in Wokingham who received £500 towards people have a gift, meal, and a friend to talk to during the festive season.
- Fir Tree Primary School in Newbury, who received £1,000 towards their essential school breakfast club programme, which guarantees no pupils start the school day on an empty stomach.



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

- A quiz at head office raised £251 for Alzheimer's Society.
- A Macmillan Coffee Morning and raffle at head office raised £255.
- Thatcham and Hungerford branches raised a total of £595 for Newbury Cancer Care and Prior's Court School, completing a 14km walk along the Kennet and Avon Canal.
- Newbury branch raised funds to create special 'cancer care' bags for patients undergoing chemotherapy at West Berkshire Hospital.

Financial education

- We continue to run our popular Junior Newbury Building Society, a scheme which provides financial education to junior schools in Newbury, Abingdon, and Basingstoke encouraging children to develop savings habits and improve their understanding of money management.
- We supported Thatcham Park School's STEM (Science, Technology, Engineering and Maths) Day with interactive money activities for pupils in years 4, 5, and 6.
- We partnered with the financial education charity, WizeUp, to enable workshops which give valuable personal finance and budgeting lessons to senior school pupils. These were successfully delivered in John O'Gaunt School in Hungerford, Trinity School in Newbury, and John Hansen School in Andover.
- We also took part in the UK Savings Week awareness campaign, with a 'save a little, grow a lot,' campaign to encourage our junior savers to build good savings habits.

Community and volunteering

- We celebrated the 100th birthday of our longstanding member, Mr Butler, with a tea party in our Abingdon branch.
- Head office teams donated and wrapped Christmas presents for vulnerable children and their families in partnership with HomeStart West Berkshire, whilst Basingstoke and Wokingham branches ran their popular 'Giving Tree' appeals which provide Christmas presents to children in challenging circumstances.
- Society colleagues volunteered at a range of organisations, including Sebastian's Action Trust, Newbury Friends of the Earth, Argyles Care Home, and Alton Community Cupboard.
- The Inclusion and Diversity Working Party celebrated Pride with a film night and discussion in head office, and World Food Day with a range of global snacks for everyone to try.

Sponsorships and events

We sponsored over 20 sports, arts and community organisations based in and around our branch towns in 2023, with donations totalling £16,900. These sponsorships enable the Society to reach a wider audience, build links within our communities, and support the longevity of local events and clubs that enrich the lives of people in our branch towns.

These included:

- Newbury 10k road race
- Berkshire County Cricket team
- Falkland Cricket Club
- Hungerford Town Football Club
- Abingdon Extravaganza
- Thatcham Town Council Christmas Lights Switch On
- Berkshire Community Foundation

Nailesh
Chair of the Risk Committee

Risk management report

Risk Management Framework

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

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

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

Risk governance arrangements

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

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

Risk culture

The risk culture is 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 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 interest rate rises and continued high levels of inflation, resulting in continued cost of living challenges for some of our members. The expectation is that the UK will avoid a recession but house price falls will continue. 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.		Mortgage arrears and forbearance levels have remained low during the year, but the current cost-of-living challenge is expected to result in more households struggling to meet monthly costs, including their mortgage. The cases in arrears and forbearance are expected to increase moderately into next year and 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. • signed up to the Mortgage Charter, resulting in a small number of cases moving to interest only repayment options in the short term.
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. • reviewed the portfolio of liquidity stress tests to ensure all aspects of liquidity risks remain appropriately addressed. In addition, the Society has commenced repayment of its TFSME funding with the Bank of England.

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 an administered interest rates. To mitigate the risks associated with non-administered rate assets, hedging contracts are used in accordance with the Board-approved Treasury Policy. Market risk is regularly reviewed by the Assets & Liabilities Committee. Further information on the Society's interest rate position at 31 October 2023 can be found in note 28 on page 97.		The Assets & Liabilities Committee has continued to monitor the Society's exposure to interest rate and basis risk to ensure it remained within risk appetite even in a period of significant fixed rate mortgage demand. Similar to last year, the swap rate volatility due to uncertainty around rate rises and inflation has resulted in the risk profile slightly increasing.
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, management 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 important business services (IBSs). 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 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 the Society has continued to strengthen its defences. The following are examples of the actions taken: • regular phishing tests are conducted to raise employee awareness of the risk. • three layers of back-ups (on premise, two layers for cloud). • ransomware and DNS protection. • continuous vulnerability scanning and regular penetration tests are undertaken. • the roll-out of Azure Cloud Defender for server protection. • service profiling for automatically applying patches to Office 365. • implementation of a designated Disaster Recovery VPN connectio.n The Operational Resilience Framework is embedded, with the framework methodology (process mapping, scenario testing and lessons learned) providing ongoing insight into where enhancements can be made to operational resilience and business recovery plans. The last Board self-assessment (March 2023) reported that all IBS impacting events in the previous 12 months were non-systemic and low rated.

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 upstream Regulatory change is closely monitored and reported to the Executive Committee and Board. Horizon scanning for legal and regulatory change is well embedded within the Risk Management Framework to ensure timely changes are made in respect of any announced changes of law or regulation.		During the year all relevant legal and regulatory changes have been successfully implemented, including implementing the Consumer Duty the end of July 2023. There remain further deliverables to embed the Duty and focus on assurance monitoring of good customer outcomes.
Conduct risk Conduct risk is the risk that products, services, systems, structures (including remuneration) and behaviour do not deliver good customer outcomes and an environment is created that results in employees not: acting with integrity, honestly, fairly and openly; preventing foreseeable harm and supporting customers to pursue their financial objectives.	The Society is committed to delivering good customer outcomes and this is underpinned by the Society's Conduct Risk Framework, which is regularly reviewed. The Executive Committee monitors conduct risk at an operational level, with oversight provided by the Risk Committee.		Over the past year the Society has continued to support borrowers, including those affected by the cost-of-living with suitable forbearance options, as well as signing up to the Mortgage Charter 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. The next review is in 2024 and the Society aims to maintain this level of accreditation.

Risk outlook

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

Emerging or evolving risks	Mitigating actions
Macro-economic conditions	
Whilst a recession now seems less likely, the impact of successive interest rate rises in the prior year and likelihood of a more prolonged period of time with higher interest rates, combined with inflation and higher energy prices will continue to impact house prices and squeeze incomes, resulting in increased borrower difficulties in making payments.	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 c29%. A key factor in repayment difficulty relates to employment being maintained. The latest forecasts indicate that there should not be any significant deterioration in unemployment levels in the short to mid-term. It is however expected that the Society is likely to see an increased level of arrears and forbearance arrangements as the impact of consecutive interest rate rises begins to impact on more customers.
Legislative and regulatory change risks	
Strong & Simple/Basel 3.1, buy-to-let legislation changes and political uncertainty all present potential legislative and regulatory changes for the Society to respond to.	In respect of legislation and political uncertainty, the Society continues to closely monitor the composition and quality of its lending portfolio and can respond quickly as needed. The changes being introduced through Basel 3.1 and the Strong & Simple regime have been assessed through the Society's ICAAP process.

Change risk	
To meet changing customer requirements and to source the employees with the skills to undertake the necessary change, financial service providers are continuing to develop their offering to customers including the increasing use of digital solutions and applications to assist financial management. The Society therefore continues to evolve its own offering to meet changing customer expectations, but a risk exists that the speed and focus of change isn't sufficient which could be compounded by the inability to recruit people with the necessary skills.	The Society has in place a Digital Advisory Panel and a competency framework to mitigate these risks.
Climate change	
The Society recognises the risks and challenges posed by climate change. Whilst the financial risks from climate change may only crystallise in full over longer time horizons, they are becoming more apparent now as increased extreme weather events are being evidenced in many parts of the world. The Society recognises two key risks - physical and transitional, as described on page 15.	The Society is continuing to evolve its decision-making processes to incorporate the metrics available on physical and transitional risks. The Finance Director has responsibility for monitoring climate change risk at an operational level, with oversight provided by the Risk Committee and reviewed by the Board at least twice a year.

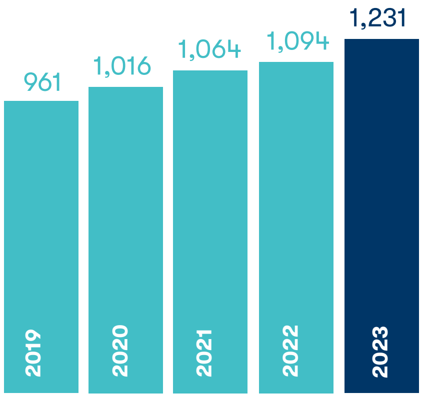
Financial review

"The financial performance for the year ended 31 October 2023 represents another year of strong profitability, the second highest in the Society's history, coupled with double-digit growth in mortgage and savings balances and has been achieved against a backdrop of high and persistent inflation and rising interest rates.

Darren Garner
Finance Director

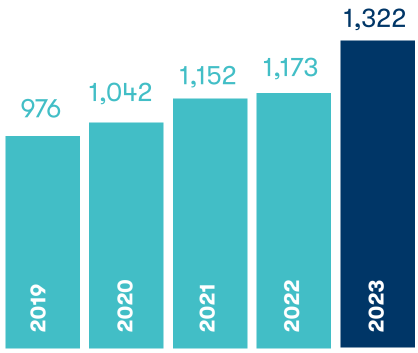
As a mutual the Society has no shareholders and does not seek to maximise profits. All profits are retained in the business to underpin the provision of fair, competitive and sustainable rates of interest to members – both current and prospective, and continued investment in infrastructure to provide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

Mortgage assets (£ million)



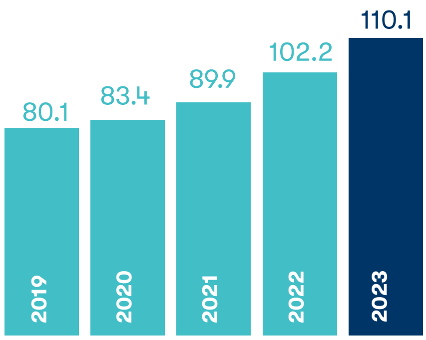
We achieved gross lending of £275m to mortgage customers (2022: £212m)

Savings balances (£ million)



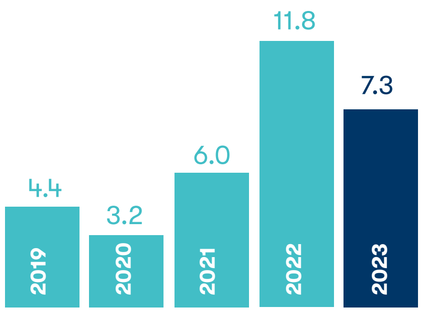
We increased savings balances by £149m (2022: £21m)

Regulatory capital (£ million)



Total capital ratio of 20.8% (2022: 22.0%)

Profit after tax (£ million)



Management expenses ratio of 0.98% (2022: 0.90%)

Key performance indicators

One of the Board's roles is to set the Society's strategy. The Board manages the Society and oversees delivery of the agreed strategy using a set of performance and control reports, including use of key performance indicators (KPIs). The KPIs in use throughout 2022/23, with previous year comparatives are presented in the table below together with explanatory comment.

		2023	2022
Balance sheet	**Assets**	£1.55bn	£1.45bn
	Loans to customers	£1.23bn	£1.09bn
	Retail shares and deposits	£1.32bn	£1.17bn
Operating performance	**Management expenses** as a % of mean total assets	0.98%	0.90%
	Interest margin as a % of mean total assets	1.83%	1.60%
	Mortgage arrears - on accounts two months or more in arrears	£0.30m	£0.15m
	Profit after tax	£7.3m	£11.8m
Financial strength	**Regulatory capital**	£110.1m	£102.2m
	Total capital ratio	20.8%	22.0%
	Liquid assets as a % of shares and borrowings	19.9%	24.3%
Members	**Members** - numbers	76,310	73,698
	Complaints - as a % of members	0.11%	0.08%

Measure	Explanation
Assets	Total size of the Society.
Loans to Customers	The total value of mortgage advances provided to customers. Mortgage advances are the primary source of the Society's income and core to its purpose of helping Members with their housing needs.
Retail Shares and Deposits	The total value of savings balances held by the Society. This is the Society's primary means of funding its lending activities. The increase of £149m helped fund the reported growth in mortgage assets, partial repayment of TFSME balances and with liquidity management more broadly.
Interest Margin as a % of Mean Total Assets	Difference between interest received by the Society from its mortgages and other loans less interest paid on members' deposits and other borrowings. This is the principal source of income for the Society and needs to be at a certain level to generate profit for the Society whilst providing fair and consistent interest rates to members.
Management Expenses as a % of Mean Total Assets	This ratio measures the total costs of running the Society as a proportion of the mean average total assets and is an established measure of efficiency. The Board expects this ratio to increase in the short term as the rate of cost growth is expected to outpace growth in total assets.
Mortgage Arrears - on accounts two months or more in arrears	Responsible lending and individual underwriting are key to our lending and to the quality of our loan portfolio and our desire to minimise the risk of future default. The number of accounts on forbearance has increased in part linked to the support provided under the Mortgage Charter. The level of arrears remained extremely low.
Profit After Tax	The amount earned and retained by the Society after taking into account all expenses and provision charges and taxation. Retained profits remain the primary source of capital for the Society. The Society must be profitable to demonstrate the sustainability of its business model and demonstrate financial strength to members, regulators and other stakeholders.
Regulatory Capital	Comprises the Society's reserves and collective provisions net of any required deductions for regulatory purposes. Retained profits are the highest quality of capital.
Total Capital Ratio	Regulatory capital expressed as a percentage of the Society's risk weighted assets (RWAs). The ratio declined as the increase in retained profits of £7.3m was not sufficient to cover the increased capital required to support the 14.2% increase in RWAs principally arising from growth in mortgage assets.
Liquid Assets as a % of Shares and Borrowings	The proportion of savings and deposit liabilities ("SDL") held in the form of qualifying liquid assets. Decreased in the year as growth in retail savings and deposits was more than offset by net mortgage lending, the partial repayment of TFSME balances and return of £3m of cash collateral to derivative counterparties.
Members - numbers	Strategy is to provide a strong service proposition with competitive interest rates. Increase reflects growth in savings and deposit accounts.
Complaints - as a % of members	We strive to provide a high-quality service to members in everything we do. This metric allows us to track our performance and identify areas where we haven't met expectations.

Business review

The Society prepares its results under Financial Reporting Standard (FRS) 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and elects to apply the measurement and recognition provisions of IAS39, "Financial Instruments: Recognition and Measurement". The Chief Executive's Review on pages 7 to 10 also contains information on the Society's performance for the year and factors affecting the results and should be read alongside this review.

Overview of income statement

The Society's profit after tax as a percentage of mean total assets decreased from 0.83% in 2022 to 0.49% in 2023, as profits decreased from the record £11.8m reported by the Society in 2022 to £7.3m. The decrease in profits arises as further improvement in net interest margin, driven by greater returns from the Society's liquid assets, was more than offset by a £6.7m reduction in other income and charges as a result of fair value losses and charges on derivatives transacted to hedge interest rate risk, including the amortisation of previous years' gains.

Overview of income statement	2023 £000s	2022 £000s
Net interest income	27,374	22,795
Other income and charges	(2,089)	4,646
Administrative expenses (including depreciation and amortisation)	(14,706)	(12,906)
Loss on property revaluation	(157)	(30)
Loan impairment charge	(858)	(68)
Profit before tax	**9,564**	**14,437**
Taxation	(2,273)	(2,628)
Profit after tax	**7,291**	**11,809**

Net interest income

Net interest income increased to £27.4m (2022: £22.8m). Interest received increased by £39.3m driven by a £10.3m increase in earnings on the Society's liquid assets and a £18.2m increase in mortgage interest receivable following 11.6% growth in average assets and an increase in the Society's standard variable rate (SVR) from 4.85% at 2 November 2022 to 7.00% at 31 October 2023. The Society also experienced a £10.8m increase in the net receipts from 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 £34.7m to £46.4m (2022: £11.7m) following savings deposit balance growth of £149m and as the Society increased the interest rates paid on savings and deposit balances. There was also an increase in other funding costs 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 1.83% as the Society's assets and liabilities continued to reprice into a rising interest rate environment. As bank rate increased from 2.25% at 31 October 2022 to 5.25% at 31 October 2023 the Society once again 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. Over the year the Society has increased savings rates by more than the increase in mortgage rates and applied increases to savings rates earlier than any commensurate increase in SVR. This has resulted in an additional £11.5m more interest paid to savings members than received from mortgage members and a 0.83% reduction in the contribution to net interest margin.

Whilst bank rate may be near, or even at, its peak according to market commentators, further increases are possible. It is also likely that bank rate may start to fall in the near term, too. Whatever the future path is for bank rate, the Board will continue to take a balanced view in the best interest of the Society and its members.

The principal driver of improved net interest margin was the increase in net interest income from derivative contracts coupled with an increase in the rates earned on the Society's liquid assets both referred to above.

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 losses on derivative financial instruments of £1,944k (2022: fair value gains of £4,661k).

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

The net loss of £1,944k (2022: gain of £4,661k) comprises:

	2023 £000s	2022 £000s
Accounting ineffectiveness in designated hedge accounting relationships	550	3,098
(Loss)/gain on derivatives not in designated hedge accounting relationships	(2,494)	1,563

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

In the year ended 31 October 2023 a loss of £1,944k is being reported. This loss comprises the amortisation of previously reported fair value gains which are, broadly, offset by improved net interest receipts from derivative contracts (as reported earlier) and fair value losses in respect of derivative contracts entered into in the current financial year to hedge fixed rate mortgage offers.

Management expenses

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

The Board recognises that only by the careful management of costs can the Society continue to provide competitively priced products to members. At the same time the Board continues to place importance on the need to make continued investment in the Society's operations to maintain the Society's award winning levels of customer service and also to ensure the sustainability and safety of the Society.

In total management expenses increased by £1,800k (13.9%) during the year:

	2023 £000s	2022 £000s
Administrative expenses	13,881	12,395
Depreciation and amortisation	565	511
Impairment of fixed assets	260	-
Total	**14,706**	**12,906**

Despite closely monitoring and managing costs the Society is not immune to the effect of inflation, which has persisted throughout the year ended 31 October 2023. This has contributed to the growth in operating costs as the costs of goods and services increased and as the Society took actions necessary to ensure salaries paid to its employees remained fair and sufficiently competitive in the prevailing economic climate.

Administrative expenses increased by almost £1.4m. People costs, which represent over half the Society's total costs, increased by 11.0%, reflecting growth in average headcount and pay awards made during the year, including a further cost-of-living payment of £500 made to each employee (excluding the Directors) in July 2023. Of the remaining £0.6m increase in costs this can be mostly attributed to additional Information Technology costs as the Society continued to invest in its core systems and provide best practice security measures.

Administrative expenses also include profits and losses from the disposal of fixed assets which, for the current year, include a series of minor losses on the disposal of residual IT and property-related assets replaced before the end of their respective lives. For the previous financial year a £64k gain was reported comprised of a £38k gain on the sale of the unoccupied floors of the Society's branch premises in Thatcham, Berkshire and a net revaluation gain of £26k in respect of the Society's freehold properties.

There was no material change in depreciation and amortisation charges. Impairment charges of £260k (2022: £nil) are in respect of the occupied portion of the Society's Head Office.

The increase in total management expenses was proportionately higher than growth in the Society's average total assets, resulting in the management expenses ratio increasing from 0.90% to 0.98%

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 2023 there was an impairment charge of £858k (2022: charge of £68k), analysed between collective and individual impairment as follows:

	2023 £000s	2022 £000s
Collective impairment charge	654	84
Individual impairment charge/(credit)	204	(16)
Total	**858**	**68**

At 31 October 2023 the Society held provisions totalling £2,452k (2022: £1,601k), analysed as follows:

	2023 £000s	2022 £000s
Collective provisions	2,137	1,483
Individual provisions	315	118
Total	**2,452**	**1,601**

The total amount set aside for loan impairment has increased by £851k. This can be attributed to a combination of an overall year on year decrease in house prices, the 11.6% growth in mortgage balances and an increase in the number and value of mortgage assets entering arrears or requiring forbearance (covered in arrears section below).

In determining the amount of provision, it is assumed that there will be an economic downturn in the near term with a rise in unemployment, further declines in property prices and a greater number of loans being identified as impaired as the personal finances of an increasing number of households are negatively impacted by the continued high inflation and as the delayed impact of successive bank rate increases feeds through into mortgage costs. See also section 1.14 of Note 1 to the Accounts, "Critical Accounting Estimates and Judgements".

At 31 October 2023 there were 66 accounts (2022: 26) where clients were benefitting from a forbearance action such as temporary interest only concessions, payment plans or reduced payment concessions. This includes 48 cases of forbearance entered into as part of the Society's commitment to the Mortgage Charter, announced by HM Government in July 2023. Forbearance cases represent total outstanding capital balances of £9.4m (2022: £2.7m).

At 31 October 2023 the Society had five properties in possession (2022: one).

Mortgage arrears

The value of arrears for cases more than two months in arrears increased from £0.15m to £0.30m with the number of borrowers in this category increasing from 34 to 41 accounts. There were 9 cases in serious arrears of twelve months or more at our year-end (2022: 8 cases). The total amount of arrears outstanding on these accounts was £87k (2022: £64k) and the aggregate balances were £561k (2022: £560k).

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 ensuring that customers can afford to meet their mortgage repayments from the outset and throughout the full duration of their mortgage term. It is this approach that has ensured arrears levels have remained below industry average and demonstrates the effectiveness of good quality counselling and the quality of lending decisions over many years. The arrears position at 31 October 2023, whilst an increase in the position at 31 October 2022, continues to reflect the macro-economic environment that has persisted for most of the financial year, with low unemployment continuing to support the servicing of mortgages despite interest rate rises increasing monthly repayments for many borrowers. However it is recognised that the full impact of the rise in interest rates has not fully passed through to borrowers and is yet to materially impact mortgage affordability and therefore may not be reflected in arrears and possession statistics at 31 October 2023. It is 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 and the Society's commitment to the Mortgage Charter, the Society remains ready to assist and support members experiencing difficulty servicing their mortgage. Further details on forbearance can be found in Note 26 to the Accounts.

Taxation

The Society's corporation tax charge for the year ended 31 October 2023 of £2,273k (2022: charge of £2,628k) represents an effective rate of 22.5% (2022: 19%), reflecting the increase in the main rate of corporation tax from 19% to 25%, which took effect from April 2023. Further detail is provided in Notes 6 and 21 to the Accounts.

Overview of statement of financial position

Total assets increased by £93.1m (6.4%) (2022: £52.3m, 3.7%) and at 31 October 2023 stood at almost £1,547m. The increase was principally due to a £129m increase in mortgage balances and an increase of almost £7m in the fair value of fixed rate mortgages, offset by a £40m reduction in liquid assets.

As the primary source of capital generation for the Society profits of £7.3m 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.

	2023 £000s	2022 £000s
Liquid assets	280,474	320,862
Loans and advances to customers	1,230,835	1,094,211
Fixed and other assets	35,237	38,333
Total assets	**1,546,546**	**1,453,406**
Shares	1,289,644	1,139,837
Amounts owed to other customers	122,575	183,148
Other liabilities	26,316	29,646
Total liabilities	**1,438,535**	**1,352,631**
Reserves	108,011	100,775
Total liabilities and reserves	**1,546,546**	**1,453,406**

Liquid assets

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

Total liquid assets decreased to £280.5m (2022: £320.9m) including £259m held in the form of deposits placed at the Bank of England (2022: £304m).

Liquid assets	2023 £000s	2022 £000s
Cash	305	280
Bank of England	258,558	303,772
Debt securities	-	4,978
Bank counterparties	7,835	3,782
Building Society counterparties	13,776	8,050
Total	**280,474**	**320,862**

As a percentage of shares and deposits liquid assets decreased to 19.9% (2022: 24.3%). The decrease in liquidity arose as growth in retail savings balances was not sufficient to fund mortgage growth of 11.6% and the repayment of £65m of TFSME balances. The Society also returned £3m of cash deposits to counterparties held 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 2023 the Society reported an LCR of 247% (2022: 311%) and a NSFR of 155% at the quarter ended 30 September 2023 (2022: 156%). Both measures have reduced in the year as the Society has managed liquidity back towards more typical operating levels and following the Board decision to accelerate repayments of TFSME balances, but remain 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 £275m compared with £212m achieved in the year to 31 October 2022. A continued focus on retention activities helped the Society report net lending of £129m (2022: £43m), including the impact of mortgage repayments, voluntary redemptions and other movements. Stated after provisions and fair value adjustments, loans and advances to customers totalled £1,230.8m (2022: £1,094.2m).

Strong demand for the Society's range of standard residential owner-occupied products and affordable housing products accounted for 89% of gross lending (2022: 91%) and over 92% of net lending (2022: 112%). At 31 October the Society's mortgage book comprised of the following lending types:

	2023	2022
Residential owner-occupied	87.1%	86.4%
Buy-to-let	12.4%	13.1%
Other	0.5%	0.6%

The Society's book remains very high quality with an average indexed loan to value of 29% (2022: 28%) with less than 0.7% (2022: 0.4%) 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 68% of the mortgage assets within the South East and London geographical areas (2022: 71%).

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 2023 retail savings and deposit balances increased by £149.1m (2022: £21.0m) taking the Society's total shares and deposits balances to £1,321.8m (2022: £1,172.7m), with the Society's ISAs, Senior Saver and Existing Member Account products accounting for the majority of the balance growth. The previous 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. Whilst these conditions largely persisted throughout the year ended 31 October 2023, the Society's principled approach to pricing in response to multiple bank rate increases, together with its products being made more widely available, has seen the Society attract much higher volumes of savings.

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

Wholesale funding

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

Inclusive of amounts refinanced from the previous TFS facility, the Society borrowed £155m under TFSME, with contractual maturities between April 2025 and October 2025. The Society repaid £5m in October 2022 and a further £65m in the year ended 31 October 2023. The Society's growth and funding plans continue to assume a phased repayment of the remaining £85m ahead of 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.

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

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 27) 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 2023 have contributed to an improvement in capital and supported balance sheet growth of 6.4%. After regulatory deductions, the Society's regulatory capital stood at £110.1m at 31 October 2023 (2022: £102.2m)

	2023 £000s	2022 £000s
Tier 1 Capital (after regulatory deductions)	107,982	100,744
Tier 2 Capital	2,137	1,483
Capital resources	**110,119**	**102,227**

The £7.3m increase in Tier 1 capital comprised of retained earnings for the year, together with a decrease of £0.1m in amounts held in the revaluation reserve following updated valuations of the Society's freehold premises. Tier 2 capital represents collective impairment balances and increased in line with the charges made in the year. At 31 October 2023 the Society's gross capital* ratio was 7.65% of shares and borrowings (2022: 7.62%). The free capital ratio* was 7.22% of shares and borrowings (2022: 7.10%).

* As defined in the Annual Business Statement on page 99.

A measure of capital strength commonly reported amongst financial institutions is the Common Equity Tier 1 (CET1) ratio. This ratio signifies the relationship between our strongest form of capital (accumulated profits held in reserves) against assets, weighted by the level of risk they are considered to carry. Balance sheet growth of 6.4%, and notably mortgage balance growth of 11.6% resulted in a decrease in the Society's CET1 from 21.7% at 31 October 2022 to 20.5% at 31 October 2023. Note 30 to the Accounts contains a reconciliation of capital per the Statement of Financial Position to regulatory capital. Further information on the Society's capital management can also be found in the Pillar 3 disclosures published on the Society's website.

Future outlook and uncertainties

The risk management report on pages 27 to 31 set out the principal risks and uncertainties faced by the Society.

Outlook

As reported above, another year of strong profitability, the second highest in the Society's history, coupled with double-digit growth in mortgage and savings balances has been achieved against a backdrop of high and persistent inflation and rising interest rates. Whilst bank base rate may be considered as being at, or nearing, its peak the impact on the wider economy, and particularly borrowers, may not have been fully felt and could create tougher economic conditions, impacting mortgage lending. Whilst a recession may not be forecast, it remains a near term possibility. An increase in unemployment will only add to the challenge. Competition for retail deposits, as deposit taking institutions chase funding to replace amounts borrowed under the TFSME scheme, may also lead to a distortion of rates payable for new deposits.

Darren Garner, Finance Director
21 December 2023

Governance

The Board of Directors

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.

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, 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 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 a member of the Audit, Remuneration and Nomination Committees and the Digital Advisory Panel.

NAILESH RAMBHAI
Non-Executive Director

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

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 was appointed to the Board of Directors in February 2020. Alistair has more than 25 years' experience in marketing and digital communications having specialised in financial services, real estate, car retailing industries, and is an Executive member of the Financial Services Forum and programme faculty member of Imperial College Business School on digital transformation. Alistair also holds positions with NOW: Pensions as Director of Marketing and Communications and is a Trustee of the Brighton Student Union. Alistair is a member of the Risk 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 40, together with the individuals shown below. Meetings of the Executive team are chaired by Phillippa Cardno, Chief Executive.

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

LYNDSEY HAYES
Chief Risk Officer

Lyndsey joined the Society in May 2023 in the role of Chief Risk Officer. Lyndsey joins with over 20 years' experience within financial services, having previously held senior risk management and compliance roles within RBS International and Barclays Corporate and Investment Bank. As Chief Risk Officer Lyndsey is responsible for the Society's Risk and Compliance functions.

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.

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.

ERIKA NEVES
Head of Data and Governance and Company Secretary

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

DEAN SCOTT
Head of Sales and Marketing

Dean joined the Society in May 2022 after 14 years in product and marketing roles at Nationwide Building Society. As Head of Sales and Marketing Dean is responsible for introduced and direct mortgage sales, savings products and our marketing activities which includes member communications and community initiatives.

Corporate governance report

The UK Corporate Governance Code 2018 (the Code) sets out the principles that emphasise the value of good corporate governance to long-term sustainable success. The Code is aimed at listed companies and is therefore not specifically applicable to mutual building societies, however the Prudential Regulation Authority expects building societies, when considering their corporate governance arrangements, to have regard to the Code. This report explains how the Society applies the principles in the Code so far as its provisions are relevant to building societies.

Board leadership and company purpose

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

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

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

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

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

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

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

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

The assessment and monitoring of culture is through a suite of key performance indicators which are reported quarterly. During the year the Board reviewed the annual culture report, which includes the Society's progress against the culture measures and planned actions. The assessment of culture is also included in the rolling internal audit programme.

The statement of purpose and Society values are on pages 11 and 12.

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

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

The main Executive-led committees are the Executive Strategic, Executive Operations, Credit, ALCO, and Sales Marketing and Product committees. The terms of reference of the Executive Operations committee includes Customer, Business Change, Operational Resilience, and Health & Safety. A Non-Executive Director is partnered with the Credit, ALCO, and Sales Marketing and Product committees to enhance the Board's understanding of the Society. The Executive Director, or Non-Executive partner provide feedback to the main Board or a Board committee following each meeting.

The Non-Executive-led committees are Risk, Audit, Nomination and Remuneration and are described in more detail below:

Risk Committee

The Risk Committee usually meets four times a year and is responsible for overseeing the Society's Risk Management Framework (RMF) including the risk appetite, risk monitoring, and policies to ensure they are appropriate, proportionate and in line with regulatory requirements and industry best practice. The Committee currently comprises three Non-Executive Directors, Nailesh Rambhai (Chair), Piers Williamson, and Alistair Welham. The Executive Directors and the Chief Risk Officer attend by invitation.

The Committee reviews the Chief Risk Officer's quarterly report which provides an assessment of the Society's risks and how they align to the Board's risk appetite. The Committee also considers the emerging risk themes through regular horizon scanning activity and any actions that are required as a result.

During the reporting period the Committee's reviews included the:

- Risk Management Framework and Risk Appetite Statement;
- Society's principal risk policies relating to treasury and lending;
- Internal Capital Adequacy Assessment Process (ICAAP);
- Internal Liquidity Adequacy Assessment Process (ILAAP);
- Stress and scenario testing policy and plan;
- Recovery plan and resolution plans;
- Annual risk plan;
- Pillar 3 disclosures;
- Conduct risk framework; and
- the risk profile of the Corporate plan, before the plan was approved by the Board.

Audit Committee

The Audit Committee is responsible for providing appropriate oversight, independently of the Executive, to ensure the interests of members, and the Society's other key stakeholders, are protected in relation to financial reporting and internal control. The Committee currently comprises four Non-Executive Directors, William Roberts (Chair), Chris Brown, Debbie Beaven, and Nailesh Rambhai.

The Executive Directors, the Chief Risk Officer and the Compliance Manager, as well as representatives from the internal and external auditors, attend by invitation. The Committee members have specialist expertise, including William Roberts and Debbie Beaven who are Chartered Accountants with financial experience relevant to the remit of the Committee.

During the reporting period the Committee's reviews included the:

- accuracy and completeness of the annual report and accounts;
- reports from the internal auditor and satisfied itself as to the independence and objectivity of the assurance provided;
- second and third line assurance plans;
- regulatory reporting framework and policy needs; where highlighted;
- IT Security Policy;
- Operational Risk and Resilience Policy;
- Business Continuity Plan;
- Financial Crime Prevention Policy;
- Savings Policy, and Savings Terms and Conditions;
- Third Party Arrangements Policy;
- Operational Risk and Resilience Policy and self-assessment;
- Conflicts of Interest Policy and Code of Conduct;
- oversight of internal and external audit; and
- the Society's whistleblowing controls and policy.

Nomination Committee

The Nomination Committee is responsible for succession planning for both Executive and Non-Executive Director positions. The Committee currently comprises four Non-Executive Directors, Piers Williamson (Chair), William Roberts, Alistair Welham and Chris Brown. The Chief Executive and the Head of People attend by invitation.

During the reporting period the Committee assessed the balance and diversity of skills, knowledge and experience of the Board. It also reviewed the Board Diversity Statement, the Management Responsibilities Map and the Human Resources Policy Statement.

The Committee pays due regard to the need for progressive refreshing of the Board and has appropriate succession plans in place. At least annually, it reviews the performance of Directors individually and collectively.

The Committee reviewed the outcomes of the externally assessed Board effectiveness review, and oversaw the completion of the recommended actions.

Remuneration Committee

The Remuneration Committee is responsible for setting and monitoring adherence to the Society's remuneration policy. The Committee comprises four Non-Executive Directors who are currently William Roberts (Chair), Piers Williamson, Alistair Welham and Chris Brown. The Chief Executive and the Head of People attend by invitation.

During the year the Committee reviewed the Society's remuneration policy and approved the Directors' Remuneration Report. The Committee also considered the structure of remuneration across the Society, including pay levels and differentials, reviewed director expenses, and set and approved the performance related pay of all employees, including the consideration of relevant risks.

The terms of reference for the Board Committees are available on the Society's website, at the AGM or by writing to the Company Secretary. Proceedings of all Committees are formally minuted and minutes are distributed to all Board members. The Chair of each Committee reports on the key matters covered at the following Board meeting. The Society maintains liability insurance cover for Directors and Officers. Attendance records for the year to 31 October 2023 are set out on page 48.

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

As a mutual organisation the Society's membership consists of individuals who are also the Society's customers. The Society is committed to dialogue with members through regular newsletters, social media, and events such as the AGM attended by Directors. Members are also invited to leave feedback about the Society through Smart Money People. The feedback is shared with employees and regularly reviewed to identify service improvements. The Society is a member of the Institute of Customer Service (ICS) and was awarded Distinction level accreditation from the ICS in 2022. This result was informed by the ICS independent survey of the Society's customers and employees. The purpose of this dialogue with members is to understand, and better serve, their needs to ensure the Society is delivering good customer outcomes.

The Society engages with employees in several ways. An employee engagement survey is conducted regularly, most recently in March 2022. The survey results are shared openly with employees and the Board and plans put in place to address any areas of improvement. The Society's 'TeamsWork' framework provides a forum for teams to discuss and share ideas and issues.

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

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

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

It is important that all employees feel able to provide feedback and raise concerns. One way in which the Society facilitates this is through an anonymous biennial employee engagement survey. The most recent survey was in March 2022 and it was completed by 85% of employees.

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

The Society has a Board-approved Whistleblowing Policy, and the Board receives an annual report on the effectiveness of the Society's whistleblowing arrangements which includes details of how it fits the Society's values. Employees undertake learning and development activity to ensure they are aware of how to confidentially raise concerns without fear of victimisation. The Society's whistleblowing champion is William Roberts (chair of the Audit Committee and Senior Independent Director). William Roberts is retiring from the Board in February 2024 and will be succeeded as whistleblowing champion by Chris Brown (senior independent director).

He can be contacted at william.roberts@newbury.co.uk should members or employees have any concerns that cannot be raised through normal channels.

Division of responsibilities

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

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

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

G. The Board should include an appropriate combination of Executive and Non-Executive (and, in particular, independent Non-Executive) directors, such that no one individual or small group of individuals dominates the Board's decision making. There should be a clear division of responsibilities between the leadership of the Board and the executive leadership of the company's business.

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

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

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

Directors are informed of the time commitment in their letter of appointment. The Nomination Committee evaluates the ability of Directors to commit the time required for their role, prior to appointment, considering information provided by referees, and once appointed there is a formal process in place for approving new requests to take up roles elsewhere. The formal appraisal process carried out by the Chair each year also assesses whether Directors have demonstrated this ability during the year. The attendance record during the year of Directors at Board and Committee meetings is set out on page 48.

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

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

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

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

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

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

Composition, succession and evaluation

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

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

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

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

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

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

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

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

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

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

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

The evaluation of Board effectiveness is externally facilitated on a periodic basis. An external assessment was completed in November 2022, and the outcomes were assessed by the Nomination Committee. The assessment covered seven key categories: Board composition; Board process; Leadership from the Chairperson; Board dynamics, culture, and conduct; Strategy and purpose; Stakeholder engagement; and The governance framework. There were four recommendations relating to minor issues and an action plan to address these was approved by the Board.

Audit, risk and internal control

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

The Audit Committee comprises four independent Non-Executive Directors. The Executive Directors, the Chief Risk Officer and the Compliance Manager, as well as representatives from the internal and external auditors, attend by invitation. The Chair is not a member but may attend by invitation. The Committee meets four times a year and once a year the external and internal auditors meet the Committee without the presence of the Executive Directors.

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

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

The Board believes that the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the necessary information for Members to assess performance, strategy and the business model of the Society. The responsibilities of the Directors in relation to the preparation of the Society's accounts are contained in the Directors' Responsibilities on page 59. The Audit Committee Report describes the main areas of accounting judgement exercised.

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

The Board has identified the principal risks and uncertainties that could threaten its business model, future performance, solvency or liquidity. These risks, together with the way in which they are mitigated, are explained in the Risk management report on pages 27 to 31. The Board, assisted by the Risk Committee, is collectively responsible for determining risk appetites, strategies for risk management and control as described in the Society's Risk Management Framework. Senior management is responsible for designing, operating and monitoring risk management systems and controls. The Society has a second-line Risk and Compliance team, headed by the Chief Risk Officer, which provides challenge and oversight of the first-line. The Executive team hold quarterly meetings to review the risk and control environment in their respective areas. The Risk Committee assesses the adequacy of the risk-related output of this process and the Society's internal auditor, provides independent and objective assurance regarding the design and performance of risk management systems and controls.

Remuneration

The Directors' Remuneration report on pages 55 to 56 explains how the Society applies the Code Principles relating to remuneration.

Piers Williamson, Chairman of the Board
21 December 2023

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					
Piers Williamson	11 (11)	1 (1) A	4 (4)	4 (4)	4 (4)
Debbie Beaven	10 (11)	6 (6)			
Chris Brown	11 (11)	6 (6)		4 (4)	4 (4)
Nailesh Rambhai	11 (11)	5 (5)	4 (4)		
William Roberts	11 (11)	6 (6)		4 (4)	4 (4)
Alistair Welham	11 (11)		4 (4)	1 (1) A	4 (4)
Executive					
Phillippa Cardno	11 (11)	6 (6) A	4 (4) A	4 (4) A	4 (4) A
Lee Bambridge	7 (7)	2 (2) A	2 (2) A	2 (2) A	2 (2) A
Darren Garner	11 (11)	6 (6) A	4 (4) A		

A denotes attendee only.

Audit Committee report

"

The Audit Committee is responsible for ensuring that the Board receives appropriate assurance over the effective operation of the Society's internal control framework.

William Roberts
Chair of the Audit Committee

This report explains how the Society applies the principles of the UK Corporate Governance Code 2018 (the Code) relating to the operation of the Audit Committee and the system of internal control. The report details how the Committee discharged its responsibilities in line with the provisions of the Financial Reporting Council's 'Guidance on Audit Committees' (April 2016). It details the significant issues reviewed and concluded during the year including the Committee's assessment of those areas on which accounting judgement was exercised. The Audit Committee met six times during the year, of which two were extraordinary meetings, and in addition met with the external and internal auditors without the Executive Directors present.

Audit, risk and internal control

Audit Committee and Auditors
Code Principle:

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

The Society recognises the importance of good internal control systems in the achievement of its objectives and the safeguarding of its assets. Good internal controls also facilitate the effectiveness and efficiency of operations, help to ensure the reliability of internal and external reporting, and assist in compliance with applicable laws and regulations. Management is responsible for designing an appropriate internal control framework and the Audit Committee is responsible for ensuring that the Board receives appropriate assurance over the effective operation of this framework. To achieve this the Audit Committee reviews the effectiveness of the Second and Third lines, approves their annual plans and reviews performance against these plans on a quarterly basis. The Committee also reviews their material findings and ensures the recommendations from assurance work are completed in a timely fashion. Consistent with these responsibilities, the Committee undertook the following activities during the year to satisfy itself over the robustness of the internal control framework:

Compliance assurance

The Society's Compliance function provides second line assurance on activities across the Society. The outputs of the Compliance function's activities are reported to the Committee, together with progress updates on management's implementation of any findings. During the year, the Committee approved the Compliance function's annual plan of work which sets out the reviews the function intends to perform and the associated scopes of those reviews. The Committee satisfied itself that the Compliance function had the appropriate level of resource to carry out the approved assurance programme, and that any identified areas of improvement had been addressed.

Internal audit

The Society's Internal Audit function, which was outsourced to EY during the year, provides independent assurance to the Board, via the Audit Committee, on the effectiveness of the internal control framework. The information received and considered by the Committee during the year provided assurance that there were no material breaches of control and that the Society maintained an adequate internal control framework that met the principles of the Code. The Audit Committee is also responsible for agreeing the annual budget for Internal Audit and for approving its annual risk-based plan of work. Internal Audit provides the Committee with reports on material findings and recommendations as well as updates on the progress made by management in addressing these findings, including verification that the status of all actions has been accurately reported. The Committee is satisfied that, over the year, Internal Audit had an appropriate level of resources in order to deliver its plan of work and that it discharged its responsibilities effectively.

During the year the Audit Committee carried out a tender for the provision of internal audit and BDO were appointed with effect from 1 November 2023, replacing EY who had been in post for five years.

External audit

The Audit Committee is responsible for providing oversight of the external audit process by monitoring the relationship with the External Auditor (currently Deloitte LLP), reviewing its effectiveness, agreeing its remuneration and terms of engagement and making recommendations to the Board on their appointment, re-appointment or removal. As part of the external audit process, Deloitte provides the Society with internal control matters which have come to its attention during the audit. No material control weaknesses were included in such reports. The Committee is also responsible for monitoring the effectiveness, performance, objectivity and independence of the External Auditor, ensuring that the provision of non-audit services is appropriate and in accordance with the Financial Reporting Council's Ethical Standards. Deloitte did not provide any non-audit services during the year. In order to retain independence and objectivity, the Society's policy is to tender for audit services on a regular basis and at least every 10 years. The external auditors are required to rotate every 20 years. Deloitte LLP have held the role since February 2018.

Other activities

During the year the Committee considered, and satisfied itself about, the operating effectiveness of the Society's whistleblowing arrangements, the IT and cyber security controls – including a meeting with the CEO of the Society's core system provider, the operational resilience controls and the regulatory reporting framework. In respect of the Society's operational resilience it reviewed the Operational Risk and Resilience Policy, Third Party Arrangements Policy, Business Continuity Plan, IT Security Policy and the Operational Resilience self-assessment.

It also reviewed the Society's Code of Conduct, Conflicts of Interest Policy, and savings terms and conditions.

Code Principle:

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

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

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

The Committee also paid attention during the year to the following matters which are important by virtue of their potential impact on the Society's results, particularly because they involve a high level of complexity, judgement, or estimation by management:

Provisioning for loan impairment

The Committee monitored loan impairment provisions and considered the impact of the approach to forbearance adopted when managing the Society's mortgage portfolio. It considered the impact of the economic climate on the mortgage portfolio and other key assumptions contained in the Society's provisioning model on the level of provisions made, most significantly the assumptions for probability of default and house price changes, and the relevant disclosure in the Accounts.

The Committee examined and challenged the assumptions adopted and is satisfied with the level of impairment provisions made.

Effective interest rate

Interest income on the Society's mortgages is measured under the effective interest method, as explained in the Accounts. This method includes an estimation of mortgage product lives which is based on observed historical data and Directors' judgement.

The Society's estimate of mortgage lives reflects changes in market conditions and customer behaviours. The Committee has examined these changes, including the revised mortgage life estimates, and the impact of SVR increases, and is satisfied that the estimates and accounting treatment are appropriate.

Hedging

The Society issues fixed rate mortgage products which are mainly funded from variable rate retail savings and deposits. To mitigate the risk of a rise in funding costs the Society enters into interest rate swaps (derivatives) and uses hedge accounting to offset a change in the fair value of swaps against changes in the fair value of the corresponding fixed rate mortgages.

During the year the Committee reviewed management's process to manage hedge accounting, the fair valuing of hedges and the underlying hedged items, as well as the processes for identifying and designating derivatives as effective. As a result of its enquiries the Committee is satisfied that the processes followed for hedge accounting have been applied in accordance with IAS 39 and were appropriate in light of the more volatile rate environment.

Property valuation

The Society's freehold properties are included in the balance sheet at fair value. The properties were revalued by an external surveyor in 2022, and a desktop valuation was conducted in 2023 to determine if these valuations remained appropriate in the current economic climate. The Committee was satisfied that these remain an accurate reflection of value except in respect of the Society's Head Office premise and one of its branches where the Committee agreed that an impairment charge was necessary.

Going concern

This involves rigorous consideration, based on reports as requested by the Committee, of the Society's current and projected liquidity and capital positions, together with the potential risks (for example strategic risk, credit risk, liquidity risk, operational risk and conduct risk) which could also impact the business, as well as consideration of potential stress scenarios relating to economic uncertainty caused by the direct or indirect consequences of high inflation and rising interest rates, focused on the Society's capital and liquidity position and operational resilience. Based on its review, the Committee concluded that the adoption of the going concern assumption to prepare the financial statements remains appropriate.

Statutory audit

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

Considering the enquiries above, the Committee is satisfied that, taken as a whole, the 2023 Annual Report and Accounts is fair, balanced and understandable and provides a clear and accurate presentation of the Society's position and prospects.

William Roberts, Chair of the Audit Committee
21 December 2023

Risk Committee report

"During the year, the Committee continued to provide oversight against a backdrop of challenging economic headwinds, with successive interest rate rises, persistently high inflation, swap market volatility, uncertainty around house prices and on-going affordability and cost-of-living challenges for our members.

Nailesh Rambhai
Chair of the Risk Committee

Key activities for 2022/23
• Focus on a new Conduct Risk Framework as part of the Consumer Duty implementation • Full programme of oversight of the current risk profile and emerging risks, including a detailed review of horizon and strategic risks against a backdrop of challenging and sometimes volatile macro-economic conditions • Transition to a new Chief Risk Officer during the year
Committee membership during 2022/23
• Nailesh Rambhai (Chair) – Chair since September 2022 • Piers Williamson – member since January 2018 (and former Chair of Risk Committee March 2020-August 2022) • Alistair Welham – member since February 2020
Number of meetings and attendance
• Four meetings held during the year • 100% attendance from Committee members

Report on the year

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

During the year, the Committee continued to provide oversight against a backdrop of challenging economic headwinds, with successive interest rate rises, persistently high inflation, swap market volatility, uncertainty around house prices and on-going affordability and cost-of-living challenges for our members. The outlook for the year ahead is one where recession may now be avoided and inflation is falling, but interest rates are expected to stay higher for longer and the impact of this will continue to be felt and may result in more members experiencing financial difficulty.

I would like to thank my fellow Committee members for their continued commitment, support and challenge during the year. I would also like to thank the former Chief Risk Officer (CRO), Lee Bambridge who retired in May 2023 after 16 years of dedicated service with the Society. Lee has been replaced by Lyndsey Hayes, an experienced risk professional with over 20 years experience in risk management and compliance roles. Lyndsey joined the Society in May 2023 and has joined the Risk Committee as an attendee. Members and attendees to the Committee have otherwise remained unchanged.

Committee operations and responsibilities

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

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

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

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

A review of the effectiveness of the operation of the Risk Committee is undertaken on an annual basis, providing an opportunity to review the ToR, assess the quality and appropriateness of the management information and reports as well as the rolling agenda. An internal evaluation was undertaken through a questionnaire completed by all Committee members and attendees. In addition, the key duties and responsibilities of the Committee were reviewed against the ToRs of a range of other comparable organisations. No specific gaps were identified and the Committee was observed to have strong governance with sufficient discussion, challenge and review. The Society will continue to evolve and develop oversight in areas such as IT change risk, climate-related risks and other emerging risks and consider the linkages and overlaps between Risk and Audit Committees.

Matters considered by the Committee in 2022/23

During the financial year ended 31 October 2023 the Risk Committee has supported the Board to oversee the current risk profile and emerging risks as set out in the annual rolling agenda. These have included:

- the Risk Management Framework annual review, which incorporated updates to the Conduct Risk principal risk to take account of the Society's implementation of the Consumer Duty;
- a review of quarterly risk management information including key risk indicator metrics;
- a review of Horizon risks and Strategic risks, to ensure the impacts of an often volatile and changing macro-economic and political environment were assessed and reviewed;

- the Society's principal risk policies relating to Treasury and Lending were also subject to annual review ahead of Board approval, taking into account the challenging economic backdrop with increased interest rates and persistent inflation impacting on affordability. This included a review of the Affordability model and a number of lending metrics to ensure our risk appetite remained appropriate;
- the Internal Liquidity Adequacy Assessment Process (ILAAP) was reviewed, taking into account regular discussions and input from the Assets and Liabilities Committee (ALCO) throughout the year;
- the Stress and Scenario testing policy and plan was reviewed, taking account of feedback from previous Risk Committees and input from the PRA;
- the Recovery Plan and Resolution Plans were reviewed and updated;
- the Conduct Risk Framework was fully updated this year to take account of the recommended plan for the implementation of the Consumer Duty requirements. Oversight and scrutiny was provided at Executive Committee, Risk Committee and Board at various points throughout the year;
- the Risk culture report, undertaken every two years, was considered in December 2023 to ensure a robust risk culture can be evidenced and maintained; and
- the risk profile of the Corporate plan was reviewed in September, ahead of the full plan being approved by the Board.

Future areas of focus

Over the next 12 months, the Committee will continue to focus on the potential impacts of the challenging economic environment, a number of important regulatory changes (such as Basel 3.1, the Strong & Simple regime, Solvent Exit planning and ongoing embedding of Consumer Duty requirements, amongst other changes). Key points of focus for the Committee in 2023/24 will include:

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

Nailesh Rambhai Chair of the Risk Committee
21 December 2023

Directors' Remuneration report

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 2023, 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 in note 8 on page 78. The remuneration reflects the Directors' specific responsibilities and comprises basic salary, annual performance related pay and various benefits detailed below.

Basic salaries

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

Performance related pay schemes

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

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

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

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

Benefits

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

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

Executive Directors contractual terms

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

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

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

Non-Executive Directors

The level of fees payable to Non-Executive Directors is assessed using information from comparable organisations and national publications from Non-Executive Director recruiters. The salaries of the Non-Executive Directors were reviewed in 2023 after a benchmarking exercise.

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

Other material risk takers

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

The Procedure for determining remuneration

Code Principle:

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

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

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

Non-Executive Directors

The fees payable to Non-Executive Directors are proposed by the Chief Executive, taking into consideration 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 2023 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 2023

Directors' report

The Directors have pleasure in presenting their Annual Report together with the Annual Accounts and Business Statement of the Society for the year ended 31 October 2023. Certain information required to be included in a Directors' report can be found in the Strategic report, which starts on page 4.

Directors

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

Non-Executive Directors	
Piers Williamson	Chairman
Debbie Beaven	
Chris Brown	
Nailesh Rambhai	
William Roberts	
Alistair Welham	

Executive Directors	
Phillippa Cardno	Chief Executive
Lee Bambridge	Chief Risk Officer (resigned 31 May 2023)
Darren Garner	Finance Director

Biographies of the Directors appear on pages 40 and 41 and their attendance at meetings of the Board and Board Committees is set out in the Corporate governance report which starts on page 43.

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, except for William Roberts who, by virtue of having served on the Board for over 9 years, will resign from the Board from the date of the Annual General Meeting.

Other matters

Creditor Payment Policy

Please see page 13 of the Strategic report.

Charitable donations

During the year charitable donations of £120k were made to a number of organisations (2022: £187k). See also pages 24 to 26 of the Strategic report.

Political donations and gifts

The Society has not made any political gifts or donations in the year to 31 October 2023 (2022: £nil).

Stakeholder engagement

Contained within the Strategic report on pages 13 to 26.

FINANCIAL RISK MANAGEMENT OBJECTIVES

Contained within the Risk management report on pages 27 to 31.

Principal risks and uncertainties

Contained within the Strategic report.

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.

Disclosure requirements under CRD IV country-by-country reporting

Please see Note 31 to the 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 2024. 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 12 months from the signing of the accounts. In making the assessment the Directors have reviewed the Society's corporate plan and considered risks that could impact on the Society's capital position, financial position and liquidity over that period.

The Directors have also prepared forecasts to consider the effect on the Society's business, financial position, capital and liquidity of operating under stressed, but plausible, operating conditions for a period in excess of 12 months from the date of approval of these financial statements. A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to economic uncertainty caused by the direct or indirect consequences of 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 2023

Directors' responsibilities

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

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

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

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

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

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

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

Directors' responsibilities for accounting records and internal controls.

The Directors are responsible for ensuring that the Society:

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

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

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

Financial statements

Financial Statements

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

Report on the audit of the financial statements

1. Opinion

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

- give a true and fair view of the state of the Society's affairs as at 31 October 2023 and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements which comprise:

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

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

2. Basis for opinion

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

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

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

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Recognition of interest receivable and similar income; and • Loan loss provisioning Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the financial statements was £1,085,000 which was determined on the basis of 1% of net assets.
Scoping	Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	No significant changes to note.

Financial statements

4. Conclusions relating to going concern

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

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

- Evaluating the director's going concern assessment, which included consideration of the Society's operational resilience, in order to understand, evaluate and evidence the key judgements made by management;
- Evaluating the assumptions underpinning forecast projections;
- Assessing management's four-year business plan and all regulatory correspondence;
- Meeting with the Society's lead regulators at the Prudential Regulation Authority, and discussing their views on existing and emerging risks to the Society;
- Assessing post year-end performance whilst assessing previous forecasting accuracy;
- Involvement of our in-house prudential regulation specialists, in evaluating the most recent ICAAP and ILAAP submissions and assessing management's capital and liquidity projections, including stress testing outputs; and
- Assessing the disclosures in the financial statements surrounding going concern and the principal risks and uncertainties that the Society is facing.

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

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

5. Key audit matters

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

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

5.1. Revenue recognition of interest receivable and similar income

Key audit matter description	The main revenue stream within the Society is interest receivable and similar income primarily derived from loans and advances to customers. The interest receivable and similar income recognised during the year was £73.8m (FY22: £34.5m). The directors apply the effective interest rate ('EIR') method to recognise interest income for loans and advances to customers. The EIR method requires the modelling of all cash flows, including directly attributable fees and costs, over the shorter of the behavioural and contractual life. The key assumption in the EIR models is the estimation of redemption rates used in the calculation of the behavioural lives of the mortgages and thus timing of the expected future cash flows over these lives. Given the complexity and judgement involved in accounting for EIR and given that revenue recognition is an area susceptible to fraud, there is an opportunity for management to manipulate the amount of interest receivable reported in the financial statements. Management's accounting policies are detailed in notes 1.2 and 1.4 to the financial statements while the significant judgements involved in the revenue recognition process are outlined in note 1.14, with note 2 quantifying the interest receivable and similar income recognised during the year. The area of significant judgement is discussed by the Audit Committee as detailed in the Committee's report on page 51.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls that the Society has in place to manage the risk of inappropriate behavioural life assumptions being used within the EIR model. In conjunction with our IT specialists, we tested the general IT controls over the loan administration systems and evaluated the manner in which data is extracted from these systems to determine the EIR balance. We challenged the appropriateness of the behavioural lives adopted by management by reference to historical customer redemptions, over which we performed accuracy and completeness testing over the underlying data on a sample basis. Additionally, we challenged any amendments made to the behavioural lives by management during the course of the year, based on recent customer redemption activity in light of the rising interest rate environment and wider economic uncertainty. We assessed the adequacy of management's disclosures regarding the increased risk of expected future cash flows being materially higher or lower than forecast, based on the level of market uncertainty being higher than normal. As part of our wider assessment of the key audit matter we independently recalculated a sample of EIRs and tested the adjustment posted to recognise revenue over the behavioural life on a sample of loans. We assessed the treatment of fees and costs arising on loans and advances to customers and the appropriateness of their inclusion or exclusion in the Society's EIR models. We tested the inputs which are used to determine revenue by agreeing a sample of customer loans back to underlying source data.

Key observations	We concluded that the behavioural lives used within management's revenue recognition process were reasonable and the models to be working as intended. We determined the accounting for revenue to be appropriate and we made recommendations to management in relation to the methodology and the controls relevant to revenue recognition of interest receivable and similar income.

5.2. Loan loss provisioning

Key audit matter description	Under IAS 39, the directors are required to assess whether there is objective evidence of impairment of any financial assets that are measured at cost or amortised cost. If there is objective evidence of impairment, management should recognise an impairment loss within the income statement immediately. The Society holds £1,240.0m (FY22: £1,111.0m) of loans and advances to customers on which a loan loss provision of £2.4m (FY22: £1.6m) has been provided for at year end. The provision comprises a collective provision for losses incurred but not observed and a specific provision for loans where there has been an observable impairment trigger. Key assumptions in determining the collective provision include the use of probability of default ("PD") assumptions, which are derived from third-party ratings agency data. Given the high level of directors' judgement required coupled with historically low levels of arrears, we identified a key audit matter in relation to the valuation of the collective provision and in particular the PD assumptions, including the possibility of management bias on the basis that amendments to these assumptions could give rise to a material misstatement due to fraud or error. Management's accounting policies are detailed in note 1.5 to the financial statements while the significant judgements involved in loan loss provisioning are outlined in note 1.14, with note 13 quantifying the loan loss provision at year end. The area of significant judgement is discussed by the Audit Committee as detailed in the Committee's report on page 51.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls that the Society has in place to manage the risk of inappropriate assumptions being used in the loan loss provisioning model. In conjunction with our IT specialists, we tested the general IT controls over the loan administration systems and evaluated the manner in which data is extracted from these systems to determine the provision. We challenged the appropriateness of the key assumptions used within the collective provision, in particular the PD, by reference to the Society's historical loss rate data, third-party ratings agency data, and the wider macro-economic environment. We have also considered the relevance and reliability of the information used as evidence and derived from the third parties. Additionally and as part of our stand back assessment, we determined whether the provision held is commensurate with the loan book size and inherent risk in light of the current uncertain economic environment, particularly rising cost of living, cost of refinancing and affordability concerns. As part of our wider assessment of the key audit matter, we independently recalculated the loan loss provision for a sample of customer loans and compared the output to the amount provided by management. We also tested the accuracy and completeness of the inputs which were used to determine the loan loss provision back to underlying source data. We tested the completeness of the loan population identified by management as having incurred an impairment event by testing a sample of loans that were not in arrears for other indicators of financial distress. We also considered if any management adjustments were required to recognise impairment provisions held by the Society for impairment events that are not captured in its impairment model. We challenged the appropriateness of other assumptions used within the loan loss provision such as impairment triggers, expected future cash flows, time horizons to sale, expected costs to sell and house price indexation. Procedures performed included comparing to peers and performing independent recalculations. We also considered the appropriateness of the overall provision on the basis of the changing macro-economic environment.
Key observations	We concluded that management's view with regards to the loan loss provision and in particular the PD assumptions adopted was appropriate, with the provision level being acceptable albeit with elements of conservatism. We determined the impairment events used by management in its impairment model to be appropriate and considered that this appropriately identifies customers for which a specific provision may be required. Overall, we found the loan loss provision model to be working as intended and consider the loan loss provision to be recorded in line with the requirements of IAS 39.

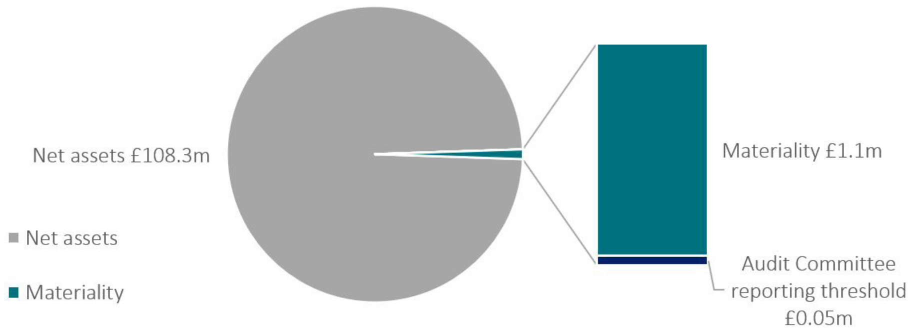
6. Our application of materiality

6.1. Materiality

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

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

	Society financial statements
Materiality	£1,085,000 (FY22: £1,007,000)
Basis for determining materiality	1% of net assets (FY22: 1% of net assets)
Rationale for the benchmark applied	Net assets is a relevant benchmark to users of the financial statements and the Society's regulators and is a stable basis on which to determine materiality in the current economic environment.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the 2023 audit (FY22: 65%). In determining performance materiality, we considered that this continues to be appropriate in light of the level of uncorrected misstatements identified in the prior periods, as well as the strong control environment.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £54k (FY22: £50k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Our consideration of the control environment

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

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

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

7.2. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Society's business and its financial statements. The Society continues to develop its assessment of the potential impacts of environmental, social and governance ("ESG") related risks, including climate change, as outlined on pages 14 to 19.

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

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

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

8. Other information

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

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

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

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

We have nothing to report in this regard.

9. Responsibilities of directors

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

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

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

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

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

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

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

11.1. Identifying and assessing potential risks related to irregularities

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

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

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

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

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

11.2. Audit response to risks identified

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

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

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the FCA and PRA; and

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

Report on other legal and regulatory requirements

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

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

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

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

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

In our opinion the information given in note 31 to the financial statements for the financial year ended 31 October 2023 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

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

14.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by Board of Directors on 26 February 2018 to audit the financial statements for the year ending 31 October 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years, covering the years ending 31 October 2018 to 31 October 2023.

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

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

16. Use of our report

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

Neil Reed FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
21 December 2023

Income statement for the year ended 31 October 2023

	Notes	2023 £000	2022 £000
Interest receivable and similar income	2	73,824	34,516
Interest payable and similar charges	3	(46,450)	(11,721)
Net interest income		27,374	22,795
Fees and commissions receivable		106	128
Fees and commissions payable		(278)	(170)
Other operating income		27	27
Net (loss)/gain from derivatives	4	(1,944)	4,661
Total Net Income		25,285	27,441
Administrative expenses	5	(13,881)	(12,395)
Depreciation, amortisation and impairment of fixed assets	15/16	(825)	(511)
Loss on revaluation of investment properties		(157)	(30)
Operating profit before impairment and provisions		10,422	14,505
Impairment of loans and advances	14	(858)	(68)
Profit before tax		9,564	14,437
Taxation	6	(2,273)	(2,628)
Profit for the financial year	22	7,291	11,809

Statement of comprehensive income

	Notes	2023 £000	2022 £000
Profit for the financial year		7,291	11,809
Items that will not be reclassified to income statement			
(Loss)/gain on property revaluation	15	(60)	195
Items that may be reclassified to income statement			
Fair value movement on available for sale assets		5	(5)
Total comprehensive income for the financial year		7,236	11,999

The tax impact of the property revaluation in 2023 was to reduce the charge for taxation by £nil (2022: £4k).

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

The accounting policies and notes on pages 71 to 98 form part of these accounts.

Statement of financial position at 31 October 2023

	Notes	2023 £000	2022 £000
Assets			
Liquid assets			
Cash in hand and balances with the Bank of England	9	258,863	304,052
Loans and advances to credit institutions	10	21,611	11,832
Investments in debt securities at available for sale	11	-	4,978
		280,474	320,862
Derivative financial instruments	12	21,328	24,183
Loans and advances to customers			
Loans fully secured on residential property	13	1,237,912	1,107,410
Other loans	13	4,165	5,017
Fair value adjustment for hedged risk	13	(11,242)	(18,216)
		1,230,835	1,094,211
Tangible fixed assets	15	8,211	8,296
Intangible fixed assets	16	29	31
Investment properties	17	1,048	1,384
Other assets	18	2,402	2,226
Prepayments and accrued income		2,219	2,213
Total assets		1,546,546	1,453,406
Liabilities			
Shares	19/27	1,289,644	1,139,837
Amounts owed to credit institutions	27	90,446	150,276
Amounts owed to other customers	27	32,129	32,872
Derivative financial instruments	12	1,103	189
Other liabilities	20	21,045	24,489
Tax liabilities	20	1,545	2,067
Accruals and deferred income		2,070	2,250
Deferred tax	21	553	651
Total liabilities		1,438,535	1,352,631
Reserves			
Revaluation reserve	22	726	786
Available for sale reserve	22	-	(5)
General reserves	22	107,285	99,994
Total Reserves		108,011	100,775
Total reserves and liabilities		1,546,546	1,453,406

The accounting policies and notes on pages 71 to 98 form part of these accounts.

These accounts were approved by the Board of Directors on 21 December 2023 and were signed on its behalf by:
Piers Williamson - Chairman
Phillippa Cardno - Chief Executive
Darren Garner - Finance Director

Statement of changes in members' interests for the year ended 31 October 2023

	Notes	General reserves £000	Available for sale reserve £000	Revaluation reserve £000	Total
Balance at 1 November 2022		99,994	(5)	786	100,775
Profit for the financial year		7,291	-	-	7,291
Other comprehensive income for the year		-	5	(60)	(55)
Total comprehensive income	22	7,291	5	(60)	7,236
Balance at 31 October 2023		107,285	-	726	108,011
Balance at 1 November 2021		87,747	-	1,029	88,776
Profit for the financial year		11,809	-	-	11,809
Other comprehensive income for the year		-	(5)	195	190
Transfers		438	-	(438)	-
Total comprehensive income		12,247	(5)	(243)	11,999
Balance at 31 October 2022		99,994	(5)	786	100,775

The accounting policies and notes on pages 71 to 98 form part of these accounts.

Cash flow statement

	Notes	2023 £000	2022 £000
Cash flows from operating activities			
Profit before tax		9,564	14,437
Adjustments for:			
Depreciation and amortisation	15/16	565	511
Impairment of fixed assets		417	-
Other non cash movements		(30)	4
Fair value movement on derivatives		1,944	(4,923)
Gain on disposal of property plant and equipment		-	(38)
Impairment of loans and advances	14	851	68
Total		13,311	10,059
Changes in operating assets and liabilities			
Increase in prepayments, accrued income and other assets		(5,527)	(1,561)
(Decrease)/increase in accruals, deferred income and other liabilities		(3,819)	23,130
Increase in loans and advances to credit institutions		(5,500)	(8,000)
Increase in loans and advances to customers	13	(130,501)	(45,235)
Increase in shares		149,807	21,223
Decrease in amounts owed to credit institutions		(60,000)	(5,000)
Decrease in amounts owed to other customers		(743)	(190)
Taxation paid		(2,818)	(1,545)
Net cash used in operating activities		(59,101)	(17,178)
Cash flows from investing activities			
Proceeds from sale/(purchase) of debt securities		4,983	(4,953)
Purchase of property, plant and equipment	15	(365)	(245)
Purchase of intangible assets	16	(18)	(27)
Proceeds from disposal of fixed assets		54	288
Net cash generated by /(used in) investing activities		4,654	(4,937)
Net decrease in cash and cash equivalents		(41,136)	(12,056)
Cash and cash equivalents at 1 November		307,834	319,890
Cash and cash equivalents at 31 October	23	266,698	307,834

The accounting policies and notes on pages 71 to 98 form part of these accounts.

Notes to the accounts

1. Accounting policies

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

1.1 Basis of preparation

The Annual Accounts of the Society have been prepared:

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

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

Going concern

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

The resultant forecasts and projections showed that the Society will be able to operate at adequate levels of both liquidity and capital for the foreseeable future. For this reason, the financial statements continue to be prepared on the going concern basis. See also the Directors' Report on page 58.

1.2 Interest

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

1.3 Fair value changes on derivatives

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

1.4 Fees and commissions receivable and payable

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

1.5 Financial instruments

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

Recognition

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

Classification

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

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

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

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

iv. **Loans and receivables**
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in

an active market and that the Society does not intend to sell immediately or in the near term.

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

b) Financial liabilities

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

Measurement

a) Amortised cost measurement

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

b) Fair value measurement

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

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

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

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

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

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

Impairment of financial assets not measured at fair value

Impairment of mortgage loans and advances

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

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

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

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

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

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

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

Forbearance

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

Derecognition of financial assets and liabilities

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

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

1.6 Hedge accounting

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

i. Fair value hedges – Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item, for which the effective interest method is used, is amortised to profit or loss over the remaining expected life of the previously hedged item.

ii. Derivatives that do not qualify for hedge accounting – Certain derivative instruments do not qualify for hedge accounting.

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

1.7 Intangible assets

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

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

1.8 Property, plant and equipment

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

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

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

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

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

Land is not depreciated.

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

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

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

1.9 Investment properties

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

1.10 Cash and cash equivalents

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

1.11 Taxation

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

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

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

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

1.12 Provisions and contingent liabilities

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Society, is a contingent liability. A contingent liability is disclosed but not recognised in the Statement of Financial Position.

1.13 Employee benefits

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

1.14 Critical accounting estimates and judgements

In applying the Society's accounting policies, the Society makes estimates and applies judgements that can have a material effect on the reported amounts of assets and liabilities. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although the Society has internal controls in place to ensure reliable measurement actual results may differ from the estimates. In the course of preparing the financial statements, no judgements have been made in the process of applying the Society's accounting policies, other than those involving estimations, that have had a significant effect on the amounts recognised in the financial statements. As set out in the Climate risk report on pages 14 to 19, climate change is a global challenge and an emerging risk to businesses, people and the environment. Therefore, in preparing the financial statements, the Society has considered the impact of climate-related risks on its financial position and performance. While the effects of climate change represent a source of uncertainty, the Society does not consider there to be a material impact on its judgements and estimates from the physical or transition risks in the short to medium term. The most significant use of accounting estimates relate to the matters described below.

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

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

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

House prices are included at actual valuation at time of mortgage origination, adjusted for movements in published house price indices. In determining any impairment management judgement is applied to consider how property values could be expected to move across the emergence period and then further adjusted by an amount to reflect the risk that such properties may not achieve full market price, together with appropriate sales costs. Given the higher degree of uncertainty around the economic outlook, it has been assumed that house prices could decline by 10.7% in the near term, compared with a decline of 9.8% assumed at 31 October 2022. This assumption increases the amount set aside for impairment by £1,070k. A further increase in the assumption to 15% would result in an additional provision requirement of £566k (2022: £607k). A sensitivity of 4.3% is considered to represent a material increase and represents a price reduction greater than the last significant fall in 2009 when the house price index reduced by 14%.

The reduction in sales value applied to each property is informed by historic experience. Currently set at 35.7% (2022: 36.5%) for residential properties and 45.0% (2022: 45.0%) for commercial properties, a 3.5% increase in this assumption would result in an additional provision requirement of £604k (2022: £536k). An increase of 3.5% takes the sales discount assumptions to 39.2% for residential properties and 48.5% for commercial properties which, whilst remaining within a range of discounts historically observed by the Society, is also considered to represent a material movement since it is additional to the discount already applied to house prices assuming an orderly possession and disposal, and in addition to declines expected between the balance sheet date and date of sale as described above.

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

i. Buildings of over four storeys or more in height. The impairment assessment already makes an assumption for the combined forced sale discount and disposal costs however, to reflect the risk that a sale of these properties in the near term may require heavier discounting, due to the actual or perceived concerns over fire safety, an additional 25% forced sale discount was applied as a management judgement. A higher probability of default was also applied as a management judgement to reflect a greater risk of default arising from these borrowers potentially having to meet higher property servicing costs. This resulted in an increase in impairment provisions of £315k (2022: £257k).

ii. High inflation and macro-economic developments. The level of impairment provision was determined considering the economic outlook as at 31 October 2023, which was subject to a high degree of uncertainty due to inflationary pressures for households, rising interest rates, and concerns over increasing unemployment and a possible recession. These factors were judged to result in an increased likelihood of borrower default within the loss emergence period, the risk for which may not be fully captured in modelled assumptions, and resulted in a management overlay adjustment to increase impairment provisions by £219k (2022: £367k).

Effective Interest Rate (EIR)

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

During the year ended 31 October 2023 the Society increased the number of years redemption data used from 3 to 5 years to reduce the risk of volatility arising from the macro-economic environment, resulting in a £182k increase in the carrying value of the mortgages. The Society also undertook a review into behavioural lives that identified a change in the redemption profile of a specific cohort of mortgage assets. This change resulted in the Society revising (shortening) the expected behaviourial life for this cohort of loans, leading to a £513k reduction in the carrying value of the mortgages.

Average lives can increase or decrease depending on economic and interest rate conditions. If the average lives of the mortgages were to decrease by three months, the carrying value of mortgages would decrease by £792k (2022: £425k) with a corresponding change to income. Average lives are recalculated at least annually and usually vary between 0-2 months. In making judgements around EIR consideration was also given to how rising interest rates and a cost-of-living crisis could impact behavioural lives.

This included consideration of the propensity for loans to redeem early i.e. before the end of a fixed rate or discount period, as well as any changes to behaviours where a loan reverts to the Society's standard variable rate. The review concluded that, whilst there are multiple factors that could result in the actual behaviour of mortgage lives being different to those used at 31 October 2023, these factors comprised both upside and downside risks that in aggregate would not cause behavioural lives to materially differ. Based on the level of market uncertainty being higher than normal the Society acknowledges that there is an increased risk of expected future cash flows being materially higher or lower than forecasted.

2. Interest receivable and similar income

At amortised cost:	2023 £000	2022 £000
On loans fully secured on residential property	48,944	30,737
On other loans	167	142
On liquid assets	13,367	3,116
	62,478	33,995
At fair value through profit and loss:		
Net income on financial instruments	11,346	492
At fair value through other comprehensive income:		
On debt securities	-	29
	73,824	34,516

3. Interest payable and similar charges

At amortised cost:	2023 £000	2022 £000
On shares held by individuals	39,251	9,774
On other shares	173	43
On amounts owed to other customers and credit institutions	7,026	1,904
	46,450	11,721

4. Net (loss)/gain from derivatives

	2023 £000	2022 £000
Derivatives in designated fair value hedge relationships	(6,424)	18,481
Adjustments to hedged items in fair value hedge accounting relationships	6,974	(15,383)
(Loss)/Gain on derivatives not in designated fair value hedge accounting relationships	(2,494)	1,563
	(1,944)	4,661

The net loss from derivative financial instruments of £1,944k (2022: net gain of £4,661k) represents the net fair value movement on derivative instruments that are matching risk exposures on an economic basis. Some accounting volatility arises on these items due to accounting ineffectiveness on designated hedges or because hedge accounting is not achievable on certain items.

5. Administrative expenses

Wages and salaries	6,513	5,832
Social security costs	679	652
Other pension costs	886	796
	8,078	7,280
Loss/(gain) on disposal of fixed assets	38	(38)
Gain on property valuation	-	(26)
Other administrative expenses	5,765	5,179
	13,881	12,395
Remuneration of auditor and its associates (excluding VAT)		
- audit of annual accounts	231	176
- non audit services	-	25
Operating lease costs	164	148

Non-audit services for the year ended 31 October 2022 comprise entirely of amounts paid to Deloitte LLP to provide a TFSME Assurance Review.

6. Taxation

	2023 £000	2022 £000
The taxation charge for the year comprises:		
UK corporation tax on profits in the year	2,273	2,662
Adjustment in respect of previous year	98	(89)
Total current tax	2,371	2,573
Deferred taxation:		
Origination and reversal of timing differences	(91)	66
Adjustment in respect of previous year	(7)	(11)
Effect of change of tax rate	-	-
Total deferred tax	(98)	55
Tax on profit on ordinary activities	2,273	2,628
Factors affecting the tax charge for the year are:		
Profit on ordinary activities before tax	9,564	14,437
Profit on ordinary activities multiplied by 22.5% (2022: 19%)	2,153	2,743
Effects of:		
Difference between opening and closing tax rates	54	5
Adjustment in respect of previous year	91	(100)
Depreciation on non-qualifying assets	(47)	(34)
Disallowable expenses	22	14
Total tax	2,273	2,628

Current tax has been provided at the rate of 22.5%. The Finance Act 2023, which was enacted in February 2023, will increase the rate of tax from 19% to 25% from 1 April 2024. For the year ended 31 October 2023 deferred tax was provided at the enacted tax rate expected to apply when the related asset or liability is realised or settled.

7. Employees

	Full time 2023	Part time 2023	Full time 2022	Part time 2022
The average number of people employed during the year (including Executive Directors) was as follows:				
Head Office	85	32	78	25
Branches	50	27	47	27
	135	59	125	52

8. Directors' remuneration and transactions

The emoluments for both Executive and Non-Executive Directors totalled £814,000 for the year (2022: £1,007,000).

Executive Directors' emoluments

2023	Salary £000	Performance related pay £000		Taxable benefits £000	Pension contribution [1] £000	TOTAL £000
		Short Term	Medium Term [2]			
Phillippa Cardno	203	22	-	4	43	272
Lee Bambridge (resigned 31/5/23)	97	-	-	5	-	102
Darren Garner	171	19	-	2	36	228
TOTAL	471	41	-	11	79	602
2022						
Roland Gardner (resigned 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

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. Pro-rata amounts awarded in 2022 following the early closure of the medium term incentive scheme. See Directors' remuneration report on pages 55 and 56 for further details.

Further details on the components of Directors' emoluments can be found in the Directors' Remuneration Report on pages 55 and 56.

Non-Executive Directors' emoluments (comprising fees only)

	2023 £000	2022 £000
Peter Brickley (Chairman) (retired 23/2/22)	-	14
Piers Williamson (Chairman)	49	44
Debbie Beaven (appointed 1/2/22)	31	22
Chris Brown	31	29
Nicola Bruce (resigned 31/1/22)	-	7
Fiona Phillips (resigned 30/6/22)	-	21
Nailesh Rambhai (appointed 26/9/22)	34	4
William Roberts	36	35
Alistair Welham	31	29
TOTAL	212	205

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 (2022: £nil) representing loans to none (2022: none) persons. The terms and conditions are in line with standard mortgage lending and the loan is secured on residential property with the nature of any final settlement being on a cash basis. There are no guarantees given or received. A register of loans to and transactions with Directors and connected persons is maintained. It is available for inspection by members at the Society's Head Office for the period of fifteen days prior to the Annual General Meeting and at the Annual General Meeting.

9. Cash in hand and balances with Bank of England	2023 £000	2022 £000
Cash in hand	305	280
Balances at Bank of England	258,558	303,772
	258,863	304,052

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

10. Loans and advances to credit institutions	2023 £000	2022 £000
Accrued interest	276	50
Repayable on demand	7,835	3,782
Other loans and advances by residual maturity repayable:		
In no more than three months	13,500	4,000
In more than three months	-	4,000
	21,611	11,832

11. Debt securities

	2023 £000	2022 £000
Accured interest	-	29
Treasury bills	-	4,949
	-	4,978

Movements during the year of debt securities		
At 1 November 2022	4,978	-
(Disposals) / Additions	(4,983)	4,983
Net movements in fair value recognised in the statement of comprehensive income	5	(5)
At 31 October 2023	-	4,978

Financial statements

12. Derivative financial instruments

	Contract/notional amount £000	Fair values assets £000	Fair values liabilities £000
At 31 October 2023			
a) Unmatched derivatives - Interest rate swaps	54,969	103	(480)
b) Derivatives designated as fair value hedges - Interest rate swaps	397,781	21,225	(623)
Total recognised derivative assets/(liabilities)	452,750	21,328	(1,103)
At 31 October 2022			
a) Unmatched derivatives - Interest rate swaps	47,964	2,231	(189)
b) Derivatives designated as fair value hedges - Interest rate swaps	375,050	21,952	-
Total recognised derivative assets/(liabilities)	423,014	24,183	(189)

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

13. Loans and advances to customers	2023 £000	2022 £000
Loans fully secured on residential property before adjustments	1,235,805	1,106,022
Other loans: fully secured on land before adjustments	4,165	5,017
Total loans before adjustments	1,239,970	1,111,039
Effective interest rate adjustment	4,559	2,989
Provision for impairment losses on loans and advances	(2,452)	(1,601)
Per note 25	1,242,077	1,112,427
Fair value adjustment for hedged risk	(11,242)	(18,216)
	1,230,835	1,094,211

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

Repayable:		
In not more than three months	2,619	49
In more than three months but not more than one year	8,031	5,487
In more than one year but not more than five years	76,185	64,594
In more than five years	1,146,452	1,025,682
	1,233,287	1,095,812
Less allowance for impairment (refer to note 14)	(2,452)	(1,601)
	1,230,835	1,094,211

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

Loans and advances to customers includes assets pledged to the Bank of England as collateral in order to access funding from the Bank's Sterling Monetary Framework (SMF) facilities. To access SMF facilities the Society must: maintain operational capability to efficiently settle transactions with the Bank; act in a manner consistent with the Bank's objectives; and have not experienced an event of default or received regulatory objections to participation. Qualifying assets transferred to the Bank for use as collateral are subject to a valuation adjustment made by the Bank. At 31 October 2023 the Society had pledged £192.4m of mortgage assets (2022: £232.2m) as collateral to cover the £85m (2022: £150m of TFSME funding drawn, £5m of ILTR funding drawn (2022: £nil) and support the drawdown of additional funding where required.

14. Allowances for losses on loans and advances	Collective £000	Individual £000	Total £000
At 1 November 2022	1,483	118	1,601
Charge for the year	654	204	858
Utilised in the year	-	(7)	(7)
At 31 October 2023	2,137	315	2,452
At 1 November 2021	1,499	34	1,533
Charge for the year	(16)	84	68
Utilised in the year	-	-	-
At 31 October 2022	1,483	118	1,601

Financial statements

15. Tangible fixed assets

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

Notes

1. Land and buildings consist of £2.6m of freehold property, £2m non-depreciable land and £0.3m of leasehold property. The net book value occupied for own activities at 31 October was £5.7m (2022: £5.2m). If the freehold properties had been held under the historical cost basis their net book value as at 31 October 2023 would have been £3.5m (2022: £3.7m). The Society's freehold properties were last revalued in July 2022 on a market value and vacant possession basis by Quintons, Chartered Surveyors, who are considered to be independent of the Society. Other tangible fixed assets are included at cost.
2. Reclassification from investment properties represents the accounting value of the portion of its branch property in Thatcham that is now held for own-use, having previously been let on commercial terms to a third party. See section 1.9 of Note 1 for further details.
3. Reclassification in respect of costs previously incurred in the course of refurbishing the Society's branches and held in aggregate within land and buildings now transferred to equipment fixtures and fittings and subject to deprecation following completion of all refurbishment activities.
4. Impairment charge made in respect of the occupied portion of the Society's head office.

16. Intangible fixed assets

	Software £000
Cost / valuation	
At 1 November 2022	363
Additions	18
Disposal	(4)
At 31 October 2023	377
Amortisation	
At 1 November 2022	332
Charge for the year	20
Disposal	(4)
At 31 October 2023	348
Net book value	
At 31 October 2022	31
At 31 October 2023	29

Intangible assets are included at cost.

17. Investment properties

	2023 £000	2022 £000
At 1 November 2022	1,384	-
Transfer (to)/from tangible fixed assets	(179)	1,414
Revaluations	(157)	(30)
At 31 October 2023	1,048	1,384

Valuations of all investment properties were carried out in July 2022 on an open market value and vacant basis by Quintons, Chartered Surveyors, who are considered to be independent of the Society.

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

18. Other assets

	2023 £000	2022 £000
Bank of England cash ratio deposit	2,402	2,226
	2,402	2,226

Bank of England cash ratio deposit has been recognised within other assets due to having a maturity which exceeds 90 days.

19. Shares

	2023 £000	2022 £000
Held by individuals	1,289,510	1,139,706
Other shares	134	131
	1,289,644	1,139,837

20. Other liabilities

	2023 £000	2022 £000
Amounts falling due within one year:		
Corporation tax	1,377	1,824
Social security	168	244
Cash collateral received against hedging contracts	21,013	24,198
Other creditors	32	290
	22,590	26,556

21. Deferred tax

	2023 £000	2022 £000
At 1 November	651	596
Deferred tax charge (see note 6)	(98)	55
At 31 October	553	651

	2023 £000	2022 £000
Comprising:		
Accelerated capital allowances	517	595
FRS 102 transition adjustment	62	93
Head office project costs	-	(11)
Branch refurbishment provisions	(26)	(26)
At 31 October	553	651

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

22. Reserves

	2023 £000	2022 £000
General reserves		
At 1 November	99,994	87,747
Profit for the financial year	7,291	11,809
Transfer from revaluation reserve	-	438
At 31 October	107,285	99,994
Revaluation reserve		
As at 1 November	786	1,029
Transfer to general reserve	-	(438)
Property revaluation	(60)	195
As at 31 October	726	786

Transfers between reserves in 2022 reflect the movement of amounts held in the revaluation reserve in respect of the Society's freehold properties that were reclassified from Tangible fixed assets to Investment properties.

Available for sale reserve	2023 £000	2022 £000
As of 1 November	(5)	-
Net movements in fair value recognised in the statement of comprehensive income	5	(5)
As at 31 October	-	(5)

23. Cash and cash equivalents

	2023 £000	2022 £000
Cash in hand and balances with the Bank of England repayable on demand	258,863	304,052
Loans and advances to credit institutions	7,835	3,782
As at 31 October	266,698	307,834

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

24. Capital and other financial commitments

	2023 £000	2022 £000
a. Capital commitments		
Capital expenditure contracted but not yet provided for in the accounts	-	171
b. Leasing commitments		
Total rental commitments on leases with a remaining term of	176	163
• Not later than one year	46	48
• Later than one year but not later than five years	99	74
• Later than five years	31	41

All above capital commitments relate to tangible fixed assets.

25. Financial instruments

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

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

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

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

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

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

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

Carrying values by category 31 October 2023	**Held at amortised cost**		**Held at fair value**			
	Loans and receivables £000	Financial assets and liabilities £000	Available for sale £000	Derivatives designated as fair value hedges £000	Unmatched derivatives £000	Total £000
Financial assets						
Cash in hand and balances with the Bank of England	258,863	-	-	-	-	258,863
Loans and advances to credit institutions	21,611	-	-	-	-	21,611
Debt securities	-	-	-	-	-	-
Derivative financial instruments	-	-	-	21,225	103	21,328
Loans and advances to customers	1,230,835	-	-	-	-	1,230,835
Total assets	1,511,309	-	-	21,225	103	1,532,637
Financial liabilities						
Shares	-	1,289,644	-	-	-	1,289,644
Amounts owed to credit institutions	-	90,446	-	-	-	90,446
Amounts owed to other customers	-	32,129	-	-	-	32,129
Derivative financial instruments	-	-	-	(623)	(480)	(1,103)
Total liabilities	-	1,412,219	-	(623)	(480)	1,411,116

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

Carrying values by category 31 October 2022	**Held at amortised cost**		**Held at fair value**			
	Loans and receivables £000	Financial assets and liabilities £000	Available for sale £000	Derivatives designated as fair value hedges £000	Unmatched derivatives £000	Total £000
Financial assets						
Cash in hand and balances with the Bank of England	304,052	-	-	-	-	304,052
Loans and advances to credit institutions	11,832	-	-	-	-	11,832
Debt securities	-	-	4,978	-	-	4,978
Derivative financial instruments	-	-	-	21,952	2,231	24,183
Loans and advances to customers	1,094,211	-	-	-	-	1,094,211
Total assets	1,410,095	-	4,978	21,952	2,231	1,439,256
Financial liabilities						
Shares	-	1,139,837	-	-	-	1,139,837
Amounts owed to credit institutions	-	150,276	-	-	-	150,276
Amounts owed to other customers	-	32,872	-	-	-	32,872
Derivative financial instruments	-	-	-	-	189	189
Total liabilities	-	1,322,985	-	-	189	1,323,174

There have been no reclassifications during either year.

Valuation of financial instruments carried at fair value

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

Valuation techniques

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

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

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

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

26. Credit risk

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

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

	2023 £000	2022 £000
Credit risk exposure		
Cash in hand and balances with the Bank of England	258,863	304,052
Loans and advances to credit institutions	21,611	11,832
Debt securities	-	4,978
Derivative financial instruments	21,328	24,183
Loans and advances to customers	1,242,077	1,112,427
Total statement of financial position exposure	1,543,879	1,457,472
Off balance sheet exposure - mortgage offers and retentions	61,480	61,056
Total	1,605,359	1,518,528

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

Loans and advances to customers are predominantly made up of retail loans fully secured against UK residential property £1,235.8m (2022: £1,106.0m), split between residential, buy-to-let and commercial owner occupier loans, and £4.2m (2022: £5.0m) being secured on commercial property.

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

Residential assets

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

Concentration by loan type	2023 £000	2022 £000
Prime owner occupied	1,080,797	962,004
Buy-to-let and commercial owner occupied	155,008	144,018
Gross balance	1,235,805	1,106,022
Impairment provisions	(2,452)	(1,601)
Fair value adjustments	(11,242)	(18,216)
	1,222,111	1,086,205

Geographical analysis	2023 £m	2023 %	2022 £m	2022 %
East Anglia	42.1	3.4	31.8	2.9
East Midlands	34.7	2.8	23.7	2.1
Greater London	184.2	14.9	157.3	14.2
North	8.2	0.7	5.4	0.5
North West	42.5	3.4	27.9	2.5
South East	653.8	52.9	632.5	57.2
South West	187.6	15.2	165.9	15.0
Wales	17.5	1.4	13.3	1.2
West Midlands	42.7	3.5	31.5	2.9
Yorkshire & Humberside	22.5	1.8	16.7	1.5
Total	1,235.8	100.0	1,106.0	100

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

LTV analysis	2023 £m	2023 %	2022 £m	2022 %
0% - 50%	902.1	73.0	865.7	78.3
50.01% - 75%	310.3	25.1	231.6	20.9
75.01% - 80%	14.8	1.2	3.9	0.4
80.01% - 85%	5.4	0.4	3.2	0.3
85.01% - 90%	2.3	0.2	1.3	0.1
90.01% - 95%	0.9	0.1	0.3	0.0
	1,235.8	100.0	1,106.0	100
Average loan to value of residential mortgage loans		29.2		27.5

The average LTV of 29.2% (2022: 27.5%) is the mean LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of the collateral held adjusted by an average of the quarterly movements in the Nationwide and HM Land Registry price indices.

The quality of the Society's retail mortgage book is reflected in the number and value of accounts in arrears. By volume 0.41% (2022: 0.35%) of loans are three months or more in arrears and by value it is 0.28% (2022: 0.22%).

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

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

Arrears analysis	**2023 £m**	**2023 %**	**2022 £m**	**2022 %**
Not impaired:				
Neither past due or impaired	1,216.7	98.5	1,092.7	98.8
Past due under 3 months but not impaired	9.7	0.8	7.3	0.6
Past due 3 months and over but not impaired	2.5	0.2	2.2	0.2
Possessions	0.7	0.1	-	-
Impaired:				
Not past due	4.7	0.3	1.8	0.2
Past due under 3 months	1.2	0.1	1.8	0.2
Past due 3 to 5 months	-	-	-	-
Past due 6 to 12 months	-	-	-	-
Possessions	0.3	-	0.2	0.0
Total	1,235.8	100.0	1,106.0	100

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

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

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

	Indexed 2023 £m	**Unindexed 2023 £m**	**Indexed 2022 £m**	**Unindexed 2022 £m**
Value of collateral held:				
Neither past due or impaired	4,171.7	3,471.4	3,970.7	3,085.5
Past due but not impaired	49.2	36.2	42.8	28.1
Impaired	9.8	9.0	6.5	5.4
Total	4,230.7	3,516.6	4,020.0	3,119.0

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

The value of collateral held against loans 'Past due but not impaired' at 31 October 2023 is £49.2m (2022: £42.8m) against outstanding debt of £12.9m (2022: £9.5m). In addition, the value of collateral held against 'Impaired' assets at 31 October 2023 is £9.8m (2022: £6.5m) against outstanding debt of £6.2m (2022: £3.8m).

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

Commercial assets

Concentration by loan type	2023 £m	2022 £m
Loans secured on commercial property	4.2	5.0
	4.2	5.0

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

	2023 £m	2023 %	2022 £m	2022 %
Club/social	0.1	2.5	0.1	2.3
Education	0.2	3.6	0.2	3.0
Industrial unit	0.8	18.8	0.9	19.1
Office	0.9	23.0	1.0	19.5
Shops	2.1	50.1	2.7	54.3
Other	0.1	2.0	0.1	1.8
	4.2	100.0	5.0	100

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

	2023 £m	2023 %	2022 £m	2022 %
Geographical analysis				
South East	4.1	97.9	4.9	98.1
South West	0.1	2.1	0.1	1.9
Total	4.2	100.0	5.0	100

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

	2023 £m	2023 %	2022 £m	2022 %
LTV analysis				
0% - 50%	1.8	43.3	1.9	38.4
50.01% - 75%	2.2	51.3	2.3	46.2
75.01% - 80%	0.2	5.4	0.8	15.4
	4.2	100.0	5.0	100
Average loan to value of commercial mortgage loans		28.6		30.1

The quality of the Society's commercial mortgage book is reflected in the number and value of accounts in arrears. By volume 0% (2022: 0%) of loans are three months or more in arrears and by value it is 0% (2022: 0%).

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

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

Arrears analysis	**2023 £m**	**2023 %**	**2022 £m**	**2022 %**
Not impaired:				
Neither past due or impaired	4.2	100.0	5.0	100.0
Past due up to 3 months but not impaired	-	-	-	-
Past due over 3 months but not impaired	-	-	-	-
Possessions	-	-	-	-
Impaired:				
Not past due	-	-	-	-
Past due up to 3 months	-	-	-	-
Past due 3 to 6 months	-	-	-	-
Past due 6 to 12 months	-	-	-	-
Past due over 12 months	-	-	-	-
Possessions	-	-	-	-
	4.2	100.0	5.0	100.0

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

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

	Unindexed 2023 £m	**Unindexed 2022 £m**
Value of collateral held:		
Neither past due or impaired	14.6	16.7
Past due but not impaired	-	-
Impaired	-	-
Total	14.6	16.7

The collateral consists of commercial property.

The value of collateral held against loans 'Past due but not impaired' at 31 October 2023 is £0m (2022: £0m) against outstanding debt of £0m (2022: £0m). In addition, the value of collateral held against loans 'impaired' at 31 October 2023 is £nil (2022: £nil) against outstanding debt of £nil (2022: £nil).

Forbearance

The Society has various forbearance options to support customers who may find themselves in financial difficulty:

- Temporary conversion from capital and interest to interest only repayment (interest only concessions)
- Temporary extension of mortgage term to reduce monthly repayments (term extensions)
- Reduced payment concessions, where the customer makes an agreed underpayment for a period
- Arrangements to make part payments to repay arrears over an agreed period (payment plans)
- Payment holidays where previous overpayments have accrued
- Change of repayment date to better suit customer's income and expenditure profile
- Change of method by which payments are made
- Capitalisation of arrears where borrower has maintained repayments for an agreed period
- Freezing of interest on arrears where borrower has been granted breathing space under the Goverment Debt Respite Scheme

In July 2023 the Society signed up to the Government's voluntary "Mortgage Charter" scheme, which gives borrowers the ability to temporarily reduce their capital and interest payments by switching to interest only, or extending their mortgage term for 6 months without an affordability assessment, and without it being highlighted on their credit record.

In some cases, more than one forbearance solution is offered, for example where a customer can afford to pay more than just interest only and combines with a part repayment. Capitalisation is usually an exception and is approved by Credit Committee.

All forbearance arrangements are formally discussed with the customer and agreed by an authorised member of the payment support team. By offering customers in financial difficulty the option of forbearance the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the customer into a detrimental position at the end of the forbearance period.

Regular monitoring of the level of forbearance activity is reported to Credit Committee on a monthly basis. In addition all forbearance arrangements are reviewed and discussed with the customer on a regular basis to assess the ongoing suitability for the customer and potential risk to the Society.

In addition to loans in forbearance, the Society also monitors loans that, by way of a specific event or conversation with the customer, may likely be subject to future forbearance. These 'potential forbearance indicators' include:

- Appointment of an Attorney or Officer of the Court of Protection
- Declined further advance applications for debt consolidation
- Receipt of application for mortgage interest relief from the Department of Work and Pensions
- Receipt of repayment plan from a debt management company
- Admission into residential care/nursing home
- Registration of a second charge where total indebtedness appears unsustainable
- Notification from customer or guarantor that future income is likely to reduce
- Lapsed or surrendered endowment policies
- Notification of money judgement through the Court
- Request for payment holiday or other forbearance method when not in arrears

The table below details the number of forbearance cases within the 'not impaired' category:

Type of forbearance	2023 Number	2022 Number
Interest only concessions	8	9
Payment plans	9	18
Cases with more than one form of forbearance	1	(1)
Mortgage charter interest only concessions	48	-
Total	66	26

In total £1.6m (2022: £2.3m) of loans that are past due are subject to forbearance. Balance not past due subject to forbearance £7.8m (2022: £0.4m). An additional £0.6m (2022: £0.9m) of loans that are past due are considered likely subject to future forbearance. Balance not past due £21.1m (2022: £15.3m).

27. Liquidity risk

Liquidity risk is the risk that the Society will not have sufficient financial resources available to meet its financial obligations as they fall due, under either normal business conditions or a stressed environment. It is the Society's policy that a significant amount of its total assets are carried in the form of cash and other readily realisable assets in order to:

- meet day-to-day business needs;
- meet any unexpected cash needs;
- maintain public confidence; and
- ensure maturity mismatches are provided for.

Monitoring of liquidity, in line with the Society's liquidity policy, is performed daily. Compliance with the policy is reported to the Assets and Liabilities Committee (ALCO).

The Society's liquidity policy is designed to ensure the Society has sufficient liquid resources to withstand a range of stressed scenarios. A series of liquidity stress tests have been developed as part of the Internal Liquidity Adequacy Assessment Process (ILAAP). They include scenarios that fulfil the specific requirements of the PRA (the idiosyncratic, market-wide and combination stress tests) and scenarios identified by the Society which are specific to its business model. The stress tests are performed quarterly and reported to ALCO to confirm that liquidity levels remain appropriate. The Society maintains a liquidity funding plan to ensure that it has so far as possible, sufficient liquid financial resources are available to meet liabilities as they fall due under each of the scenarios.

The Society's liquid resources comprise high quality liquid assets, including deposits in a Bank of England reserve account and time deposits. At 31 October 2023 the ratio of liquid assets to shares and deposits was 19.9% compared to 24.3% at 31 October 2022.

The Society remains an active participant in the Bank of England's Sterling Monetary Framework. Included in Amounts owed to credit institutions is £85m borrowed under the Term Funding Scheme with additional incentives for SMEs (2022: £150m), and £5m under the ILTR Scheme (2022: £nil).

The table below analyses the Society's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity at the statement of financial position date. This is not representative of the Society's management of liquidity. The actual repayment profile is likely to be significantly different from that shown in the analysis as while most mortgages have a contractual maturity of around 25 years they are generally repaid much sooner. Conversely, retail deposits repayable on demand or with notice periods generally remain on balance sheet much longer.

Residual maturity as at 31 October 2023	**On demand £000**	**Not more than three months £000**	**More than three months but not more than one year £000**	**More than one year but not more than five years £000**	**More than five years £000**	**No specific maturity £000**	**Total £000**
Financial assets							
Liquid assets							
Cash in hand and balances with the Bank of England	258,863	-	-	-	-	-	258,863
Loans and advances to credit institutions	7,835	13,500	-	-	-	276	21,611
Debt securities	-	-	-	-	-	-	-
Total liquid assets	266,698	13,500	-	-	-	276	280,474
Derivative financial instruments	-	628	5,641	15,059	-	-	21,328
Loans and advances to customers	-	2,619	8,031	76,185	1,146,452	(2,452)	1,230,835
Other assets	-	-	-	-	-	13,909	13,909
	266,698	16,747	13,672	91,244	1,146,452	11,733	1,546,546

Financial liabilities and reserves

Shares	1,146,608	110,788	19,491	12,421	-	336	1,289,644
Amounts owed to credit institutions	-	-	5,000	85,000	-	446	90,446
Amounts owed to other customers	10,061	22,068	-	-	-	-	32,129
Derivative financial instruments	-	-	-	1,103	-	-	1,103
Other liabilities	-	-	-	-	-	25,213	25,213
Reserves	-	-	-	-	-	108,011	108,011
	1,156,669	132,856	24,491	98,524	-	134,006	1,546,546
Net Liquidity gap	(889,971)	(116,109)	(10,819)	(7,280)	1,146,452	(122,273)	-

All Society liquid assets are unencumbered as at the balance sheet date.

Residual maturity as at 31 October 2022	**On demand £000**	**Not more than three months £000**	**More than three months but not more than one year £000**	**More than one year but not more than five years £000**	**More than five years £000**	**No specific maturity £000**	**Total £000**
Financial assets							
Liquid assets							
Cash in hand and balances with the Bank of England	304,052	-	-	-	-	-	304,052
Loans and advances to credit institutions	3,782	4,000	4,000	-	-	50	11,832
Debt securities	-	4,949	-	-	-	29	4,978
Total liquid assets	307,834	8,949	4,000	-	-	79	320,862
Derivative financial instruments	-	160	1,327	22,696	-	-	24,183
Loans and advances to customers	-	49	5,487	64,594	1,025,682	(1,601)	1,094,211
Other assets	-	-	-	-	-	14,150	14,150
	307,834	9,158	10,814	87,290	1,025,682	12,628	1,453,406

Financial liabilities and reserves

Shares	1,023,500	94,369	16,531	5,235	-	202	1,139,837
Amounts owed to credit institutions	-	-	-	150,000	-	276	150,276
Amounts owed to other customers	15,693	17,179	-	-	-	-	32,872
Derivative financial instruments	-	-	-	177	12	-	189
Other liabilities	-	-	-	-	-	29,457	29,457
Reserves						100,775	100,775
	1,039,193	111,548	16,531	155,412	12	130,710	1,453,406
Net Liquidity gap	(731,359)	(102,390)	(5,717)	(68,122)	1,025,670	(118,082)	-

The following is an analysis of gross contractual cash flows payable under financial liabilities:

	Repayable on demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
31 October 2023						
Shares	1,149,496	110,994	19,575	10,985	-	1,291,050
Amounts owed to credit institutions	-	-	-	93,966	-	93,966
Amounts owed to other customers	10,062	22,075	-	-	-	32,137
Derivative financial instruments	-	-	-	1,103	-	1,103
Total liabilities	1,159,558	133,069	19,575	106,054	-	1,418,256
31 October 2022						
Shares	1,023,500	94,538	16,602	5,358	-	1,139,998
Amounts owed to credit institutions	-	-	-	159,620	-	159,620
Amounts owed to other customers	15,693	17,186	-	-	-	32,879
Derivative financial instruments	-	-	-	190	17	207
Total liabilities	1,039,193	111,724	16,602	165,168	17	1,332,704

The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates, for the average period until maturity on the amounts outstanding at the statement of financial position date.

28. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The principal element of market risk to which the Society is exposed is interest rate risk as a retailer of financial instruments, mainly in the form of mortgage and savings products and the holder of both liquid assets and wholesale borrowing. The risk can arise as a result of actual or market anticipation of changes in general interest rates, changes in the relationship between short and long term interest rates and divergence of rates on different bases across assets and liabilities (basis risk).

The Board has set a risk appetite for each element of interest rate risk. The Society ensures compliance with this risk appetite through the monitoring of interest rate risk exposure by the ALCO. In addition to this the Society undertakes a number of interest rate stresses, covering movements in SONIA and the Base Rate. Balance sheet composition is also monitored to determine the extent to which the Society maintains control over the level of interest rates across the balance sheet through administered rate mortgages and savings balances.

The following is the Society's sensitivity to an increase or decrease in market rates at 31 October 2023 assuming a parallel movement of 200bps in yield curves and a constant financial position. 200bps is considered to be an industry standard and therefore appropriate.

	+200bps Parallel	
	Increase	**Decrease**
2023	£000	£000
Net interest income impact	(748)	808

	+200bps Parallel	
	Increase	**Decrease**
2022	£000	£000
Net interest income impact	(763)	812

Financial instruments

The Society does not have any financial assets or liabilities that are offset, with the net amount presented in the Statement of Financial Position as FRS 102.11.38A requires both an enforceable right to set off and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Neither of these conditions are met by the Society, therefore all financial assets and liabilities are presented on a gross basis in the Statement of Financial Position.

The Society has entered into Credit Support Annexes (CSAs) for its derivative instruments which typically provide for the exchange of collateral to mitigate mark to market credit exposure. The CSAs are subject to a minimum transfer threshold. Collateral is only posted once the threshold is reached at which point the whole amount would be posted.

The fair value of derivatives designated as fair value hedges is set out in note 12 above.

29. Pension scheme

The Society operates a stakeholder defined contribution pension scheme and contributes to some other individual personal pension arrangements. The assets are held separately from those of the Society in independently administered funds. In addition the Society provides death in service cover for its employees. This is fully insured under the Newbury Building Society Death In Service Scheme. The pension cost charge represents contributions payable by the Society to the individual employee funds and death in service premiums and amounted to £886,000 (2022: £796,000). There were pension contributions payable at the year end of £65,000 (2022: £62,000). There was a prepayment at the year end of £25,000 (2022: £25,000) for the Society Death in Service Scheme.

30. Capital structure

The Society's policy is to maintain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The formal annual ICAAP process (Internal Capital Adequacy Assessment Process) assists the Society with its management of capital. Through its regular updates the Board monitors the Society's capital position to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position are reviewed against a stated risk appetite which aims to maintain capital at a minimum level above the Total Capital Requirement (TCR) provided by the PRA.

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

a) Lending decisions - The Society's lending policy is closely monitored by the Credit Committee to ensure it aligns with the Society's risk appetite.

b) Pricing - Pricing models are utilised for all residential mortgage products. The model includes expected return and capital utilisation enabling the calculation of a return on capital.

c) Concentration risk - The design of both retail and mortgage products takes into account the overall mix of products to ensure that concentration levels are maintained within the Society's risk appetite.

d) Counterparty risk - Deposits are only placed with approved counterparties in line with the Society's treasury policy and are subject to a range of limits. The limits are monitored daily to ensure the Society remains within risk appetite.

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

Under Basel III Pillar 3 the Society is required to publish further information regarding its capital position and exposures. The Society's Pillar 3 disclosures are published on the Society's website www.newbury.co.uk or are available by writing to the Company Secretary at our Head Office.

Common equity tier 1 capital	**2023 £000**	**2022 £000**
General reserve	107,285	99,994
Revaluation reserve	726	786
Available for sale reserve	-	(5)
Intangible assets (1)	(29)	(31)
Total common equity tier 1 capital (unaudited)	107,982	100,744
Tier 2 capital		
Collective provision	2,137	1,483
Total tier 2 capital	2,137	1,483
Total regulatory capital (unaudited)	110,119	102,227

Notes:
(1) Represents amount of intangible assets deducted from regulatory capital in accordance with Capital Requirements Regulation as amended following the European Union (Withdrawal Agreement) Act 2021.

31. Country-by-country reporting

The regulations under Article 89 of the CRD IV require the Society to disclose the following information about the source of the Society's income and the location of its operations:

- Name, nature of activities and geographical location: The Society has three dormant subsidiaries and was incorporated and operates only in the United Kingdom. Given the dormant status of these subsidaries they are not required to be consolidated. The Society has no ultimate controlling party or parent. The principal activities of the Society are noted in the Strategic Report on pages 11 and 12.
- Average number of employees: as disclosed in Note 7 to the accounts.
- Annual turnover is equivalent to total operating income and along with profit before tax is as disclosed in the Income Statement on page 67.
- Corporation Tax paid: as noted in the Cash Flow Statement on page 70.
- Public subsidies: there were none received in the year.

Other information

Annual business statement as at 31 October 2023

	2023 %	Statutory limit %
1. Statutory percentages		
Lending limit	2.5%	25
Funding limit	8.7%	50

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986.

The lending limit measures the proportion of business assets not in the form of loans secured on residential property. Business assets are the total assets of the Society plus provisions for bad and doubtful debts less liquid assets and tangible fixed assets as shown in the Society balance sheet.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

The statutory limits are prescribed in building society legislation and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

	2023 %	2022 %
2. Other percentages		
Gross capital as a percentage of shares and borrowings	7.65	7.62
Free capital as a percentage of shares and borrowings	7.22	7.10
Liquid assets as a percentage of shares and borrowings	19.86	24.25
Profit after tax as a percentage of mean total assets	0.49	0.83
Management expenses as a percentage of mean total assets	0.98	0.90

The above percentages have been prepared from the Society accounts:

- 'Shares and borrowings' represents the aggregate of shares, amounts owed to credit institutions and amounts owed to other customers;
- 'Gross capital' represents the aggregate of general reserves and revaluation reserve;
- 'Free capital' represents the aggregate of gross capital and collective impairment for losses on loans and advances less intangible and tangible fixed assets;
- 'Mean total assets' represents the average of the total assets at the beginning and end of the financial year;
- 'Liquid assets' has the same meaning ascribed in the balance sheet;
- 'Management expenses' represents the aggregate of administrative expenses and depreciation shown in the income and expenditure account.

3. Directors and other officers as at 31 October 2023

Name	Year of birth	Business occupation	Date first appointed	Other directorships
Debbie Beaven FCMA, CGMA	1963	Non-Executive Director	01/02/22	Community Forest Trust; Leap Confronting Conflict; NHS Trust IOW
Chris Brown BA (Hons), Eng, Oxon	1961	Group IT Director	01/06/19	
Phillippa Cardno PGCert, CeMap	1969	Building Society Chief Executive Officer	19/02/15	Temptings Ltd; Newbury Mortgage Services Ltd; Newbury Insurance Services Ltd; Newbury Financial Services Ltd
Darren Garner FCCA	1971	Building Society Finance Director	03/08/20	
Nailesh Rambhai MA Oxon	1974	Lawyer and Non-Executive Director	26/09/22	The Pension Protection Fund; UCL Hospitals NHS Foundation Trust; Birmingham Womens and Children's Hospital NHS FoundationTrust; United Way UK Charitable Trust; Cholmeley Court Limited; Whittington Hospital NHS Trust
William Roberts BSc (Hons), ACA	1970	Finance Director	19/02/15	Hastoe Capital Plc; Hastoe Homes Ltd; Sustainable Homes Ltd
Alistair Welham	1963	Director of Marketing and Communications	24/02/20	Trustee Brighton Student Union
John Piers Williamson BA (Hons), FCT, ACIB	1961	Chief Executive	01/01/18	THFC Group Companies: The Housing Finance Corporation Limited*; T.H.F.C. (Indexed) Limited*; T.H.F.C. (Indexed 2) Limited*; T.H.F.C. (First Variable) Limited*; T.H.F.C. (Services) Limited; T.H.F.C. (Social Housing Finance) Limited*; T.H.F.C. (Capital) PLC; UK Rents (No.1) PLC; UK Rents (Holdings) Limited; UK Rents Trustee Limited; HFP 2019 Limited THFC Managed Companies: T.H.F.C. (Funding No.1) PLC; T.H.F.C. (Funding No.2) PLC; T.H.F.C. (Funding No. 3) PLC; Haven Funding PLC; Haven Funding (32) PLC; Harbour Funding PLC; Sunderland (SHG) Finance PLC; Affordable Housing Finance PLC; Blend Funding PLC *Community Benefit Society

Phillippa Cardno has a service contract with the Society terminable by either party giving 12 months' notice. The agreement was signed on 30 July 2018. Darren Garner has a service contract signed on 5 April 2022 with the Society terminable by either party giving 12 months' notice.

Other officers

Lyndsey Hayes - Chief Risk Officer

Emma Jones - Head of People

Melanie Mildenhall - Head of Customer Service

Erika Neves - Head of Data and Governance and Company Secretary

Dean Scott - Head of Sales and Marketing

Auditor
Deloitte LLP
Four Brindley Place
Birmingham
B1 2HZ

Bankers
National Westminster Bank Plc
30 Market Place, Newbury, Berkshire RG14 5AJ

Glossary of terms

Set out below are the definitions of the terms used within the Annual Report and Accounts to assist the reader and to facilitate comparison with other financial institutions:

Arrears
A customer is in arrears when they are behind in fulfilling their obligations with the result that an outstanding loan commitment is overdue. Such a customer can also be said to be in a state of delinquency.

Basis point
One hundredth of a percent (0.01%), so 100 basis points is 1%. Used in quoting movements in interest rates or yields on securities.

Contractual maturity
The final payment date of a loan or other financial instrument.

Effective interest rate method (EIR)
The method used to measure the carrying value of a financial asset or a liability and to allocate associated interest income or expense to produce a level yield over the relevant period.

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

Forbearance strategies
Strategies to assist borrowers in financial difficulty, such as interest only concessions, payment plans and reduced payment concessions.

General reserves
The accumulation of the Society's post-tax profit since inception. It is the Society's main component of Tier 1 which is a measure of strength and stability.

Impaired loans
Loans where there is objective evidence that an impairment event has occurred, meaning that the Group does not expect to collect all the contractual cash flows or expect to collect them when they are contractually due.

Individually/collectively assessed
Individual assessments are made of all mortgage loans where objective evidence indicates losses are likely or the property is in possession. A collective impairment provision is made against the remaining group of loans and advances where objective evidence indicates that it is likely that losses may be realised.

Interest margin
Represents net interest income divided by mean total assets.

Internal capital adequacy assessment process (ICAAP)
The Group's own assessment of the level of capital that it needs to hold for risks it faces under a business-as-usual scenario and a variety of stress scenarios.

Liquid assets
Total of cash in hand and balances with the Bank of England, loans and advances to credit institutions, and investment securities.

Liquidity coverage ratio
The liquidity coverage ratio (LCR) refers to the proportion of highly liquid assets held by financial institutions, to ensure their ongoing ability to meet short-term obligations.

Liquidity risk
The risk that the Group is not able to meet its financial obligations as they fall due, or will have to do so at an excessive cost. This risk arises from timing mismatches of cash inflows and outflows.

Loan to value ratio (LTV)
A ratio which expresses the amount of a mortgage as a percentage of the value of the property. The Group calculates residential mortgage LTV on an indexed basis (the value of the property is updated on a quarterly basis to reflect changes in the house price index).

Loans past due/past due loans
Loans are past due when a counterparty has failed to make a payment when contractually due.

Management expenses
Management expenses represent the aggregate of administrative expenses, depreciation and amortisation. The management expense ratio is management expenses expressed as a percentage of total mean assets.

Market risk
The risk that movements in market risk factors, including interest rates, credit spreads and customer-driven factors will create losses or decrease portfolio values.

Mean total assets
Represents the average of the total assets at the beginning and end of the financial year.

Member
A person who has a share investment or a mortgage loan with the Society.

Net interest income
The difference between interest receivable on assets and similar income and interest payable on liabilities and similar charges.

Replacement cost
The amount the Society would need to replace derivative contracts that are favourable to the Society, if the counterparty with whom the contract was held, were unable to honour their obligation.

Risk appetite
The articulation of the level of risk that the Society is willing to take (or not take) in order to safeguard the interests of the Society's members whilst achieving business objectives.

Residential loans
Residential mortgage loans secured against residential property.

Shares
Money deposited by a person in a savings account with the Society. Such funds are recorded as liabilities for the Society.

Shares and borrowings
Represents the total of shares, amounts owed to credit institutions and amounts owed to other customers.

Total capital ratio
Measures the Society's reserves (after required adjustments) and collective impairment provisions as a proportion of its risk weighted assets.

Tier 1 capital
A measure of financial strength as defined by the PRA. Tier 1 capital is divided into Common Equity Tier 1 and other Tier 1 capital. Common Equity Tier 1 capital comprises general reserves from retained profits. The book value of intangible assets is deducted from Common Equity Tier 1 capital and other regulatory adjustments may be made for the purposes of capital adequacy.

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