Newbury
Building Society

Annual Report and Accounts
Year ended 31 October 2020

Contents

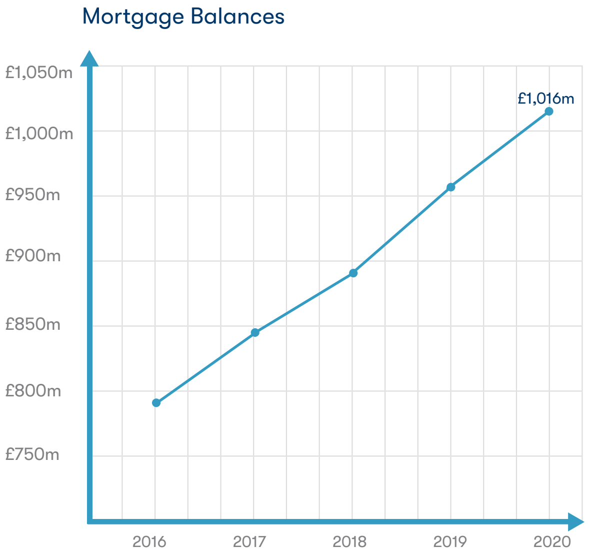
Our Highlights

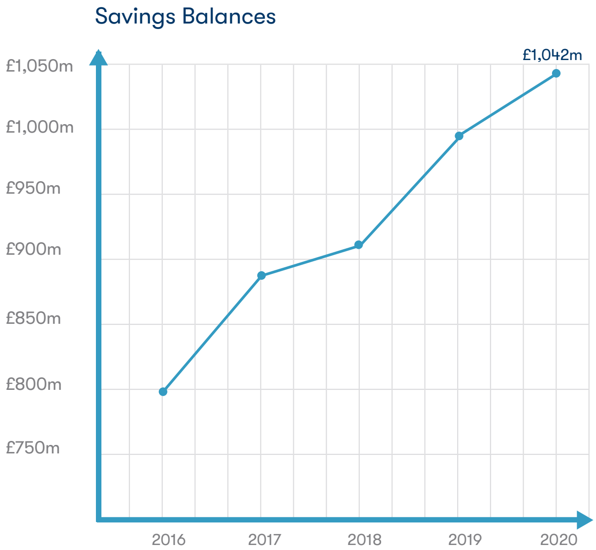
Mortgages

- Our mortgage book increased by £55m to £1,016m
- We lent £181m to mortgage customers (2019: £201m)
- Continued strong demand for our residential and affordable housing mortgages

Savings & Funding

- Savings balances increased £66m to £1,042m
- Inflows into our ISA accounts and easy access accounts were significant factors in the growth
- We held funding of £96m from the Bank of England Term Funding Scheme at year end (2019: £114m)
- Liquid assets of £200m at year end (2019: £217m)



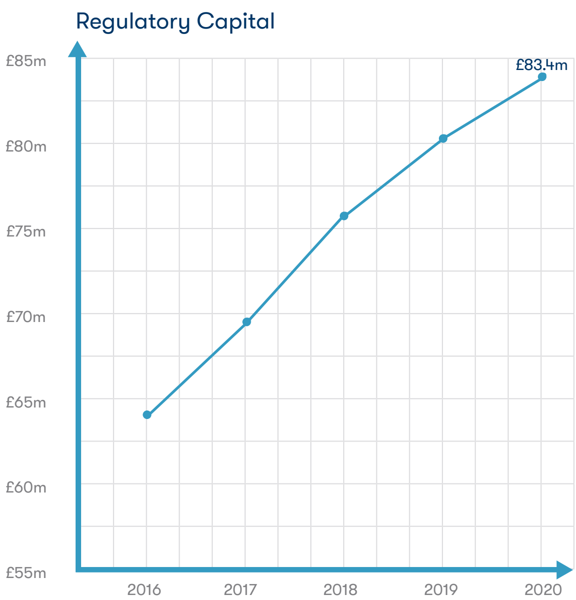


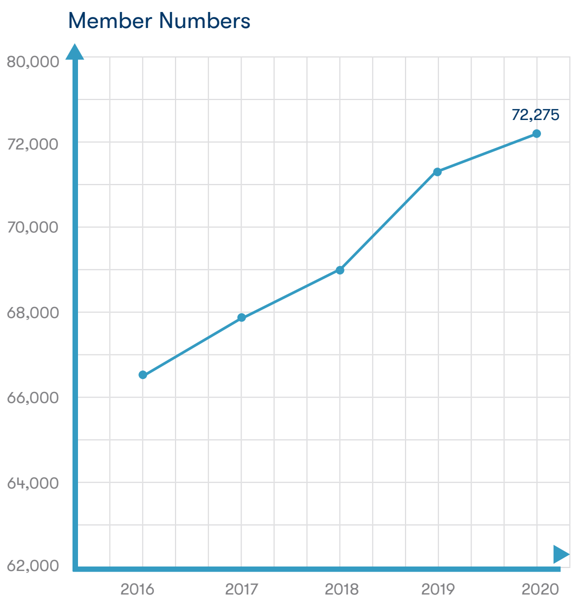
Financial strength

- Our profit after tax was £3.2m (2019: £4.4m)
- Our regulatory capital grew £3.3m to £83.4m (2019: £80.1m)
- Our Total Capital Ratio reduced to 19.4% (2019: 20.0%)

Members

- Our member numbers increased by more than one thousand to 72,275
- Our mystery shopping scores averaged 92% (2019: 97%)
- Complaints as a percentage of members was 0.07% (2019: 0.16%)





Chairman's Statement

2020 will be remembered as the year in which those who run our country had to manage the dilemma of balancing the physical wellbeing of its citizens against the current and future economic health of the country. Consequently, almost everyone has been impacted in some way. Our first thoughts are for those personally affected by the Covid-19 pandemic, particularly those members who sadly succumbed to this disease or who lost relatives and loved ones.

As for your Society, we were not immune from Covid-19's impact, but we have proven ourselves to be somewhat resilient. Your society worked hard to serve its membership, to keep the Society going and growing in the year.

I can report that our key business results for the year were very close to the targets we had set ourselves back in October 2019, in other words targets set before Covid-19 was even known about.

The global Covid-19 pandemic not only caused national lockdowns including the seven-week period in the spring when the housing market was essentially closed, it also had a transformational impact on our working practices. The majority of our employees had to flex to home working, enabled by the technology upgrades we fortunately made in 2019. With the agility and commitment of all employees we were able to keep up the level of service to which you have become accustomed. Even Board meetings were conducted remotely using the technology, and more frequently during this troubling period. This demonstrated practically the effectiveness of our business continuity planning and resilience to enforced operational changes.

The housing market was astonishingly strong in the latter part of the year, given the impact of Covid-19 on the wider economy. The stamp duty holiday for property purchases up to £500k was clearly a factor in this, and over half the year's lending growth occurred in the last quarter of the year. We enter the new year with a strong pipeline of business waiting to complete, in a market where demand for services from solicitors, valuers, local authorities and the Land Registry are putting the market under considerable strain. The perceived wisdom is that this bubble will not last and we are expecting next year to be turbulent as Covid-19 threats continue, with the prospect of higher levels of unemployment as furlough and other government support schemes come to an end and a reduction in Gross Domestic Product affecting the housing market. We also appreciate there is potential for another impact on confidence through Brexit, as the country will also have left behind Europe's free trade rules when the Brexit transition year ends on 31 December. Sadly, the Brexit outlook still remains uncertain as we write this report.

The savings market has been buoyant too with many investors seeking the calmer waters offered by deposit takers during the Covid storm. With the Bank of England offering a new Term Funding Scheme (TFSME) designed to ensure sufficient liquidity in the markets to enable adequate levels of lending, the Society has a further source of funding available to it until October 2021 to replenish liquidity used to service the unprecedented mortgage demand in the summer and autumn.

We did not need to close our doors during lockdowns, as money transmission is defined as a key service, and although we reduced our opening hours, we were able to provide branch service in all our branches for almost every weekday and most Saturdays throughout the year. I thank all our members for your custom during the year and I also thank our employees and you our members for your adherence to the changed service standards imposed by Covid this year.

There have been two changes to Board members this year, with the arrivals of Darren Garner as our Finance Director and Alistair Welham as a non-executive director. Darren joined the Society and the Board in August and brings significant strength and rigour to our Finance and Treasury function. Prior to joining the Society, his career has included more than ten years experience as finance director of building societies and we have already seen the benefit of this in his first few months here. He succeeded Richard Jones, a specialist interim Finance Director who served us following Kieron Blackburn's resignation in January. Alistair joined the Board in February and is a marketing specialist currently working in the insurance industry. He has already made a significant contribution to our Sales, Marketing and Product Committee as the Society has needed to respond promptly to changing market conditions.

I was due to retire from the Board at the AGM in February 2021. However, as a result of the Covid-19 pandemic, the Board asked me to serve one more year in order to provide an element of continuity at a time of so much change and to give me more time to oversee the Society's digital development programme, which had inevitably been delayed by the Covid crisis. I will now retire in February 2022.

Finally, I am delighted to advise that your Society has been operating from new headquarters since November. The Society has grown in size and strength for many years with the result that we had outgrown our premises at 17 Bartholomew Street, a building constructed in 1982 and extended three times since then. After a three-year search for suitable freehold premises, we have purchased 90 Bartholomew Street, a town centre office building also built in the 1980s and previously owner-occupied by Vodafone and then Sovereign Housing Association. We have taken the opportunity to completely refurbish the premises, which now provides the size and quality of building to secure our head office future for decades to come. We now have a building where all colleagues have the space to socially distance, a differentiating factor for us over other employers who have less space to accommodate safe returns to the office, once the immediate threat of Covid has abated. At the time of writing, the premises at 17 Bartholomew Street have been sold, subject to contract, with the expectation that the sale will complete in the first quarter of 2021.

Peter Brickley, Chairman
21 December 2020

Chief Executive's Review

This has been a most unusual year for the Society, but one I am pleased to commend to our membership from a business results and development perspective. My executive team and indeed the whole staff of the Society have had to dig deep to provide members with our usual standard of service, given the Covid pandemic. The regular feedback from you, collected independently by Smart Money People, suggests we have succeeded in doing so. Indeed, I believe the reaction of the whole Society's staff to the onset of Covid restrictions, changing working practices and at times significantly increased workloads was magnificent, and you have been generous in saying so. We never needed to close our doors to savers or borrowers during the year and despite lockdown, we nimbly amended our procedures and processes to maintain a lending service throughout. The ability to trade all year reflects itself in our results, which continue the path of asset growth and profitability in an appropriate equilibrium.

The Society recorded pre-tax profit of £4.1m, down from the £5.5m reported in 2019, impacted by a reduced net interest margin, increase in management expenses and higher impairment charges. These are all covered in more detail in the Strategic Report which follows my review. The Society responded to the reduction in Bank rate to 0.1% in a balanced manner by reducing both its SVR and savings rates by 0.5%, however margin was negatively impacted through lower earnings from the Society's liquid assets. A prolonged period of low interest rates will be unwelcome news for savers and will continue to act as a drag on the Society's profitability but despite this the Society intends to continue offering a competitive range of products and services to borrowing and savings members alike.

"We never needed to close our doors to savers or borrowers during the year and despite lockdown, we nimbly amended our procedures and processes to maintain a lending service throughout."

The Society's lending proposition has been unchanged for many years. It is based on the provision of a competitive range of fixed and discounted mortgages mainly for owner occupiers, but also for BTL landlords. With the onset of Covid, we made a number of temporary lending policy changes, firstly to mitigate risk in uncertain times and secondly to manage the demand for mortgages which surprisingly increased, at least in part due to competitors withdrawing from anything other than low loan to value standard residential lending. The Society believes its purpose and role as a mutual is to lend to all types of aspiring homeowners and therefore our strong capital base gave us encouragement to continue to offer 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 range (shared ownership and shared equity), to customers with credible repayment plans who require interest only mortgages and to those seeking mortgages beyond normal retirement dates. Although our lending growth was slightly lower than in recent years, the level of growth was nevertheless sufficiently strong to be no cause for concern.

What became clear very early during the first lockdown period was that a number of our borrowers needed help to overcome interruptions to their usual income. In accordance with FCA instructions, we provided payment deferrals of three or six months to those in need and we agreed deferrals for more than 1,000 of our mortgage clients during the year, about 14% of our borrowers, similar to the national average. Giving advice and help and ensuring that the best solution is found for each member is a time-consuming business. Our Customer Service staff, backed up by support from their branch colleagues, have been tireless in helping our borrowing members and it is pleasing to see that a significant majority of the borrowers who took deferrals were able to resume their payments after their deferral period without the need for further forbearance measures. In almost all cases, our borrowers chose to capitalise their deferred interest payments. The Society increased provisions as a result of Covid's impact on its borrowers and, although this has the effect of reducing profitability, the overall prognosis for the mortgage book is healthy and the business continues to be strong and well capitalised.

Community

I am pleased to say that despite a year of unprecedented change and unforeseen challenges, the Society remained committed to supporting those who live and work in the communities within our branch areas. We managed to find ways to undertake fundraising activities as well as offer sponsorships, donate financial aid and volunteer time to worthwhile causes. Our head office and branch employees supported their charity partners throughout the year, and the Society again fund-matched the amount raised to boost the total financial support.

In total this year, the Society made donations of nearly £59,000 (2019: £54,000) in support of local charities and community organisations. The Society's Charity savings account remained popular and the Society continued to make an annual donation of 0.4% interest to each account member's preferred charity. Despite the Bank Base Rate reduction in April, we held the payment at 0.4% with the result that during the financial year £25,000 (2019: £21,000) was generated and split between the chosen charities. This year, in light of the difficulties experienced by so many charities during lockdown, the Society made a pre-payment of £30,000 to assist its nine charity partners bridge the gaps in funding caused by the cancellation of key fundraising events.

Although limited, due to Covid-19 safeguarding restrictions, fundraising activities during the year included a representative of Basingstoke branch taking part in St Michael's Hospice's Let's Get Virtual challenge in June, walking 200km and raising £370, and employees from Abingdon and Didcot branches raising funds for their charity partner, Helen & Douglas House, by taking part in its Blenheim 7k virtual fun run.

The Society continued to offer employees the opportunity to take two days paid leave to support community projects of their choosing through volunteering. During the year, volunteering activities included:

- Participating in mentoring sessions for pupils at Didcot Girls School.
- School Governor responsibilities at local schools.
- Gardening activities for mental health charity, Restore, ahead of Oxfordshire Artsweek.

The Society donated a total of £9,023 (2019: £11,426) to 23 local community projects through its Community Support Scheme, with a special focus on those assisting vulnerable groups during the Covid-19 lockdown periods. The scheme continues to provide financial awards to local organisations involved in improving community life within the Society's ten branch towns.

Projects which benefitted from the Community Support Scheme in 2019/20, included:

- Ray Collins Charitable Trust, West Berkshire: to assist with the purchase of food parcels and other essential items for vulnerable people in the local community affected by Covid-19.
- Be Free Young Carers, Oxfordshire: to help adapt the way the charity reached young carers during Covid-19 lockdown restrictions through its specialist online befriending scheme.
- Time to Talk West Berks: to train five counsellors in online counselling skills to support young people struggling with anxiety and other mental health concerns.
- West Berkshire Foodbank: to purchase food and other essential items to support approximately 1400 people in the local area.

West Berkshire Foodbank received a cheque for £1,000 from Newbury Building Society's Community Support Scheme.

- Service for Emergency Rider Volunteers (SERV): to help maintain a small fleet of vehicles to support the charity deliver essential emergency equipment to the NHS and other communities in Hampshire.

The Society honoured local unsung heroes at its first Community Champion Awards in February. The awards celebrated individuals who make a positive contribution to their local community but may not necessarily receive the recognition they rightly deserve. Lynne Taylor, a volunteer at children's charity Dingley's Promise, was crowned the overall Community Champion, while Matt Collins, a scout leader at the 3rd Alton Scout Group, Len Potts, a volunteer at Parkinson's UK Basingstoke branch, and Carole Grey, a volunteer at Wokingham Foodbank, were recognised as highly commended nominations.

Other events and activities undertaken in our communities included:

Newbury Building Society's Abingdon branch visited Homeless Oxfordshire to help unpack donations made through the NBS Winter Wrap-Up Appeal.

- The launch of the Society's first Winter Wrap-up Appeal in which winter clothing was donated and distributed between various local charities committed to improving the lives of homeless and vulnerable people in Berkshire, Hampshire and Oxfordshire.
- The Society was confirmed as lead sponsor of the first Big Basingstoke Sleep-Out event in partnership with Julian House and the Camrose Centre to support homeless and excluded men and women in the local area. The event, which was due to take place in March 2020, will hopefully take place spring 2021.
- Junior Newbury Building Society (JNBS) digitalised its outreach programme to ensure participating primary school children continued to learn how to save and the importance of money during Covid-19 lockdown restrictions.

Future

There are many challenges ahead for the Society as we continue to absorb and manage the impact of Covid and specifically what it has done to catalyse different behaviours in the provision and consumption of financial services. One problem we have resolved is the matter of our head office building. As the Chairman stated, we had outgrown our premises at 17 Bartholomew Street and were on the cusp of starting on a fourth extension, for which we had obtained planning permission, but which would still not have fully resolved the long term requirements of our growing business. The opportunity to acquire 90 Bartholomew Street was serendipitous and we grabbed it gratefully, knowing that despite the current requirements for working from home, we now have a building fit for purpose and one to help attract top calibre staff in the future. Under-investment in a tired building at 17 Bartholomew Street had become an issue, now thankfully resolved.

One of the advantages of acquiring a building in need of modernisation has been the opportunity to put our green ambitions into practice. The focus and importance of environmental change has never been more prominent and the Board's three pillar approach to its Green ambition strategy is:

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

The Society also recognises the risks and challenges posed by climate change. While the financial risks from climate change may crystallise in full over longer time horizons, they are also becoming apparent now. The Society particularly recognises two risks: physical and transitional. Physical risks relate to specific weather events such as flooding, or longer-term events such as rising sea levels. A key element of this risk is to property, both the Society's own properties and properties held as security for lending. Transition risks can arise from the process of adjustment towards a low-carbon economy. This could lead to a changing regulatory expectation in terms of the way the Society is expected to run its own business, including who it uses as suppliers. It may also impact property held as security, for example the energy efficiency expectations of properties mortgaged for Buy to Let purposes. The Society is increasingly mindful of these risks when making business decisions, including mortgage lending underwriting decisions.

The Society will continue to provide a full mortgage and savings service in its branches and we will operate in niches where the wider market lacks capacity or capability. Supplemented by the Society's online capability, members will enjoy the real advantages of a 'bricks and clicks' service.

Mortgage lending has consistently been an over-supplied market, which inevitably means competition is fierce. This can only be a good thing for members and it will remain our intention to offer fair-priced savings and mortgage products, to lend responsibly and to support borrowers to achieve their housing aspirations. Whilst we will remain vigilant for any opportunities that may arise as a consequence of the anticipated difficult trading conditions, we believe that the next 12 months will in reality offer a diminished opportunity to return results at the levels of recent years. We are projecting a lower level of growth to reflect our belief that the nature of the mortgage market will be more challenging than usual. We also anticipate having to offer tailored solutions for mortgage payment difficulties to many more members than would normally be the case.

> "The Society's vision is to be the chosen provider of savings and mortgages in its operating area."

The Society's vision is to be the chosen provider of savings and mortgages in its operating area. As the Society encounters a new era in the provision of Financial Services, characterised by Open Banking and the Fintech revolution, there are more options than ever for people on how to manage their money. The Board is very much aware of the Society's need to embrace change by investing in its staffing and technological capabilities, and members will therefore see changes and improvements to the way the Society delivers its products and services in the coming months and years. The growth and profitability of recent years has provided the foundations for the Society to make these investments, not only for the benefit of our current members, but also for those who will be our future members.

Technology acts as an enabler to our service proposition and whilst technological development will be a key focus, the Board also remains fully committed to a branch network, promoting a savings culture using fair and transparent products, which offer good value in the short, medium and long term. 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.

Notwithstanding the uncertainty that exists for the country at the time of writing, the Board believes that a successful future lies ahead for the Society as an independent, branch-based, technologically-enabled and vibrant mutually-owned business.

Roland Gardner, Chief Executive
21 December 2020

Strategic Report

The strategic report sets out the Society's progress against strategy together with an assessment of the environment in which the Society operates and the principal risks faced by the Society and should be read in conjunction with the Chairman's Statement and Chief Executive's Review.

Last year's report commented on risks associated with a deteriorating political and economic outlook and the spectre of a difficult "Brexit outcome" and whilst these challenges remain as valid now as they did then, they are overshadowed by the Covid-19 situation that has persisted for much of this year. As can be expected, the financial performance of the Society has been impacted as a result of the pandemic however the results for the year ended 31 October 2020 represents another year of strong balance sheet growth, matched with appropriate levels of profitability to support the Society's capital position.

Business objectives and principal activities

Purpose and values

These are set out on page 16.

The Society's principal activity is the provision of a range of long-term residential mortgages so that borrowing members can buy a home funded by personal savings from members through simple and straightforward savings products.

As a mutual society 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 continue to balance and serve those interests through operating in markets that deliver a sustainable financial performance within an agreed appetite for risk and whilst balancing the continued need to invest in the business for the benefit of future members.

Business model and strategy

The Society's business model and strategy continues to serve us well and remains largely unchanged.

The Society's lending proposition is based on the provision of 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 the Society's lending criteria in appropriate cases. With competition in residential lending proving intense, 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 affordable housing and buy to let.

Funding is provided through members' deposits, supplemented by funding from participation in the Bank of England's Sterling Monetary Framework and 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.

The Society's liquidity position is maintained to ensure sufficient cash is available to meet obligations at all times and is principally held in the form of a deposit with the central bank.

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.

Fierce competition in our core markets coupled with political and economic uncertainty can impact negatively on demand for mortgages; equally the package of measures and financial support swiftly introduced in response to the Covid-19 pandemic by the Bank of England has supported lending activities through the pandemic.

The ultra-low interest rate environment also acts as a drag on profitability and looks set to continue for some years, with the added risk of a negative Bank rate for the first time in the UK's history. The Board believes 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.

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.

Products and services are delivered to members through the Society's network of ten branches, customer service teams and online channel. The Society's savings members can already view their accounts and transfer money to their current account, and the Society is in the final stages of the development of a mobile app intended to take advantage of some of the benefits of Open Banking. The Society also offers a video advice service for mortgage clients. The Board expects to make continued investment in the way the Society delivers its products and services in the coming months and years.

Results for the year and 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). There have been no changes to the KPIs in use throughout 2019/20. Previous year comparatives are presented in the table on the next page together with explanatory comment.

Key Performance Indicators

		2020	2019
Balance sheet	**Assets**	£1.23bn	£1.19bn
	Loans to Customers	£1.02bn	£0.96bn
	Retail Shares and Deposits	£1.04bn	£0.98bn
Operating performance	**Management Expenses** as a % of Mean Total Assets	0.93	0.92
	Interest Margin as a % of Mean Total Assets	1.43	1.50
	Mortgage Arrears - on accounts two months or more in arrears	£0.17m	£0.23m
	Profit After Tax	£3.2m	£4.4m
Financial strength	**Regulatory Capital**	£83.4m	£80.1m
	Total Capital Ratio	19.4%	20.0%
	Liquid Assets as a % of Shares and Borrowings	17.5%	19.7%
Members	**Members** - numbers	72,275	71,161
	Mystery Shopping - % score achieved	92%	97%
	Complaints - as a % of members	0.07%	0.16%

Measure	**Explanation**
Assets	Total assets of the Society as disclosed in the Statement of Financial Position.
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 shares and amounts owed to other customers held by the Society. This is the Society's primary means of funding its lending activities. The 2019/20 financial year inflow of £66.1m helped fund growth in mortgage assets and with liquidity management.
Interest Margin as a % of Mean Total Assets	Net interest income divided by 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. The decline in margin can be mostly attributed to lower earnings from liquid assets following the reduction in Bank rate.
Management Expenses as a % of Mean Total Assets	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 and is an established measure of efficiency. After increasing this year, the Board expects this ratio to increase further next year before steadily reducing.
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 the loan portfolio and the Society's desire to minimise the risk of future default. Despite a challenging and unusual year the level of arrears has reduced and remained extremely low, however the number of cases subject to forbearance measures has more than doubled from 52 to 114.

Profit After Tax	The amount earned and retained by the Society after taking into account all expenses and provision charges and taxation. Retained profit remains 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. Reduced from 2019 due to the decline in margin, higher impairment charges and an increase in costs.
Regulatory Capital	Comprises the Society's reserves and collective provisions net of any required deductions for regulatory purposes e.g. Intangible assets. Retained profits are the highest quality of capital.
Total Capital Ratio	Regulatory capital expressed as a percentage of the Society's level of risk weighted assets (RWAs). Capital growth due to retained profits of £3.2m more than offset by a £28.2m increase in RWAs and a greater capital deduction for intangible 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. Reduced to manage liquidity back to within Board operating range.
Members - numbers	Strategy is to provide a strong service proposition with competitive interest rates. Growth in membership demonstrates demand for the Society's products and services.
Mystery Shopping - % score achieved	Service to members is of paramount importance to the Board. Mystery shopping allows the Society to monitor the level and consistency of service provided to Members. The results continue to demonstrate the consistent delivery of excellent service.
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. The percentage remains extremely low.

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 (as adopted for use in the EU)". The Chief Executive's Review on pages 5 to 7 also contains information on the Society's performance for the year and factors affecting the results and should be read alongside this strategic report.

Overview on income statement	**2020**	**2019**
	£000s	**£000s**
Net interest income	16,398	16,926
Other income and charges	(314)	(575)
Administrative expenses	(10,692)	(9,970)
Depreciation and amortisation	(571)	(605)
Impairment charges	(752)	(298)
Profit before tax	**4,069**	**5,478**
Taxation	(842)	(1,068)
Profit after tax	**3,227**	**4,410**

As a mutual, the Society has no shareholders and does not need to maximise profits. The Society's objective is to balance the requirements to offer attractive rates for savers and competitive rates for borrowers, whilst ensuring sufficient profits are generated to both maintain the Society's strong capital position and to continue to enable investment in the Society's capability and infrastructure.

Net interest margin

The Society's interest margin reduced during the year falling by 0.07% to 1.43% principally due to the impact of the reduction in Bank rate from 0.75% at the start of the year to its current level of 0.1%. The Board seeks at all times to take a balanced view of the needs of borrowing and savings members with average rates earned on mortgages and paid to savers falling by similar amounts across the year and not fully mitigating the impact of reduced income from the Society's liquidity.

With the central bank rate expected to remain at or near this level in the medium term the Board anticipates margin will continue to come under pressure 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 £160k (2019: fair value losses of £512k).

Derivatives are used solely for risk management purposes and are an important tool for managing exposure to changes in interest rates from the Society's portfolio of fixed rate mortgages and savings products. The Society's derivatives are all in economic hedges with the majority in qualifying hedge accounting relationships.

The net loss of £160k (2019: loss of £512k) comprises:

	2020 £000s	2019 £000s
Accounting ineffectiveness in designated hedge accounting relationships	(294)	(317)
Gain/(loss) on derivatives not in designated hedge accounting relationships	134	(195)

Management expenses

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

The Board fully recognises that controlling costs is vital for the Society's competitive position in the marketplace and the Society's Management Expenses (ME) ratio continues to benchmark well against peer group societies. Cost control continues to form a key part of the Society's strategy, striking an appropriate balance between investment in the business and providing high quality and value products and services for members. The Society did not utilise the Government Job Retention Scheme for two reasons: firstly, due to our status as keyworkers the Society was never required to close; and secondly, we took the view that it would not be ethical to take advantage of a taxpayer funded bail-out when not required to close.

Management expenses increased by £688k (6.5%) during the year:

	2020 £000s	2019 £000s
Administrative expenses	10,692	9,970
Depreciation and amortisation	571	605
Total	**11,263**	**10,575**

Administrative expenses increased by more than £0.7m for two principal reasons: Staff costs were £0.5m higher in 2020 due to an increase in headcount to match the continued growth of the Society; and non-capital expenditure of £0.3m on the fit-out and completion of the Society's new head-office premises. Offsetting these increases were reductions in expenditure across a number of areas as the Society was unable to undertake certain activities for part of the year due to the enforced national lockdown due to the Covid-19 pandemic.

Depreciation and amortisation for the year reflects an increase in annual charges for updated licence costs associated with the Society's core banking platform, offset by reductions due to assets reaching end of life. Following the completion of activities and expenditure on the Society's new head office premises the Board expects depreciation charges to increase significantly.

The increase in total operating costs was proportionate to the Society's growth in assets representing 0.93% of mean total assets (2019: 0.92%).

Impairment charges

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. Impairment charges for the year ended 31 October 2020 of £752k (2019: £298k) comprise:

	2020 £000s	2019 £000s
Collective impairment charge	503	220
Individual impairment charge	249	78
Total	**752**	**298**

At 31 October 2020 the Society held provisions totalling £1,977k (2019: £1,225k), analysed as follows:

	2020 £000s	2019 £000s
Collective provisions	1,540	1,037
Individual provisions	437	188
Total	**1,977**	**1,225**

The measures taken in line with the government and regulator on mortgage payment deferrals and furlough has reduced the losses and arrears during 2020 however, the provisions charge of £752k includes a management overlay charge of £415k to provide, as far as reasonably possible, for the uncertainties caused by Covid-19. This includes higher levels of forbearance and uncertainty in house prices, which are widely predicted to fall in the short term, a situation which would be compounded by significantly rising unemployment which can be expected to impact on mortgage affordability. Further details are provided in Note 12 to the Accounts.

Covid-19

Since March 2020 the Society has been assisting and supporting its members financially impacted by Covid-19. This included offering payment deferrals to borrowers experiencing or reasonably expecting to experience payment difficulties because of Covid-19, unless it was considered by the Society that another option was in the borrower's best interest. The Society has put in place a series of measures to support such members, initially assisting more than 1,000 borrowing members requesting a payment deferral. At the end of the initial arrangement a small number of borrowers continued to require support. See Mortgage Arrears below.

Arrears management

Mortgage Arrears

The value of arrears for cases more than two months in arrears decreased from £0.23m to £0.17m with the number of borrowers in this category increasing from 41 to 47 accounts. There were nine cases in serious arrears of 12 months or more at our year-end (2019: six cases). The total amount of arrears outstanding on these accounts was £37k (2019: £130k) and the aggregate balances were £474k (2019: £475k).

The Society's arrears and possession statistics remain low both for the building society sector and for the industry as a whole. The low arrears level reflects the macro-economic environment, with ongoing low mortgage rates assisting customers with their repayment obligations and government support schemes such as furlough helping to keep unemployment down. However, the position also reflects the Society's low risk business model and prudent underwriting approach. The Society always seek to ensure that customers can afford to meet their mortgage repayments from the outset and throughout the full duration of their mortgage term. It is this approach that has ensured arrears levels have remained below industry average and although the numbers are generally up on last year, the statistics still show a proportionately low number of cases, which demonstrates the effectiveness of good quality counselling and the quality of underwriting processes over many years.

The Society also incurred no mortgage losses during the year (2019: nil). The Society shows forbearance to borrowers where appropriate. Types of forbearance include arrangements such as temporary interest only concessions, payment plans or reduced payment concessions, including members still subject to Covid-19 related payment deferral arrangements referred to above. At 31 October 2020 the Society had 114 cases subject to forbearance (2019: 52) with total outstanding capital balances of £17.8m (2019: £5.6m). The increase can be almost entirely attributed to the Covid-19 situation. The ending of government support schemes increases the risk of borrowers falling into arrears or requiring forbearance arrangements.

At 31 October 2020 the Society had two properties in possession (2019: two).

Further details on forbearance can be found in Note 23 to the Accounts.

Taxation

The Society's corporation tax charge for the year ended 31 October 2020 of £842k (2019: charge of £1,068k) represents an effective rate of 20.7% (2019: 19.5%). Further detail is provided in Notes 6 and 18 to the Accounts.

Profit

The Society's profit after tax as a percentage of mean total assets reduced from 0.38% in 2019 to 0.27% in 2020, as profits reduced from £4.4m to £3.2m. Despite reporting a lower level of profitability, it remains at an appropriate level to support continued lending growth and the Society's ongoing need to maintain its capital strength to support the continued growth in the business together with capital demands associated with increased regulatory requirements and continued investment.

Overview of statement of financial position

	2020 £000s	2019 £000s
Liquid assets	199,584	217,228
Loans and advances to customers	1,015,979	960,515
Fixed and other assets	18,119	10,153
Total assets	**1,233,682**	**1,187,896**
Shares	1,012,447	938,630
Amounts owed to other customers	131,030	165,624
Other liabilities	7,429	4,198
Total liabilities	**1,150,906**	**1,108,452**
Reserves	82,776	79,444
Total liabilities and reserves	**1,233,682**	**1,187,896**

Assets

Total assets increased by 3.8% (2019: 6.5%) and at 31 October 2020 stood at £1,233.7m, reflecting the Society's strategic objective of focusing on sustained growth to protect itself against rising costs and the effects of margin compression caused by increasing competition and an expected rise in long-term funding costs.

Liquid assets

Liquid assets comprise cash and other qualifying 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.

At 31 October 2020 total liquid assets amounted to £199.6m (2019: £217.2m), with £182m of this balance represented by amounts held in the form of deposits with the Bank of England (2019: £189m). As a percentage of shares and borrowings liquid assets decreased to 17.5% (2019: 19.7%). The decrease was in line with Board expectations and remained within the Society's normal operating tolerances and above the Board's liquidity risk appetite.

A key measure of liquidity introduced under CRD is the Liquidity Coverage Ratio (LCR). As at 31 October 2020 the Society reported an LCR of 263% (2019: 327%), significantly in excess of minimum regulatory requirements.

Mortgages

The Society's portfolio of loans and advances comprise almost entirely of owner-occupied mortgages, including affordable housing mortgages and buy-to-let mortgages. Gross lending of £181m did not match the £201m achieved in the year to October 2019. This brought to a halt five years of successive increases in gross lending as the year to 31 October 2020 was heavily interrupted and impacted by Covid-19 in the spring as the house-buying market was essentially closed and unable to function for a period during national lockdown.

In mitigation a continued focus on retention activities helped the Society report net lending of £55m (2019: £65m) and was enough for the Society's total mortgage book to exceed £1 billion for the first time in its history.

Stated after the impact of mortgage repayments, voluntary redemptions and other movements, loans and advances to customers net of provisions and other interest rate and fair value adjustments totalled £1,016.0m (2019: £960.5m).

Strong demand for the Society's range of standard residential owner-occupied products and affordable housing products accounted for 88% of gross lending and 98% of net lending. At 31 October 2020 the Society's mortgage book was comprised of the following lending types:

	2020	**2019**
Residential owner-occupied	85.5%	84.8%
Buy-to-let	13.7%	14.2%
Other	0.8%	1.0%

The Society's book remains very high quality with an average indexed loan to value of 32% (2019: 33%) with less than 2.1% (2019: 2.9%) of the balances in the book more than 80% of the current indexed value of the properties on which their mortgages are secured. The Society's lending continues to be focused on its core operating areas with 75% of the mortgage assets within the South East and Greater London geographical areas (2019: 76%).

Shares and deposits

Retail savings and deposits continue to be the cornerstone of the Society's funding, although it is important for the Society to have access to funding from other sources. Retail savings and deposit balances increased by £66.1m during the year taking the Society's total shares and deposits balances to £1,042.1m at 31 October 2020. The net funding inflow was sufficient to support the Society's growth in mortgages.

Following the bank rate reductions in March 2020 the Society responded with reductions to the interest rates offered on its savings products, balanced alongside decisions impacting borrowing members and the Society's overall liquidity requirements and overall funding costs. After these reductions the majority of the Society's accounts continue to pay rates of interest that benchmark favourably against the wider market and it remains an important objective of the Society to protect as far as possible the Society's savings members from the full impact of the low interest rate environment. It was therefore encouraging to see the continued popularity of the Society's Senior Saver and Treasure Plus accounts which collectively attracted inflows of almost £40m and a further £20m net inflow into the Society's range of ISA products.

The Society expects to grow its stock of shares and deposit funding to fund planned mortgage growth over the medium term and in preparation for the planned and gradual repayment of amounts borrowed from the Bank of England (see Funding below).

Funding

It is critical that the Society maintains access to funding from non-retail sources. The Society remains an active participant in the Bank of England's Sterling Monetary Framework (SMF) and during the 2017/18 financial year, alongside many other financial institutions, participated in the Bank of England's Term Funding Scheme. At 31 October 2020 amounts borrowed under this Scheme amounted to £96.4m (2019: £114m) with amounts repayable no later than four years from the date of drawdown. 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. As an SMF participant the Society is eligible to participate in this scheme and has made application to draw down sufficient amounts to refinance existing TFS borrowings and support lending activities in the 2020/21 financial year.

The Society also accesses funding from other financial institutions and local authorities with typical repayment profiles of up to one year. As at 31 October 2020 the Society had £5.0m of unsecured borrowings from a range of other counterparties (2019: £13.7m).

Capital

Capital consists of the Society's reserves plus collective provision balances, less intangible asset balances which are required by capital regulations to be deducted from capital. The minimum level of capital required to be held is set by the Prudential Regulation Authority (PRA). The Board is conscious that both members and the Regulator require the Society to be financially secure. Financial strength protects the Society against its principal risks and uncertainties and safeguards member funds. Given the continuing emphasis on high quality capital by world banking authorities, the Board sets a strategy to ensure that capital is maintained at an appropriate level to cater not only for its day to day business needs, but also for significant stresses in the marketplace.

After regulatory deductions, the Society's regulatory capital stood at £83.4m at 31 October 2020 (2019: £80.1m)

	2020	**2019**
Capital:	**£000s**	**£000s**
Tier 1 Capital (after regulatory deductions)	81,824	79,070
Tier 2 Capital	1,540	1,037
Capital Resources	83,364	80,107

The increase of £3.3m comprised of retained earnings for the year offset by an increased deduction for intangible assets.

At 31 October 2020 the Society's gross capital* ratio was 7.24% of shares and borrowings (2019: 7.19%). The free capital ratio* was 6.32% of shares and borrowings (2019: 6.79%).

* As defined in the Annual Business Statement on page 77.

A measure of capital strength commonly reported amongst financial institutions is the Common Equity Tier 1 (CET1) ratio. This ratio signifies the relationship between the strongest form of capital (accumulated profits held in reserves) against assets, weighted by the level of risk they are considered to carry. The Society's CET1 ratio decreased from 19.8% at 31 October 2019 to 19.1% at 31 October 2020. The Society's leverage ratio - the ratio between Tier 1 capital and total on and off-balance sheet exposures - remained stable at 6.6% at 31 October 2020 (2019: 6.6%).

Note 27 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 be found in the Pillar 3 disclosures published on the Society's website.

Future outlook and uncertainties

The Risk Management Report on pages 28 to 29 sets out the principal risks and uncertainties faced by the Society.

Regulatory developments

There are several future regulatory developments that can be expected to have a material impact on the Society's business model and operations if implemented.

Capital buffers: Under European Law, building societies are required to hold a minimum amount of capital to protect the Members' funds and remain solvent in the form of severe economic stresses. In addition to these minimum requirements, further buffers have been introduced to ensure that Members' interests are protected even in the most adverse scenarios. On 1 January 2019 the Capital Conservation buffer increased to its maximum level of 2.50% of risk-weighted assets (RWAs). The Countercyclical buffer (CCyB) was set at 1% of RWAs throughout 2019 and was scheduled to increase to 2.0% in December 2020 however on 11 March 2020 the Bank of England announced it was being set at 0% with immediate effect.

The CCyB may be increased up to a maximum of 2.5% of RWAs which, based on the Society's RWAs of £428m at 31 October 2020, would require the Society to hold additional capital of £10.7m for regulatory purposes.

Basel III reforms: In December 2017 the Bank for International Settlements' Basel Committee on Banking Supervision published its report "Basel III: Finalising Post-crisis reforms". The document sets out the Committee's finalisation of the Basel III framework. The revisions to the framework seek to restore credibility in the calculation of risk-weighted assets and improve the comparability of capital ratios. Revisions include changes to the standardised approach for credit risk, introducing a more granular approach to risk weights and are expected to take effect from 1 January 2023. Moving to the revised framework would require the Society to hold additional capital for regulatory purposes.

Cessation of LIBOR: The interest rate benchmark LIBOR is expected to cease at the end of 2021 with a regulatory requirement for all firms to transition to alternative benchmark rates before this date. The Society's exposures to LIBOR comprise exposures related to interest rate derivatives transacted for hedge accounting purposes. The Society no longer undertakes transactions linked to LIBOR, but has derivatives with a nominal value of £140.3m with maturity dates post LIBOR-cessation. The Society is monitoring industry, regulatory and accounting related developments with ALCO considering regular updates and overseeing the transition. The replacement of LIBOR with the approved replacement reference rate is expected to have a marginally negative impact for the Society associated with the cost of novating swaps to a new benchmark rate.

Economic outlook

The outlook for the UK economy remains highly uncertain, impacted by the twin matters of the Covid-19 pandemic and Brexit. Both are covered in more detail in the Risk Management Report on pages 28 and 29.

Competition

Provision of financial services is entering a new era, driven by challenger banks and FinTech firms, as well as the rapidly accelerating digital transformation within direct competitors and Open Banking. Such developments increase the risk of the Society failing to attract new members and poses a number of risks to the Society including: increasing pressure on margins; increasing cost to deliver the level and type of investment necessary to keep pace with technological developments; and increased risk management costs. A competitive market for savings and mortgages is good for members and it remains our intention to offer fair-priced savings and mortgage products, to lend responsibly and to support borrowers to achieve their housing aspirations. Whilst technological development is an ongoing focus, the Board remains fully committed to the branch network, promoting a savings culture using fair and transparent products, which offer good value in the short, medium and long term

Business performance

The uncertain conditions for 2020/21 can be expected to impact financial performance. The Society started the 2020/21 financial year with a healthy pipeline of mortgage offers but expects a higher than usual percentage not to complete due to delays in the homebuying process and the expected removal of Stamp Duty incentives.

House price growth has slowed and is widely predicted to fall in the short term, a situation which would be compounded by significantly rising unemployment which can be expected to impact on mortgage affordability. As reported earlier, the Society has already supported and continues to support a number of its borrowing members seeking temporary mortgage forbearance in the form of mortgage payment deferrals as a direct result of Covid-19. However, the full impact to the Society is uncertain and will be determined by the extent of damage inflicted on the UK economy. Whilst the Board is confident in the quality of the Society's lending short term profitability could be impacted by increases in charges for impairment given the level of economic uncertainty. There is an expectation that interest rates will remain at their present historic low for some time with the possibility of falling to below zero. Nonetheless funding costs may still face upward pressure as the Society competes for retail savings balances.

The Board considers the Society continues to be well positioned against even the hardest economic downturn and able to navigate through this risk as it unfolds as the Society's strong capital position and liquidity would allow the Society to reduce activity and 'ride out the storm' if this was felt to be appropriate.

The Board continues to believe that a successful future lies ahead for the Society as an independent, branch-based, technologically-enabled and vibrant mutually-owned business.

PURPOSE STATEMENT

OUR PURPOSE

We exist to help our members build sustainable futures by being the trusted provider of savings and mortgages in our communities

OUR VALUES

Sustainability
financially secure, operationally strong and environmentally conscious

Trust
open and honest; a building society relied on since 1856

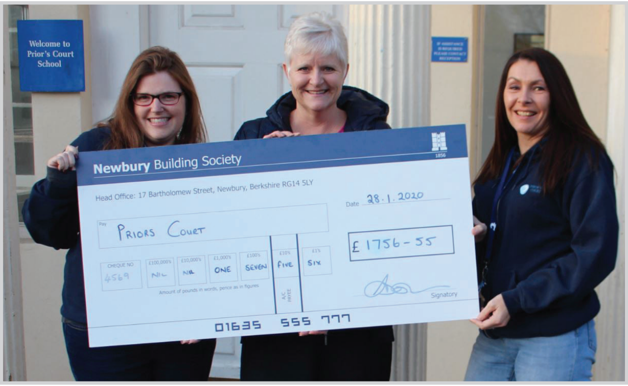
Respect
value uniqueness and treat everyone as an individual

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

Community support in 2020



Jane Bosher, senior branch manager, presented Hungerford branch's partner charity, Priors Court Foundation, with a cheque for more than £1,700 following successful fundraising events.

The Society's Basingstoke branch celebrated its 10th birthday at the beginning of October 2020 in a socially distanced manner.

The Society won the Customer Commitment Award at the Institute of Customer Service's prestigious UK Customer Satisfaction Awards.

The Society donated a combined total of £30,000 to support its charity partners and help bridge gaps in funding caused by the cancellation of key fundraising events due to Covid-19 restrictions.

The Society was named Medium Employer of the Year at the West Berkshire Training Consortium's (WBTC) Rising Star Awards 2020.

The Society celebrated local unsung heroes at its first Community Champion Awards in February 2020. Lynne Taylor, a volunteer at children's charity Dingley's Promise, was crowned overall Community Champion with three other volunteers being recognised as highly commended.

Abingdon branch manager, Julie Harris, and Head of Customer Service, Melanie Mildenhall, visited Helen & Douglas House with a cheque for more than £5,000.

Wokingham branch manager, Deborah Gadd, presented partner charity, Sue Ryder, with a cheque for more than £3,000 following a range of fundraising activities during 2019.

Newbury Building Society launched its first Winter Wrap-Up campaign in winter 2019/2020, which encouraged the local community to donate winter clothing to help keep vulnerable people and the homeless warm during the colder months.

Senior branch manager, Cliff Osborne, visited Friends of PICU at Southampton University Hospital to present a cheque for more than £1,500 following fundraising efforts by Winchester branch employees and members.

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 2020. The Directors' Report should be read in conjunction with the Chairman's statement, Chief Executive's Review and Strategic Report.

Information presented in other sections

Certain information required to be included in a Directors' report can be found in other sections of the Annual Report and Accounts as described below. All the information presented in these sections is incorporated by reference into the Directors' report and is deemed to form part of this report.

Business objectives and activities	Strategic report
Business review and future developments	Strategic report
Principal risks and uncertainties	Strategic report
Financial risk management objectives	Risk Management Report
Disclosure requirements under CRD IV country-by-country reporting	Note 28 to the Accounts

Directors

The following served as Directors of the Society during the year:

Non-Executive Directors

- Peter Brickley
- Zoe Shaw
- Chris Brown
- Ron Simms (retired 24/02/2020)
- Sarah Hordern
- Alistair Welham (appointed 24/02/2020)
- William Roberts
- Piers Williamson

Executive Directors

- Roland Gardner
- Phillippa Cardno
- Lee Bambridge
- Darren Garner (appointed 03/08/2020)
- Kieron Blackburn (resigned 28/01/2020)
- Richard Jones (from 24/02/2020 to 07/08/2020)

Biographies of the Directors appear on pages 20 and 21.

None of the Directors had any beneficial interest in any connected undertaking of the Society at any time during the year and 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 2018 update to the Corporate Governance code, to which the Society has due regard, all the Society's Directors are seeking re-election to the Board at the Annual General Meeting with the exception of Darren Garner and Alistair Welham who are standing for election, having both been appointed to the Board since the last AGM vote took place.

Other Matters

Creditor Payment Policy

It is the Society's policy to pay suppliers within agreed terms providing the supplier performs according to the terms of the contract. The number of creditor days at 31 October 2020 was 7 (2019: 0).

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.

Auditor

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.

The Board is recommending that Deloitte LLP is reappointed as external auditors of the Society for the financial year ending 31 October 2021. A resolution for their appointment will be proposed at the forthcoming Annual General Meeting of the Society.

Political Donations and Gifts

The Society has not made any political gifts or donations in the year to 31 October 2020 (2019: £nil).

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. A range of sensitivities has also been applied to these forecasts, including stress scenarios relating to Covid-19.

The Covid-19 assessment, which focused on the Society's capital and liquidity position and operational resilience, included the following actions:

- The Society's capital position was assessed against the ICAAP stress scenarios, incorporating Covid-19 economic forecasts. The assessment included reverse stress testing scenarios to consider which combinations of house price inflation and unemployment variables would consume regulatory capital in full and breach the Society's regulatory capital requirements. The Directors assessed the likelihood of those scenarios occurring within the next 12 months was remote.
- The Society's liquidity position was assessed against the ILAAP stress scenarios, reviewed for suitability in the context of Covid-19.
- Operational resilience was assessed, including the ability to achieve social distancing in the Society's principal office and branches, and to continue to support significant levels of home working.

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 12-month period from the signing of the accounts. Accordingly, and after consideration of the impact of Covid-19, it is appropriate for the accounts to 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.

Peter Brickley, Chairman
21 December 2020

Non-Executive Directors

Peter Brickley
Chairman of the Board

Peter was appointed to the Board of Directors in July 2008 and was elected Chairman in February 2015. He is the Chief Information Officer for a European beverage business and is a Trustee of the Brain and Spine Foundation. Peter is Chair of the Nomination Committee and a member of the Remuneration Committee.

Sarah Hordern
Non-Executive Director

Sarah was appointed to the Board of Directors in February 2015. She is a Chartered Accountant and former Joint Managing Director of Newbury Racecourse. She is currently CFO and Development Director at Modulous Ltd and a Non Executive Director at Oxford University Hospitals NHS Foundation Trust. Sarah is Chair of the Remuneration Committee and a member of the Nomination and Audit Committees.

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 for 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 and a member of the Nomination Committee.

Zoe Shaw
Non-Executive Director

Zoe was appointed to the Board of Directors in September 2017. She has been General Manager at a German bank, CEO of a credit fund and Head of Fixed Income at a leading UK pension fund manager. She has extensive experience of the UK property market. Zoe is a member of the Risk Committee and attends and advises the Executive-led Assets & Liabilities Committee.

Alistair Welham
Non-Executive Director

Alistair has more than 25 years' experience in marketing and digital communications having specialised in financial services, real estate, car retailing industries, and is an Executive member of the Financial Services Forum and programme faculty member of Imperial College Business School on digital transformation. Alistair also holds positions with Aegon UK as Head of Marketing Communications and is a Trustee of the Brighton Student Union. Alistair is a member of the Risk Committee and the Digital Advisory Panel and attends and advises the Executive-led Sales, Marketing & Product Committee.

Piers Williamson
Non-Executive Director

Piers was appointed to the Board of Directors in January 2018. He has more than 30 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 Chair of the Risk Committee and a member of the Remuneration and Nomination Committees and attends and advises the Executive-led Credit 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 16 years' experience in leading all aspects of technology and digital in commercial organisations, of which 11 have been spent in financial services. Chris is Chair of the Digital Advisory Panel and a member of the Audit Committee.

Executive Directors

Roland Gardner
Chief Executive

Roland joined the Society in 1987 and was appointed to the Board of Directors in September 2006. He was appointed Chief Executive on 1 February 2007 and is responsible for the Society's strategic development, leading the Executive team, providing leadership and direction throughout all areas of the business and for setting and maintaining culture and standards.

Lee Bambridge
Chief Risk Officer

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

Phillippa Cardno
Operations & Sales Director

Phillippa joined the Society in 1996 and was appointed an Executive in 2007. She was appointed to the Board of Directors in February 2015 as Operations and Sales Director and is responsible for operational strategy and performance as well as the Society's IT function and Lending Policy. As Executive Director responsible for IT and Business change, Phillippa leads the Society's digital development programme.

Darren Garner
Finance Director

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

Executives

Gorse Burrett
Head of HR & People Development

Gorse joined the Society and the Executive team in October 2018. She is a Chartered Fellow of CIPD and an Executive Coach. She is responsible for leading, developing and implementing the Society's HR and people strategy. Gorse reports to the Chief Executive.

Erika Neves
Head of Risk & Company Secretary

Erika joined the Society in 1991 and was appointed an Executive in 2002. Erika is a graduate with the Certificate and Diploma in Mortgage Advice and Practice. She is Company Secretary, heads the Risk function and reports to the Chief Risk Officer.

Melanie Mildenhall
Head of Customer Service

Melanie joined the Society in 1994 as a graduate 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 and Customer Support functions and reports to the Operations and Sales Director.

Jim Bendon
Head of IT & Business Change

Jim joined the Society and the Executive team in January 2020. Jim is responsible for defining the Society's IT and Business change strategy whilst also being accountable for all technology and business change. Jim reports to the Operations and Sales Director.

Corporate Governance Report

The UK Corporate Governance Code 2018 (the Code) sets out a set of 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. 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, to discharge these duties effectively. The Board held an additional four extraordinary meetings during the first three months of the Covid-19 pandemic which focussed on the Society's customers and employees, as well as financial implications and recovery. The usual strategy day, which could not take place in 2020 because of Covid-19 restrictions, was replaced by a number of enhanced strategic sessions at the regular Board meetings. The Non-Executive Directors meet without the Executive Directors present at least once a year.

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 of the organisation and its capital position. The Board also has responsibility for the overall structure of the organisation, including the appointment and dismissal of Directors and the Society Secretary. The Board approves major business developments as well as changes in key risk policies. The Board is responsible for reporting annually on the performance of the Society.

The Board's establishment of a Non-Executive-led Digital Advisory panel to oversee the development of the Society's digital capability demonstrates the focus on sustainability. The Digital Advisory panel comprises two Non-Executive Directors, the 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 Board recently reviewed the Society's purpose statement and this 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. The assessment of culture is also subject to internal audit, and in 2020 was favourably assessed as part of the HR and People Management internal audit.

The statement of purpose and Society values is on page 16.

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 Credit, ALCO, Sales Marketing and Product, Customer, and Health & Safety committees. A Non-Executive Director is partnered with each Executive-led committee. 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 meets four times a year and is responsible for overseeing the Society's Risk Management Framework (RMF) 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 Committee comprises three Non-Executive Directors, currently Piers Williamson (Chair), Zoe Shaw and Alistair Welham. The Executive Directors and the Head of Risk and Company Secretary attend by invitation.

The Committee reviews the Chief Risk Officer quarterly reports which provide an assessment of the risks within the Society. In the past year this included reviewing the Covid-19 related risks and the results of the associated stress tests.

Over the course of the past year the Committee has reviewed the RMF, and the Society's principal risk policies relating to treasury and lending, and reviewed the Internal Capital Adequacy Assessment Process (ICAAP), the Internal Liquidity Adequacy Assessment Process (ILAAP), the Stress and Scenario testing policy and plan, and the Recovery Plan, in each case recommending the documents to the Board for approval.

Audit Committee

The Audit Committee is responsible for providing appropriate oversight, independently of the Executive, to ensure that the interests of members and the Society's other key stakeholders are properly protected in relation to financial reporting and internal control. The Committee comprises three Non-Executive Directors, currently Will Roberts (Chair), Chris Brown and Sarah Hordern. The Executive Directors, the Head of Risk and Company Secretary and the Compliance Manager, as well as representatives from the internal and external auditors, attend by invitation. The Committee members have specialist expertise, including Will Roberts and Sarah Hordern 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 accounts,

- reports from the internal auditor and satisfied itself as to the independence and objectivity of the assurance provided,
- the second and third line assurance plans,
- the outcomes of assurance work,
- the security of the Society's IT framework and
- the Society's whistleblowing controls.

Nomination Committee

The Nomination Committee is responsible for succession planning for both Executive and Non-Executive Director positions. The Committee comprises four Non-Executive Directors, currently Peter Brickley (Chair), Sarah Hordern, Will Roberts and Piers Williamson. The Chief Executive, the Chief Risk Officer and the Head of HR & People Development attend by invitation.

During the reporting period the Committee assessed the balance and diversity of skills, knowledge and experience of the Board. The Committee recommended the appointments of Alistair Welham as a new Non-Executive Director with effect from February 2020 and Darren Garner as the Finance Director with effect from August 2020.

It also reviewed the Board Diversity Statement, the Management Responsibilities Map and the HR 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. During the year it reviewed the Board committee memberships, following the retirement of Ron Simms in February 2020, and agreed changes to each Committee. Will Roberts was appointed Senior Independent Director and Chair of Audit Committee and was also appointed to the Nomination Committee. Sarah Hordern was appointed Chair of Remuneration Committee. Piers Williamson was appointed Chair of Risk Committee and the committee was reduced, in line with best governance practice, to three Non-Executive Directors where previously it had consisted all Non-Executive Directors.

Remuneration Committee

The Remuneration Committee is responsible for setting and monitoring adherence to the Society's remuneration policy. The Committee comprises three Non-Executive Directors who are currently Sarah Hordern (Chair), Peter Brickley and Piers Williamson. The Chief Executive, the Chief Risk Officer and the Head of HR & People Development 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 the Society's gender pay gap data, reviewed director expenses, and set and approved the performance related pay of the Executives, 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 2020 are set out on page 27.

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 purpose of this dialogue with members is to understand, and better serve, their needs.

The Society engages with employees in several ways. An employee engagement survey is conducted regularly, most recently in March 2020. The survey results are shared openly with employees and the Board and plans put in place to address any areas of improvement. In recent years this has resulted in improvements to the Society's communication channels with the introduction of our monthly employee newsletter, quarterly conference calls and an improved intranet. Throughout the height of the Covid-19 pandemic employee engagement was of utmost importance and the Executive provided weekly conference calls and bulletins to ensure all employees were aware of the actions being taken and the reasons for them.

Employees have been invited to partake in focus groups during the year, for example an employee focus group was asked to provide input into the review of the Society's purpose, vision and culture statement.

The Society also has a Senior Independent Director, Will Roberts, who can be contacted on william.roberts@newbury.co.uk should members or employees have any concerns that cannot be raised through normal channels.

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. Workforce policies and practices are available for all employees to access online and the HR team are available to provide support.

It is important that all employees have a voice and 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 2020 and it was completed by 89% 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, 'stress-less' workshops and access to mental health first aiders. These resources have been invaluable in helping employees through the impact of Covid-19 on their home and working life.

The Society has a Board-approved Whistleblowing Policy and the Board receives an annual report on whistleblowing 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 Will Roberts, chair of Audit and Senior Independent Director.

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, Peter Brickley, was appointed as an independent Non-Executive Director in July 2008 following a rigorous selection exercise and was elected by the other members of the Board to become Chair on 23 February 2015.

Peter has served for more than nine years as a Non-Executive Director and had been due to retire from the Board in February 2021. However, the Board has agreed it would be prudent to extend his term by a further year to provide consistency of leadership in light of the impact of Covid-19 on the Society's strategic development, particularly in respect of the digital programme which has been delayed by the pandemic.

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 comprises seven Non-Executive Directors and four 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, with the exception of the Chair, are considered to be independent as defined in the Code. The Chair, in accordance with the Code, was independent on appointment and has now served more than nine years as a Board member.

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.

The Senior Independent Director is Will Roberts. Will provides a sounding board for the Chair and serves as an intermediary for the other directors when necessary. He has responsibility for leading the appraisal of the Chair's performance.

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 27.

The Board spends a considerable proportion of its time on strategic matters. For example, the first part of each Board meeting is devoted to strategy related topics or to training on topics that will help Directors make more informed strategic decisions. The impact of Covid-19 meant that the annual strategy day that is used to bring the debate to a conclusion could not take place in the usual format this year, however the planned agenda was addressed in specific sessions over a number of months to ensure that the Non-Executive Directors had the opportunity to understand and challenge the Executive Directors' views about the strategic options available to the Society. Following these sessions, the Executive Directors produced a four-year corporate plan which the Non-Executive Directors 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 that 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 its Committees in discharging their terms of reference, and each Committee annually reviews the quality and sufficiency of this information. Internal Audit reviews the adequacy of the information provided to the Board.

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, an overview of the regulatory requirements and details of significant current issues for the industry. The Chair reviews and agrees each Director's training needs on a regular basis and ensures that Non-Executive Directors 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 Board's diversity and inclusion statement details its commitment and goals in respect to diversity and inclusion. The Board recognises the importance diversity and inclusion has on enhancing culture which directly impacts on attracting and retaining employees and members. The Society continues to be committed to attracting a broad set of qualities, education, skills and behaviours when recruiting members to the Board. In order to support the assessment of the skills and competencies of the Board and identify any gaps and development needs, all board members contribute to a board skills matrix. The skills matrix provides a holistic understanding of the board capabilities, strengthens succession planning and ensures that any director recruitment improves the board composition by facilitating a broader range of views, experience, background and values. All candidates, irrespective of background, are always treated respectfully and inclusively.

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 four 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. Alastair Welham and Darren Garner, who were appointed to the Board in February and August 2020 respectively, will be seeking election at the 2021 AGM.

Non-Executive Directors will not usually serve more than nine years. The Code now recommends that a Chair should also 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. As explained in section F above, the current Chair, who will retire in 2022, has been in position for more than nine years, but the Board intend that the tenure of future Chairs will be in accordance with the Code.

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 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. 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 usually externally facilitated at least every three years. An external assessment had been planned for the 2019/20 business year, but has been postponed to 2021 because of Covid-19 and was replaced by an internal assessment in the interim.

Audit, Risk and Internal Control

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

The Audit Committee comprises three independent Non-Executive Directors. The Executive Directors, the Head of Risk and Company Secretary 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. It 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 opposite explains how it discharges its responsibilities in respect of financial and internal controls and reporting.

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 31. The Audit Committee Report opposite 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 28 and 29. 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 team, headed by the Chief Risk Officer, which provides challenge and oversight of the first-line. The Executive Directors 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 page 30 explains how the Society applies the Code Principles relating to remuneration.

Peter Brickley
Chairman
21 December 2020

Audit Committee Report

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 four times during the year 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 whereas the Audit Committee is responsible for ensuring that the Board receives appropriate assurance over the effective operation of this framework. In order to achieve this the Audit Committee reviews the effectiveness of the Internal Audit and Compliance functions, approves their annual plans and reviews performance against these plans on a quarterly basis.

The Committee also reviews their material findings and instigates plans to remedy any shortcomings. Consistent with these responsibilities, the Committee undertook the following activities during 2020 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 also satisfied itself that the Compliance function remained adequately resourced to provide appropriate levels of assurance.

Internal Audit

The Society's Internal Audit function, which is outsourced to EY, 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 2020 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 actions have been accurately reported as complete. The Committee is satisfied that, over the course of 2020, Internal Audit had an appropriate level of resources in order to deliver its plan of work and that it discharged its responsibilities effectively.

External Audit

The Audit Committee is responsible for providing oversight of the external audit process by monitoring the relationship with the External Auditor, reviewing its effectiveness, agreeing its remuneration and terms of engagement and making recommendations to the Board on the 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 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. During the year the External Auditor did not undertake any non-audit services. 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. The current auditors are Deloitte LLP who have held the role since February 2018.

Other activities

During the year the Committee also satisfied itself that the Society's whistleblowing arrangements are operating effectively and reassured itself as to the effectiveness of the Society's IT controls.

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 the 2020 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. In order to do this, the Committee considered the information published in the Annual Report and Accounts and 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 expected economic impacts of Covid-19 on the mortgage portfolio which are expected to lead to a greater volume of forbearance, a fall in house prices and, ultimately, impairment. It also considered other key assumptions contained in the Society's provisioning model on the level of provisions made, most significantly the assumptions for forced sale discount, 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 for the mortgage portfolio.

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. During the year, the Society's estimate of mortgage lives has been updated to reflect changes in market conditions and customer behaviours, including any impact of Covid-19. The Committee has examined the above changes, including the revised mortgage life estimates, 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 savings. 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 including 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.

Property valuation

The Society's freehold properties are included in the balance sheet at fair value. The Committee considered the valuations of the Society's freehold properties, in particular the valuation of the Society's offices at 17 Bartholomew street which have been marketed for sale.

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 (including Covid-19 and Brexit), credit risk, liquidity risk, operational risk and conduct risk) which could also impact the business, as well as consideration of potential stress scenarios. 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 2020 Annual Report and Accounts is fair, balanced and understandable and provides a clear and accurate presentation of the Society's position and prospects.

Will Roberts
Chair of the Audit Committee
21 December 2020

Directors' Attendance Record

Board member	Board	Audit	Risk	Remuneration	Nomination
Non-Executive					
Peter Brickley	16 (16)	1 (1) A	1 (1)	3 (3)	5 (5)
Chris Brown	16 (16)	3 (3)	1 (1)		
Sarah Hordern	16 (16)	3 (3)	1 (1)	3 (3)	5 (5)
William Roberts	15 (16)	4 (4)	1 (1)		3 (4)
Zoe Shaw	15 (16)		4 (4)		
Ron Simms[1]	0 (3)	1 (1)	0 (1)	0 (1)	1 (2)
Alistair Welham[2]	12 (13)		3 (3)		
Piers Williamson	16 (16)	1 (1)	4 (4)	3 (3)	4 (4)
Executive					
Roland Gardner	16 (16)	3 (4) *A*	4 (4) *A*	3 (3) *A*	4 (5) *A*
Lee Bambridge	16 (16)	4 (4) *A*	4 (4) *A*	3 (3) *A*	5 (5) *A*
Kieron Blackburn[3]	3 (3)	1 (1) *A*	1 (1) *A*		
Phillippa Cardno	16 (16)	4 (4) *A*	4 (4) *A*		
Darren Garner[4]	2 (2)	1 (1) *A*	1 (1) *A*		
Richard Jones[5]	11 (11)	2 (2) *A*	2 (2) *A*		

( ) = number of meetings eligible to attend

A attendee

[1] Left Feb 2020

[2] Appointed Feb 2020

[3] Left Jan 2020

[4] Appointed Aug 2020

[5] Appointed Feb 2020 and left Aug 2020

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, risk appetite and principal risk policies are approved by the Board following a review and recommendation by the Risk Committee. The Board delegates oversight of the implementation of the RMF to the Risk Committee. The Chief Risk Officer, who is an Executive Director on the Board, oversees the effective implementation of the RMF, including the review of risks and uncertainties in the business.

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

Risk governance arrangements

The Board approves the policies which set out how the principal risks are managed. The Board committees - Audit, Risk, Remuneration and Nomination - terms of reference detail which policies are reviewed before recommendation to the Board for approval. The key policies relating to credit risk, liquidity risk and financial risk management are reviewed and approved by the Board at least annually.

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 an annual risk culture assessment which is reviewed by the Risk Committee.

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. The Risk Committee reviews both the key risk indicators for each principal risk and the output from a range of stress tests to ensure that risk levels remain within the Society's agreed risk appetite.

Strategic risk

Strategic risk is 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.

Strategic issues are regularly discussed at Board meetings and the Board provides robust challenge of the corporate plan. The Society maintains strong levels of capital and liquidity which provide financial resilience in periods of stress. This is assessed through regular stress testing of both capital and liquidity. Key Risk Indicators are monitored and assessed regularly.

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 and the 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 and each application is carefully underwritten by an experienced team.

Counterparty credit risk is controlled through adherence to the Board-approved Treasury Policy and the 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 individual and groups of counterparties.

The counterparty limits are developed predominantly by reference to credit ratings and other market data and any new counterparties are approved by the Assets & Liabilities Committee in accordance with the Treasury Policy.

Liquidity risk

Liquidity risk is the risk of the Society failing to meet its financial obligations as they fall due, 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 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.

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 to control non-administered business (e.g. fixed rate) therefore ensuring most assets are on an administered interest rate. To mitigate the risks associated with non-administered assets, hedging contracts are used in accordance with the Board-approved Treasury Policy. Market risk is regularly reviewed by the Assets & Liabilities Committee. A detailed analysis of the Society's interest rate position at 31 October 2020 can be found in note 25 on page 73.

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 arise from all of the Society's activities, across all business areas.

The Society has robust processes and controls in place for all operational areas, which are designed to mitigate this risk and the Society uses software to help manage the risk by providing a single source of data for risk events, actions, horizon scanning and controls testing.

Whilst effective operational risk management will help to mitigate the likelihood and impact of operational risk, it is not possible to eradicate the risk. To ensure operational resilience, the Society protects against disruption resulting from operational risk events (such as cyber or data loss) by having controls in place to reduce risk exposures (prevention), having clear tolerances on what can be absorbed and having actions in place to respond beyond these points (response), and having clear plans and arrangements in place to respond to and recover from incidents and to learn and adapt from operational disruption (recovery).

A range of metrics and risk limits are used to monitor the Society's ability to recover from an operational risk event in line with the defined risk tolerances for key business services.

The Board is aware of significant operational issues, particularly relating to systems, which have occurred in banks. The security and robustness of systems have been a key focus in recent years, with ongoing developments to the Business Continuity Plan, including upgrading of disaster recovery facilities and network security including penetration testing.

The Executive Committee and 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.

Legal and Regulatory risk

Legal and Regulatory risk is the risk of fines, public censure, limitations on business or restitution costs arising from failing to understand, interpret, implement and comply with legal and regulatory requirements.

Legal and Regulatory change is closely monitored and reported to the Executive Committee and Board.

Conduct risk

Conduct Risk is the risk of developing systems, behaviour and attitudes within the Society which do not deliver fair customer outcomes or which create an environment which does not result in staff being open, honest and doing the right thing. This can result in the risk of reputational loss.

The Society is committed to treating customers fairly and this is underpinned by the Society's Conduct Risk Framework, which is regularly reviewed by the Customer Committee and Risk Committee. The Customer Committee monitors conduct risk at an operational level, with oversight provided by the Risk Committee.

Covid-19 Impact

Covid-19 has had a significant impact on the economy, with falling levels of GDP and rising unemployment, which is likely to increase further as Government schemes end in 2021. The lockdowns have also resulted in a greater use of technology and an increase in the associated cyber risks. These factors have meant that the profile of the Society's principal risks could have been affected as follows:

- Strategic: Covid-19 has impacted how some customers choose to interact with their financial service providers which may accelerate the move away from branch transactions to more online requirements. Whilst at this point it is too early to tell how much of this change will be permanent, the Society is continuing with its programme of digital development to ensure its members can choose how they would like to interact with the Society.
- Credit: The impact on the economy, particularly unemployment, has been felt by the Society through the level of payment deferrals that have been granted to mortgage members during the year. Whilst no material mortgage losses have occurred to date, it is likely that higher arrears and losses will occur over coming months. The Society's year-end provisioning and corporate plan have allowed for additional losses.
- Market Risk: The reduction of the Bank of England base rate to 0.1% reduced the level of return on the Society's liquid assets as well as increasing the amount paid on swaps. Whilst these factors reduced the Society's net interest income for the year, this has been partly compensated for by a better than expected level of gap between the cost of funding and the return from mortgages.
- Operational: The requirement for a significant increase in home-working, the introduction of Covid-friendly working practices for the Society's branches and head office, the increase in cyber challenges, the slower delivery of third party services and the impact of increased customer support, have resulted in a degree of change to the Society's operational practices. In order to address the potential risk that has arisen from these changes, additional controls have been introduced which include system strengthening and ensuring the scope of second-line assurance work includes the changes.
- To ensure the potential financial implications of Covid-19 are fully understood, the Society has undertaken rigorous stress-testing of the potential outcomes, the results of which show that it has sufficient capital resources to withstand a range of severe stress scenarios. The Corporate plan has also been reviewed and the strategic objectives take account of the expected difficult market conditions in 2021.

Other risks

In addition to these, there are other material risks that the Society faces:

Brexit

While the end of the Brexit transition period will have a limited direct impact on the Society, it is likely to add to the economic difficulties at a time when the Covid-19 impact is still building. This could therefore exacerbate the effect on the economy and the housing market as well as the Society's members' ability to pay their mortgages. The impact of this has been considered in the stress tests mentioned above.

Climate change

The Society also recognises the risks and challenges posed by climate change. While the financial risks from climate change may only crystallise in full over longer time horizons, they are becoming apparent now. The Society particularly recognises two risks: physical and transitional. Physical risks relate to specific weather events such as flooding, or longer-term events such as rising sea levels. A key element of this risk is to property, both the Society's own properties and properties held as security for lending. Transition risks can arise from the process of adjustment towards a low-carbon economy. This could lead to a changing regulatory expectation in terms of the way the Society is expected to run its own business, including who it uses as suppliers. It may also impact property held as security, for example the energy efficiency expectations of mortgaged properties. The Society is increasingly mindful of these risks when making business decisions, including mortgage underwriting ones. The Operations and Sales Director has responsibility for monitoring climate change risk at an operational level, with oversight provided by the Risk Committee.

Piers Williamson
Chair of the Risk Committee
21 December 2020

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, as at 31 October 2020, all seven of the current Non-Executive Directors and the four Executive Directors, as well as four other members of senior management reporting directly to the Executive Directors, 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 52. 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. However, in light of Covid-19, there was no formal salary review this year except for one individual where market conditions determined that an increase was appropriate.

Performance Related Pay Scheme

The performance related pay scheme is based on the Society's key performance measures of profitability, control of costs, risk management controls, growth in mortgages, increases in savings and project delivery (of the new head office). A maximum of 11.5% of salary (prior to any salary sacrifice) can be earned for achievement of these targets together with a maximum 3.5% of salary based on personal contribution. Performance related payments are not pensionable and are paid in cash through payroll.

The Remuneration Committee approved a one-off payment of 2% of salary to all employees, including the Executive Directors in recognition of the hard work and challenging circumstances in which they had worked this year. This payment was not made to Non-Executive Directors.

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

Benefits

The Society makes a contribution of up to 20.25% of salary (before salary sacrifice where applicable) to Executive Directors' private pension arrangements.

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

Executive Directors Contractual Terms

Roland Gardner, Lee Bambridge, Phillippa Cardno and Darren Garner each have a service contract with the Society, terminable by either party giving six to twelve months' notice. The Society meets contractual obligations for loss of office. 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 have to 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. Remuneration comprises a basic fee with supplementary payments for the Chair of the Board and the other Non-Executive Directors classified as Senior Managers to reflect the additional responsibilities of these positions. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not participate in any incentive schemes or receive any other benefits. Non-Executive Directors have letters of appointment and these are available for inspection prior to the AGM or at the Society's registered address.

Other Material Risk Takers

The Remuneration Committee is also responsible for determining the terms and conditions of other members of senior management in consultation with the Chief Executive. These are the Head of Customer Service, the Head of Risk & Company Secretary, the Head of HR & People Development and the Head of IT & Business Change. These individuals are subject to the same variable pay performance targets and rewards as the Executive Directors and they also receive pension contributions from the Society of up to 15.25% of salary (prior to any salary sacrifice).

The Procedure for Determining Remuneration

Code Principle:

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

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

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

The Remuneration Committee reviews the Society's Remuneration Policy annually and maintains a list of the Society's MRTs detailing the composition of their respective remuneration. In setting remuneration, the Committee takes account of fees and salaries payable and other benefits provided to Non-Executive Directors, Executive Directors and other senior management of building societies that are similar in size and complexity, and other relevant organisations. 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 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. During the year the Chief Executive's recommendations regarding Non-Executive Director fees were accepted in full.

Executive Directors
The performance related pay scheme is 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 2020 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. Whilst it is not required to do so, the Committee also defers a proportion of the performance related payment to Executive Directors in order to discourage inappropriate risk taking. This is not considered necessary for the remaining members of the senior management team given that they report to the Executive Directors.

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.

Sarah Hordern
Chair of the Remuneration Committee
21 December 2020

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 FRS102 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.

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 2020 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 29.

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 the non-audit services prohibited by the FRC's Ethical Standard were not provided 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: • Revenue 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 Society's financial statements was £265,000 which was determined on the basis of 0.325% 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	We have amended our materiality benchmark during the FY20 audit process. In previous years we have adopted 5% of pre-tax profit as the basis for determining materiality, however following the significant reduction to the statutory pre-tax profit figure, we have moved to use 0.325% of net assets as our materiality benchmark. Net assets has been used due it being a relevant benchmark to users of the financial statements and the Society's regulators and furthermore it will be a more stable basis on which to determine materiality in the current economic climate.

4. Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where: • the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or • the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.	We have nothing to report in respect of these matters.

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 £26.7m (2019: £29.9m). The directors elect to apply the recognition and measurement criteria in line with IAS 39 as part of their adoption of FRS 102 to recognise interest income using the Effective Interest Rate ('EIR') method 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. Due to Covid-19 and the increase in payment holiday arrangements, there is increased judgement with behavioural lives needing to reflect the impact of those customers where repayments will be made later than initially planned upon mortgage origination. There is therefore judgement involved in the determination of interest receivable and similar income using the EIR method. We identified a key audit matter that the interest income may be inappropriately recognised whether due to fraud or error. Management's accounting policies are detailed in note 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 26.

How the scope of our audit responded to the key audit matter	We first obtained an understanding of the Society's process and key controls around revenue recognition as well as reviewing management's judgement paper. 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 internal 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. This included assessing the impact of payment holidays on behavioural lives as a result of Covid-19, whereby we reviewed redemptions data which incorporated early experience of payment holidays. Furthermore we reviewed the adequacy of management's disclosures regarding the increased risk of expected future cash flows being materially higher or lower than forecasted, 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 also reviewed the treatment of fees and charges arising on loans and advances to customers and the appropriateness of their inclusion or exclusion in the Society's EIR models. We verified 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, acceptable and materially in line with the requirements of IAS 39.

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 £1,013.4m (2019: £958.4m) of loans and advances to customers on which a loan loss provision of £2.0m (2019: £1.2m) has been provided for at year end. The provision comprises a collective provision for losses incurred but not reported 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") and forced sale discount ("FSD") assumptions. Given the high level of management judgement required coupled with historically low levels of arrears, we identified our key audit matter in relation to the valuation of the collective provision and in particular the PD and FSD 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. There is increased judgement around the impact of payment holidays and collateral valuation movements as a result of Covid-19, with these areas impacting PD and expected future cash flow assumptions respectively. Management has recognised an overlay of £415,000 in relation to the impact of Covid-19, which consists of the following components: • Higher PD assumptions assigned to second payment holiday cases; and • Impact of adverse collateral valuation movements on expected future cash flows. 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 12 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 26.

How the scope of our audit responded to the key audit matter	We first obtained an understanding of the Society's process and key controls around loan loss provisioning as well as reviewing management's judgement paper. 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 internal 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 and FSD by reference to the Society's historical loss rate data and benchmarking to a range of peer groups and third party ratings agency data.
	We first obtained an understanding of the Society's process and key controls around loan loss provisioning as well as reviewing management's judgement paper. 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 internal 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 and FSD by reference to the Society's historical loss rate data and benchmarking to a range of peer groups and third party ratings agency data. Additionally we determined whether the provision held is commensurate with the loan book size and inherent risk using coverage ratios obtained from peer group benchmarking. We challenged the key assumptions underpinning management's overlay. For the higher PD assumptions assigned to second payment holiday cases, we assessed consistency with the PD assumptions applied to forbearance cases per management's core methodology and also benchmarked the basis for this component of the overlay against peers. For the impact of adverse collateral valuation movements on expected future cash flows, we independently reviewed external house price indexation forecasts over management's time horizon to sale assumption and applied this to the impairment model to validate the impact. We also tested the mechanical accuracy of management's overlay calculations. 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 overlays 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 benchmarking to peers and performing independent recalculations. We also considered the appropriateness of the overall provision on the basis of the changing macro-economic environment, in particular in relation to the level of uncertainty surrounding Covid-19 and Brexit.
Key observations	We concluded that management's view in regards to the loan loss provision was appropriate, with the provision sitting at the conservative end of an acceptable range. We determined the impairment events used by management in its impairment model to be appropriate and consider that this is placed appropriately to identify 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.

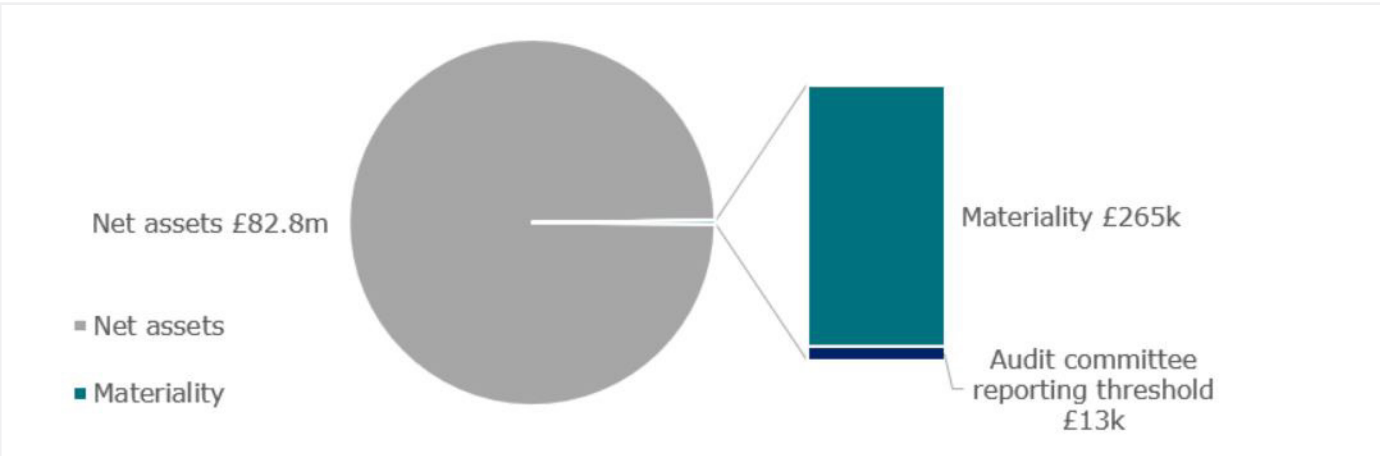
6. Our application of materiality

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	£265,000 (2019: £273,000)
Basis for determining materiality	0.325% of net assets (2019: 5% of profit before tax).
Rationale for the benchmark applied	Net assets has been used due to the volatility in the pre-tax profit following the impacts of Covid-19, including margin compression and increases in impairment provisions. It is also a relevant benchmark to users of the financial statements and the Society's regulators and furthermore it will be a more stable basis on which to determine materiality in the current economic climate.



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 2020 audit (2019: 70%).

We deemed it appropriate for performance materiality to be reduced in light of the increased control risks inherent within the business given it is operating in a Covid-19 environment. 65% of materiality has been adopted as a reasonable basis for determining performance materiality considering the level of uncorrected misstatements and that they are consistent in nature from period to period.

6.3. Error reporting threshold

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 2020 audit (2019: 70%).

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £13k (2019: £14k), 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 group in respect of the financial reporting system and lending and deposits system. We performed testing of 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.

8. Other information

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

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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;
- 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 involving 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 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. These included legislation 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 legislation 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 revenue recognition 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 relevant laws and regulations discussed above;
- 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 28 to the financial statements for the financial year ended 31 October 2020 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 by the Society; or
- the Society's 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

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the 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 3 years, covering the years ending 31 October 2018 to 31 October 2020.

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.

Kieren Cooper FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
21 December 2020

Income Statements for the year ended 31 October 2020

	Notes	2020 £000	2019 £000
Interest receivable and similar income	2	26,682	29,866
Interest payable and similar charges	3	(10,284)	(12,940)
Net interest income		16,398	16,926
Fees and commissions receivable		107	124
Fees and commissions payable		(288)	(213)
Other operating income		27	26
Total operating income		16,244	16,863
Net loss from derivatives	4	(160)	(512)
Total Net Income		16,084	16,351
Administrative expenses	5	(10,692)	(9,970)
Depreciation and amortisation	13/14	(571)	(605)
Operating profit before impairment and provisions		4,821	5,776
Impairment of loans and advances	12	(752)	(298)
Profit before Tax		4,069	5,478
Taxation	6	(842)	(1,068)
Profit for the Financial Year	19	3,227	4,410

Statement of Comprehensive Income

Profit for the financial year		3,227	4,410
Property revaluation	13	105	(379)
Total comprehensive income for the financial year		3,332	4,031

There was no tax impact of the property valuation in 2019 and 2020.

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

The notes on pages 45 to 75 form part of these accounts.

Statement of Financial Position at 31 October 2020

	Notes	2020 £000	2019 £000
Assets			
Liquid assets			
Cash in hand and balances with the Bank of England		181,875	189,542
Loans and advances to credit institutions	9	17,709	27,686
		199,584	217,228
Derivative financial instruments	10	9	70
Loans and advances to customers			
Loans fully secured on residential property	11	1,005,641	952,591
Other loans	11	7,352	6,757
Fair value adjustment for hedged risk	11	2,986	1,167
		1,015,979	960,515
Tangible fixed assets	13	11,052	5,122
Intangible fixed assets	14	952	374
Other assets	15	5,265	3,520
Prepayments and accrued income		841	1,067
Total Assets		1,233,682	1,187,896
Liabilities			
Shares	16/24	1,012,447	938,630
Amounts owed to credit institutions	24	101,420	128,263
Amounts owed to other customers	24	29,610	37,361
Derivative financial instruments	10	4,108	1,920
Other liabilities	17	27	45
Tax liabilities	17	507	764
Accruals and deferred income		2,499	1,369
Deferred tax	18	288	100
Total Liabilities		1,150,906	1,108,452
Reserves			
Revaluation reserve	19	2,245	2,140
Reserves - general reserves	19	80,531	77,304
Total Reserves	19	82,776	79,444
Total Reserves and Liabilities		1,233,682	1,187,896

The notes on pages 45 to 75 form part of these accounts.

These accounts were approved by the Board of Directors on 21 December 2020 and were signed on its behalf by:
Peter Brickley - Chairman
Roland Gardner - Chief Executive
Darren Garner - Finance Director

Statement of Changes in Members' Interest for the year ended 31 October 2020

	Notes	General reserves £000	Revaluation reserve £000	Total
Balance at 1 November 2019		77,304	2,140	79,444
Profit for the financial year		3,227	-	3,227
Other comprehensive income for the year		-	105	105
Total comprehensive income	19	3,227	105	3,332
Balance at 31 October 2020		80,531	2,245	82,776
Balance at 1 November 2018		72,894	2,519	75,413
Profit for the financial year		4,410	-	4,410
Other comprehensive income for the year		-	(379)	(379)
Total comprehensive income	19	4,410	(379)	4,031
Balance at 31 October 2019		77,304	2,140	79,444

Cash Flow Statements

	Notes	2020 £000	2019 £000
Cash flows from Operating Activities			
Profit before tax		4,069	5,478
Depreciation and amortisation	13,14	571	605
Increase in impairment of loans and advances	12	752	298
Total		5,392	6,381
Changes in Operating Assets and Liabilities			
Increase in prepayments, accrued income and other assets		(1,444)	(3,417)
Increase in accruals, deferred income and other liabilities		1,798	2,034
Increase in loans and advances to customers	11	(56,216)	(64,924)
Increase in shares		73,911	62,051
(Decrease)/Increase in amounts owed to credit institutions		(26,700)	3,500
(Decrease)/Increase in amounts owed to other customers		(7,751)	4,722
Taxation paid		(892)	(1,514)
Net Cash (Used in)/Generated by Operating Activities		(17,294)	2,452
Cash flows from Investing Activities			
Purchase of property, plant and equipment	13	(5,432)	(143)
Purchase of intangible assets	14	(297)	(61)
Net Cash used in Investing Activities		(5,729)	(204)
Net (Decrease)/Increase in Cash and Cash Equivalents		(17,631)	8,629
Cash and cash equivalents at 1 November		217,191	208,562
Cash and Cash Equivalents at 31 October	20	199,560	217,191

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 (FRS102). The Society has also chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).
- on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments classified at fair value through the profit or loss ("FVTPL") and property which is measured using the revaluation model and carried at fair value.

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

Going concern

The financial statements have been prepared on the going concern basis. The Directors have 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 Covid-19. The Covid-19 assessment focused on the Society's capital and liquidity position and operational resilience. The Directors assessed the likelihood of those scenarios occurring within the next 12 months were remote.

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. The Directors' Report on pages 18 and 19 provides further details of the assessment undertaken by the Directors, including consideration of Covid-19.

New and amended accounting standards

In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments, which were also enacted into FRS102, modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks e.g. LIBOR are amended as a result of the on-going interest rate benchmark reforms. The amendments are relevant to the Society given that it hedges and applies hedge accounting to its LIBOR exposures.

The application of the amendments impacts the Society's accounting in the following ways:

- The Society has fixed rate advances in the form of retail mortgage lending to customers which it includes in a portfolio fair value hedge of LIBOR risk component of those advances. This benchmark interest rate component was separately identifiable at the time of the initial designation, and as noted above, the amendments permit continuation of hedge accounting even if in the future the hedged benchmark interest rate, LIBOR, may no longer be separately identifiable; and
- The Society will not discontinue hedge accounting should the retrospective assessment of hedge effectiveness fall outside the 80-125 per cent range and the hedging relationship is subject to interest rate benchmark reforms. For those hedging relationships that are not subject to the interest rate benchmark reforms the entity continues to cease hedge accounting if retrospective effectiveness is outside the 80-125 per cent range

The Society has chosen to early apply the amendments for the reporting period ended 31 October 2020, which are mandatory for annual reporting periods beginning on or after 1 January 2020. The Society no longer enters into LIBOR-linked financial instruments. The Society will continue to apply the Phase 1 amendments to IFRS 9/IAS 39 until the uncertainty arising from the interest rate benchmark reform with respect to the timing and the amount of the underlying cash flows to which the Society is exposed ends. The Society expects this uncertainty will continue until the Society's contracts that reference LIBOR are amended to specify the date on which the interest rate benchmark will be replaced and the basis for the cash flows of the alternative benchmark rate are determined including any fixed spread.

In August 2020, the IASB issued Interest Rate benchmark Reform Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The second phase of amendments focuses on the issues arising at the time of replacement of LIBOR. The amendments are expected to apply to accounting periods beginning on or after 1 January 2021.

1.2 Interest

Interest receivable and expense 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 Group 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 and loans and receivables. The Society has no assets categorised under IAS 39 as available-for-sale. 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.

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.

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 costs 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 FRS102.34:

- 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;
- 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.

Derivatives fall 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;
- 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 Society has various forbearance options to support customers who may find themselves in financial difficulty. The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. Details on the options offered by the Society can be found in Note 23 to the Accounts.

Covid-19

The FCA issued guidance on how they expect mortgage lenders and administrators to treat customers fairly during the Covid-19 situation. The Directors consider that the Society's forbearance options described above already complied with the guidance and has taken (and continues to take) all reasonable steps to support its borrowing members impacted by Covid-19 applying forbearance in accordance with the guidance.

Consideration of Covid-19 has been factored into the assessment of impairment as at 31 October 2020 and forms a key area of judgement for the year ended 31 October 2020. See 1.14 below.

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 co-efficient 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 does 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. 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 regular impairment reviews in accordance with section 27 of FRS102.

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 every five years. The last valuation was on 15 March 2019. The Directors review the valuations to confirm that the valuations remain appropriate in the intervening years.

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 profit or loss.

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 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		
• 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 Leases

The leases entered into by the Society are operating leases. The total payments made under operating leases are charged to the Income Statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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 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 Judgements in Applying Accounting Policies and Critical Accounting Estimates

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. The key estimates are 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 and forced sale discounts. The accuracy of the provision is dependent on the assumptions regarding probability of default and forced sale discount.

A 10% variation in the assumptions regarding probability of default would increase the impairment provision on loans and advances by £138k (2019: £119k). A 10% variation is considered appropriate as this may reflect the impact of an economic downturn and is consistent with the Society's stress testing. An increase in the forced sale discount of 5% would result in an additional provision requirement of £1,179k (2019: £798k). A 5% increase is considered a material movement since it is additional to the discount already applied to house prices when calculating the provision and results in a price reduction greater than the last significant fall in 2009 when the house price index reduced by 14%. A 5% decrease in the forced sale discount would reduce provisions by £847k.

Covid-19

In determining impairment losses at 31 October 2020 consideration has also been given to the Covid-19 situation. The Society has put in place a series of forbearance measures to support any of its borrowing members impacted by Covid-19. During the financial year ended 31 October 2020 the Society had applied forbearance measures to over 1,000 cases with mortgage balances totalling £147m with almost all arranged in the period March to June 2020 and related to the Covid-19 situation. At the end of the initial arrangement a minority of borrowers continued to require support. As at 31 October 2020 there were 114 cases subject to the Society's forbearance measures (2019: 52 cases) with 71 arranged since March 2020 and considered to relate to Covid-19.

The consequential economic risks that could materialise from this situation are as yet unknown. In determining the level of impairment charge a deterioration in economic conditions leading to higher forced sale discounts, lower house prices and higher levels of default related to Covid-19 has been considered. The assessment considers the impact of both Covid-19 and the uncertainty connected with Brexit and resulted in a management overlay impairment charge of £415k being made. The estimate of forced sale discount and an increase in the probability of default in remaining Covid-19 forbearance cases were key determinants of the management overlay impairment charge.

Further information on forbearance can be found in Note 23. Further consideration of the risks and uncertainties associated with Covid-19 is provided in the Strategic Report on page 11 and the Risk Management Report on page 29.

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.

Average lives can increase or decrease depending on economic and interest rate conditions. If the average lives of the mortgages were to increase by one month, the carrying value of mortgages would change by £631k (2019: £481k) with a corresponding change to income. Average lives are recalculated routinely and usually vary between 0-2 months. 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.

Notes to the Accounts

	2020 £000	2019 £000
2. Interest Receivable and Similar Income		
On loans fully secured on residential property	27,016	28,522
On other loans	199	203
On other liquid assets and debt securities	822	1,599
Net expense on financial instruments	(1,355)	(458)
	26,682	29,866

	2020 £000	2019 £000
3. Interest Payable and Similar Charges		
On shares held by individuals	9,472	11,503
On other shares	43	57
On amounts owed to other customers and credit institutions	769	1,380
	10,284	12,940

	2020 £000	2019 £000
4. Net Loss from Derivatives		
Derivatives in designated fair value hedge relationships	(2,114)	(1,967)
Adjustments to hedged items in fair value hedge accounting relationships	1,820	1,650
Gain/(Loss) on derivatives not in designated fair value hedge accounting relationships	134	(195)
	(160)	(512)

The net loss from derivative financial instruments of £160k (2019: net loss of £512k) 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.

	2020 £000	2019 £000
5. Administrative Expenses		
Employee costs		
• Wages and salaries	5,337	4,898
• Social security costs	548	499
• Other pension costs	737	683
	6,622	6,080
Loss on disposal of fixed assets	3	-
Other administrative expenses	4,067	3,890
	10,692	9,970
• Remuneration of auditor and its associates (excluding VAT)		
- audit of annual accounts	127	102
• Operating lease costs	144	138

6. Taxation

	2020 £000	2019 £000
The taxation charge for the year comprises:		
UK corporation tax on profits in the year	654	1,140
Adjustment in respect of previous year	-	-
Total current tax	654	1,140
Deferred taxation:		
Origination and reversal of timing differences	176	(72)
Effect of change of tax rate	12	-
Total deferred tax	188	(72)
Tax on profit on ordinary activities	842	1,068
Factors affecting the tax charge for the year are:		
Profit on ordinary activities before tax	4,069	5,478
Profit on ordinary activities multiplied by 19% (2019: 19%)	773	1,041
Effects of:		
Difference between opening and closing tax rates	12	8
Depreciation on non-qualifying assets	6	14
Disallowable expenses	51	5
Total tax	842	1,068

Current tax has been provided at the rate of 19%. A further reduction in the rate of corporation tax to 17% was expected to become effective from April 2020, however in March 2020 the government announced the main corporation tax rate would remain at 19%. For the year ended 31 October 2020 deferred tax was provided at a rate of 17% being the rate previously substantially enacted.

7. Employees

	Full time 2020	Part time 2020	Full time 2019	Part time 2019
The average number of people employed during the year (including executive directors) was as follows:				
Head Office	77	21	72	26
Branches	49	22	51	22
	126	43	123	48

8. Directors' Remuneration and Transactions

The emoluments for both Executive and Non-Executive Directors totalled £1,089,000 for the year (2019: £1,007,000).

Executive Directors' Emoluments

2020	Salary £000	Performance Related Pay £000	Taxable Benefits £000	Pension Contribution [1] £000	TOTAL £000
Roland Gardner	241	26	6	-	273
Kieron Blackburn (resigned 28/01/20)	179	-	-	7	186
Darren Garner (appointed 03/08/20)	36	5	-	7	48
Lee Bambridge[2]	147	16	6	-	169
Phillippa Cardno	139	19	5	29	192
TOTAL	742	66	17	43	868

2019					
Roland Gardner	239	31	4	-	274
Kieron Blackburn	120	18	-	33	171
Lee Bambridge	147	19	4	-	170
Phillippa Cardno	131	21	3	27	182
TOTAL	637	89	11	60	797

Notes

1 The Executive Directors have the option to sacrifice part of their salary in exchange for the Society making additional pension contributions on their behalf. During the year Phillippa Cardno and Darren Garner took advantage of this option. Roland Gardner and Lee Bambridge, with agreement from the Society, took their pension contributions as salary.

2 Lee Bambridge also received £18,000 (2019: £18,000) from Sovereign Housing Association for his services as a Non-Executive Director.

3 The interim Finance Director Richard Jones was paid £151,728 (including VAT) for his services from 3 February 2020 to 7 August 2020.

Further details on the components of Directors' emoluments can be found in the Directors' Remuneration Report on pages 30 and 31.

Non-Executive Directors' Emoluments (comprising fees only)

	2020 £000	2019 £000
Peter Brickley (Chairman)	45	44
Alistair Welham (appointed 24/02/20)	19	-
Sarah Hordern	30	28
Tracy Morshead (retired 21/02/19)	-	9
William Roberts	30	28
Zoe Shaw	28	28
Ron Simms (retired 24/02/2020)	11	33
Piers Williamson	30	28
Chris Brown (appointed 01/06/19)	28	12
TOTAL	221	210

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 £511,511 (2019: £314,831) representing loans to one (2019: one) person. There are no arrears or provisions relating to this loan. 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, subject to prior arrangement to ensure the request can be accommodated in a covid-safe manner.

Lee Bambridge is a Non-Executive Director of Sovereign Housing Association. In June 2020 the Society completed on an arrangement to purchase an office building from Sovereign Housing Association. The transaction took place on an arms-length basis and Lee Bambridge had no involvement or influence in the Society's decision making process.

9. Loans and Advances to Credit Institutions

	2020 £000	2019 £000
Accrued interest	24	37
Repayable on demand	7,185	6,649
Other loans and advances by residual maturity repayable:		
In no more than three months	10,500	21,000
	17,709	27,686

10. Derivative Financial Instruments

	Contract/notional amount £000	Fair values Assets £000	Fair values Liabilities £000
At 31 October 2020			
a) Unmatched derivatives - Interest rate swaps	40,213	6	(99)
b) Derivatives designated as fair value hedges - Interest rate swaps	307,132	3	(4,009)
Total recognised derivative assets/(liabilities)	347,345	9	(4,108)
At 31 October 2019			
a) Unmatched derivatives - Interest rate swaps	57,075	26	(217)
b) Derivatives designated as fair value hedges - Interest rate swaps	255,363	44	(1,703)
Total recognised derivative assets/(liabilities)	312,438	70	(1,920)

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.

11. Loans and Advances to Customers

	2020 £000	2019 £000
Loans fully secured on residential property before adjustments	1,006,020	951,649
Other loans: fully secured on land before adjustments	7,352	6,757
Total loans before adjustments	1,013,372	958,406
Effective interest rate adjustment	1,598	2,167
Provision for impairment losses on loans and advances	(1,977)	(1,225)
Per note 23	1,012,993	959,348
Fair value adjustment for hedged risk	2,986	1,167
	1,015,979	960,515

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

Repayable:

	2020 £000	2019 £000
In not more than three months	2,252	1,681
In more than three months but not more than one year	10,287	9,033
In more than one year but not more than five years	74,260	66,343
In more than five years	931,157	884,683
	1,017,956	961,740
Less allowance for impairment (refer to note 12)	(1,977)	(1,225)
	1,015,979	960,515

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

At 31 October 2020 the Society had pledged £122.3m of mortgage assets to the Bank of England under the Term Funding Scheme (2019: £148.5m).

12. Allowances for losses on loans and advances

	Loans fully secured on residential property £000
At 1 November 2019	
Collective provision	1,037
Individual provision	188
	1,225
Charge for the year	
Collective provision	503
Individual provision	249
	752
At 31 October 2020	
Collective provision	1,540
Individual provision	437
	1,977

In determining the level of impairment charge a deterioration in economic conditions leading to higher forced sale discounts, lower house prices and higher levels of default related to Covid-19 has been considered. The assessment considers the impact of both Covid-19 and the uncertainty connected with Brexit and resulted in a management overlay impairment charge of £415k being made. The estimate of forced sale discount and an increase in the probability of default in remaining Covid-19 forbearance cases were key determinants of the management overlay impairment charge.

13. Tangible Fixed Assets

	Land and Buildings £000	Equipment, fixtures, fittings & vehicles £000	Total £000
Cost / valuation (1)			
At 1 November 2019	4,851	2,218	7,069
Additions (2)	3,831	2,248	6,079
Revaluation (3)/(4)/(5)	44	-	44
Disposals	-	(192)	(192)
At 31 October 2020	8,726	4,274	13,000
Depreciation			
At 1 November 2019	139	1,808	1,947
Charge for the year	31	190	221
Elimination in respect of revaluation	(28)	-	(28)
Elimination in respect of Disposal	-	(192)	(192)
At 31 October 2020	142	1,806	1,948
Net book value			
At 31 October 2019	4,712	410	5,122
At 31 October 2020	8,584	2,468	11,052

Notes

1. Land and buildings consist of £6.9m of freehold property, £1.5m non-depreciable land and £0.2m of leasehold property. The net book value occupied for own activities at 31 October was £8.1m (2019: £4.3m). If the freehold properties had been held under the historical cost basis their net book value as at 31 October 2020 would have been £2.86m (2019: £2.9m). The Society's freehold properties were last revalued on 15 March 2019 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. Additions for the year include £6.0m in respect of the Society's purchase and refurbishment of a new Principal Office in Newbury, comprising of £3.8m for the building purchase including non refundable taxes and other qualifying expenditure and £2.2m of costs incurred to prepare the building for occupation and operational use. At 31 October 2020 the property remains in the course of construction. Depreciation is charged against these assets when they first become ready for operational use by the Society.
3. The Society's freehold properties were last revalued on 15 March 2019 on a market value and vacant possession basis by Quintons, Chartered Surveyors, who are considered to be independent of the Society.
4. Following the decision to purchase a new Principal Office for the Society the Principal Office at 17 Bartholomew Street, Newbury was marketed for sale. At the date of signing these accounts the premises have been sold, subject to contract, with the expectation that the sale will complete in the first quarter of 2021. The carrying value was increased to reflect agreed sales proceeds net of costs.
5. As a result of an impairment review carried out as at 31 October 2020 the Society reduced the carrying value of two of its freehold branch premises by a combined value of £111k.

14. Intangible Assets

	Software £000
Cost / valuation	
At 1 November 2019	2,174
Additions	923
Disposal	(27)
At 31 October 2020	3,070
Depreciation	
At 1 November 2019	1,800
Charge for the year	319
Disposal	(1)
At 31 October 2020	2,118
Net book value	
At 31 October 2019	374
At 31 October 2020	952

15. Other Assets

	2020 £000	2019 £000
Cash collateral pledged against hedging contracts	3,970	2,690
Bank of England cash ratio deposit	1,295	830
	5,265	3,520

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

16. Shares

	2020 £000	2019 £000
Held by individuals	1,012,176	938,423
Other shares	271	207
	1,012,447	938,630

17. Other Liabilities

	2020 £000	2019 £000
Amounts falling due within one year:		
Corporation tax	322	627
Social security	185	137
Other creditors	27	45
	534	809

18. Deferred Tax

At 1 November	(100)	(172)
Deferred tax (charge)/credit (see note 6)	(188)	72
At 31 October	(288)	(100)

Comprising:

Accelerated capital allowances	(183)	(29)
FRS102 transition adjustment	(118)	(126)
Head office project costs	3	45
Collective loss provision	10	10
At 31 October	(288)	(100)

All deferred tax balances have been recognised at 19% being the rate enacted at the balance sheet date at which the balances are materially expected to reverse.

19. Reserves

	£000
General Reserves	
At 1 November 2019	77,304
Profit for the financial year	3,227
At 31 October 2020	80,531
Revaluation Reserve	
As at 1 November 2019	2,140
Property revaluation	105
As at 31 October 2020	2,245

20. Cash and Cash Equivalents

	2020 £000	2019 £000
Cash in hand and balances with the Bank of England repayable on demand	181,875	189,542
Loans and advances to credit institutions	17,685	27,649
As at 31 October	199,560	217,191

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

21. Capital and Other Financial Commitments

	2020 £000	2019 £000
a. Capital commitments		
Capital expenditure contracted but not yet provided for in the accounts	1,395	-
b. Leasing commitments		
Total rental commitments on leases with a remaining term of	148	148
• Not later than one year	-	-
• Later than one year but not later than five years	48	48
• Later than five years	100	100

All above capital commitment relate to tangible fixed assets.

22. 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 LIBOR/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 LIBOR/SONIA linked interest rates Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Amounts owed to other customers	Fixed or LIBOR/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 2020	**Held at amortised cost**		**Held at fair value**		
	Loans and receivables £000	Financial assets and liabilities £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	181,875	-	-	-	181,875
Loans and advances to credit institutions	17,709	-	-	-	17,709
Derivative financial instruments	-	-	3	6	9
Loans and advances to customers	1,015,979	-	-	-	1,015,979
Total assets	1,215,563	-	3	6	1,215,572
Financial liabilities					
Shares	-	1,012,447			1,012,447
Amounts owed to credit institutions	-	101,420			101,420
Amounts owed to other customers	-	29,610			29,610
Derivative financial instruments	-	-	4,009	99	4,108
Total liabilities	-	1,143,477	4,009	99	1,147,585

The amounts owed to credit institutions comprise borrowings from the Bank of England under the Term Funding Scheme and borrowings from Local Authorities.

Carrying values by category 31 October 2019	Held at amortised cost		Held at fair value		
	Loans and receivables £000	Financial assets and liabilities £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	189,542	-	-	-	189,542
Loans and advances to credit institutions	27,686	-	-	-	27,686
Derivative financial instruments	-	-	44	26	70
Loans and advances to customers	960,515	-	-	-	960,515
Total assets	1,177,743	-	44	26	1,177,813

Financial liabilities					
Shares	-	938,630	-	-	938,630
Amounts owed to credit institutions	-	128,263	-	-	128,263
Amounts owed to other customers	-	37,361	-	-	37,361
Derivative financial instruments	-	-	1,703	217	1,920
Total liabilities	-	1,104,254	1,703	217	1,106,174

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 FRS102.34:

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 has no assets or liabilities that qualify as Level 1.
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 LIBOR or 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 assets or liabilities that qualify as Level 3.

23. 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. 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:

	2020 £000	2019 £000
Credit risk exposure		
Cash in hand and balances with the Bank of England	181,875	189,542
Loans and advances to credit institutions	17,709	27,686
Derivative financial instruments	9	70
Loans and advances to customers	1,012,993	959,348
Total statement of financial position exposure	1,212,586	1,176,646
Off balance sheet exposure - mortgage offers and retentions	59,654	41,701
Total	1,272,240	1,218,347

Loans and advances to customers are shown as gross of effective interest rate adjustment and net of provisions (see note 11).

Loans and advances to customers are predominantly made up of retail loans fully secured against UK residential property £1,006.0m (2019: £951.6m), split between residential, buy-to-let and commercial owner occupier loans, and £7.4m (2019: £6.8m) 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.

	2020 £000	2019 £000
Concentration by loan type		
Prime owner occupied	866,348	812,343
Buy to let and commercial owner occupied	139,672	139,306
Gross balance	1,006,020	951,649
Impairment provisions	(1,977)	(1,225)
Fair value adjustments	2,986	1,167
	1,007,029	951,591

	2020 £m	2020 %	2019 £m	2019 %
Geographical analysis				
East Anglia	21.8	2.2	16.7	1.8
East Midlands	18.6	1.8	16.9	1.8
Greater London	136.1	13.5	120.0	12.6
North	3.7	0.4	2.8	0.3
North West	16.0	1.6	11.6	1.2
South East	613.7	61.0	600.8	63.1
South West	158.3	15.7	150.7	15.8
Wales	7.7	0.8	6.7	0.7
West Midlands	21.9	2.2	18.7	2.0
Yorkshire & Humberside	8.2	0.8	6.7	0.7
Total	1,006.0	100	951.6	100

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

	2020 £m	2020 %	2019 £m	2019 %
LTV analysis				
0% - 50%	686.2	68.3	631.1	66.3
50.01% - 75%	289.2	28.7	284.0	29.8
75.01% - 80%	9.1	0.9	9.1	1.0
80.01% - 85%	11.5	1.1	11.7	1.2
85.01% - 90%	7.7	0.8	11.5	1.2
90.01% - 95%	2.3	0.2	3.4	0.4
95.01% - 100%	-	-	0.8	0.1
	1,006.0	100	951.6	100
Average loan to value of residential mortgage loans		32.1		33

The average LTV of 32.1% (2019: 33.0%) 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 0.53% (2019: 0.48%) of loans are three months or more in arrears and by value it is 0.42% (2019: 0.35%).

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	**2020 £m**	**2020 %**	2019 £m	2019 %
Not impaired:				
Neither past due or impaired	987.8	98.2	939.6	98.8
Past due under 3 months but not impaired	7.7	0.3	5.0	0.6
Past due 3 months and over but not impaired	3.1	0.8	2.6	0.2
Possessions	0.1	-	0.2	-
Impaired:				
Not past due	4.0	0.4	3.1	0.3
Past due under 3 months	2.3	0.3	0.6	0.1
Past due 3 to 5 months	0.9	-	0.5	-
Past due 6 to 12 months	-	-	0.1	-
Possessions	0.1	-	-	-
Total	1,006.0	100	951.7	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 2020 £m	**Unindexed 2020 £m**	Indexed 2019 £m	Unindexed 2019 £m
Value of collateral held:				
Neither past due or impaired	3,090.2	2,683.5	2,856.1	2,465.7
Past due but not impaired	34.4	27.5	26.4	19.8
Impaired	10.5	10.1	6.0	5.8
Total	3,135.1	2,721.1	2,888.5	2,491.3

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 2020 is £34.4m (2019: £26.4m) against outstanding debt of £10.9m (2019: £7.7m). In addition, the value of collateral held against 'Impaired' assets at 31 October 2020 is £10.5m (2019: £6.0m) against outstanding debt of £7.3m (2019: £4.3m).

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	2020 £m	2019 £m
Loans secured on commercial property	7.4	6.8
	7.4	6.8

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

	2020 £m	2020 %	2019 £m	2019 %
Club/social	0.1	1.9	0.2	2.5
Education	0.1	2.0	0.2	2.2
Industrial unit	1.2	15.9	1.3	19.6
Office	1.2	15.8	1.5	22.7
Shops	2.9	39.2	2.9	43.1
Other	1.9	25.2	0.7	9.9
	7.4	100	6.8	100

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

	2020 £m	2020 %	2019 £m	2019 %
Geographical analysis				
South East	5.8	78.1	6.4	93.9
South West	0.1	1.5	0.1	1.7
West Midlands	1.5	20.4	0.3	4.4
Total	7.4	100	6.8	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:

	2020 £m	2020 %	2019 £m	2019 %
LTV analysis				
0% - 50%	5.6	75.1	4.3	62.8
50.01% - 75%	1.8	24.9	1.7	25.8
75.01% - 80%	-	-	0.8	11.4
	7.4	100	6.8	100
Average loan to value of commercial mortgage loans		34.5		27.8

The quality of the Society's commercial mortgage book is reflected in the number and value of accounts in arrears. By volume 0% (2019: 3.13%) of loans are three months or more in arrears and by value it is 0% (2019: 1.51%).

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	**2020 £m**	**2020 %**	2019 £m	2019 %
Not impaired:				
Neither past due or impaired	5.7	76.8	6.6	98.3
Past due up to 3 months but not impaired	1.5	20.4	-	0.2
Past due over 3 months but not impaired	-	-	0.1	1.5
Possessions	-	-	-	-
Impaired:				
Not past due	0.2	2.8	-	-
Past due up to 3 months	-	-	-	-
Past due 3 to 6 months	-	-	-	-
Past due 6 to 12 months	-	-	-	-
Past due over 12 months	-	-	-	-
Possessions	-	-	-	-
	7.4	100	6.7	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.

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

	Unindexed 2020 £m	**Unindexed 2019 £m**
Value of collateral held:		
Neither past due or impaired	17.8	23.8
Past due but not impaired	3.2	0.6
Impaired	0.3	-
Total	21.3	24.4

The collateral consists of commercial property.

The value of collateral held against loans 'Past due but not impaired' at 31 October is £3.2m (2019: £0.6m) against outstanding debt of £1.5m (2019: £0.1m). In addition, the value of collateral held against loans 'impaired' at 31 October 2020 is £0.3m (2019:nil) against outstanding debt of £0.2m (2019: 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

In March 2020, the Government announced a number of measures to help people affected by Covid-19. This included a full or partial mortgage payment deferral (holiday) for up to 3 months, followed by a second deferral for up to another 3 months (a maximum of 6 months). The "deferral" meant borrowers were not required to make any mortgage payments during the period, although they were encouraged to do so where possible. The Society has supported the Government scheme in addition to offering the range of forbearance options above.

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. Almost all of the Society's borrowers requiring a payment deferral due to Covid-19 chose to capitalise their deferred payments at the end of the deferral period.

With the exception of Covid-19 related 'self-certified' payment deferrals all forbearance arrangements are formally discussed with the customer and agreed by an authorised member of the arrears management 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 quarterly 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	2020 Number	2019 Number
Interest only concessions	47	34
Payment plans	7	18
Term extensions	2	3
Reduced payment concessions	-	2
Covid-19 Payment deferrals	62	-
Cases with more than one form of forbearance	(4)	(5)
Total	114	52

In total £3.1m (2019: £2.3m) of loans that are past due are subject to forbearance. Balance not past due subject to forbearance £14.7m (2019: £3.3m). An additional £3.3m (2019: £0.7m) of loans that are past due are considered likely subject to future forbearance. Balance not past due £27.0m (2019: £9.6m).

24. Liquidity Risk

Liquidity risk is the risk that the Society will not have sufficient financial resources available to meet its 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 2020 the ratio of liquid assets to shares and deposits was 17.5% compared to 19.7% at 31 October 2019.

The Society remains an active participant in the Bank of England's Sterling Monetary Framework. Included in Amounts owed to credit institutions is £96m borrowed under the Term Funding Scheme (2019: £114m).

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 2020	**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	181,875	-	-	-	-	-	181,875
Loans and advances to credit institutions	7,185	10,500	-	-	-	24	17,709
Total liquid assets	189,060	10,500	-	-	-	24	199,584
Derivative financial instruments	-	-	-	9	-	-	9
Loans and advances to customers	-	2,252	10,287	74,260	931,157	(1,977)	1,015,979
Other assets	-	-	-	-	-	18,110	18,110
	189,060	12,752	10,287	74,269	931,157	16,157	1,233,682
Financial liabilities and reserves							
Shares	894,585	93,137	18,425	6,183	-	117	1,012,447
Amounts owed to credit institutions	-	1,000	33,500	66,900	-	20	101,420
Amounts owed to other customers	13,052	16,558	-	-	-	-	29,610
Derivative financial instruments	-	85	437	3,586	-	-	4,108
Other liabilities	-	-	-	-	-	3,321	3,321
Reserves	-	-	-	-	-	82,776	82,776
	907,637	110,780	52,362	76,669	-	86,234	1,233,682
Net Liquidity gap	(718,577)	(98,028)	(42,075)	(2,400)	931,157	(70,077)	-

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

Residual maturity as at 31 October 2019	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	189,542	-	-	-	-	-	189,542
Loans and advances to credit institutions	6,649	21,000	-	-	-	37	27,686
Total liquid assets	196,191	21,000	-	-	-	37	217,228
Derivative financial instruments	-	7	17	46	-	-	70
Loans and advances to customers	-	1,681	9,033	66,343	884,683	(1,225)	960,515
Other assets	-	-	-	-	-	10,083	10,083
	196,191	22,688	9,050	66,389	884,683	8,895	1,187,896
Financial liabilities and reserves							
Shares	819,199	87,650	18,905	12,665	-	211	938,630
Amounts owed to credit institutions	-	-	13,700	114,400	-	163	128,263
Amounts owed to other customers	19,022	18,339	-	-	-	-	37,361
Derivative financial instruments	-	5	70	1,845	-	-	1,920
Other liabilities	-	-	-	-	-	2,278	2,278
Reserves	-	-	-	-	-	79,444	79,444
	838,221	105,994	32,675	128,910	-	82,096	1,187,896
Net Liquidity gap	(642,030)	(83,306)	(23,625)	(62,521)	884,683	(73,201)	-

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 2020						
Shares	894,585	93,398	18,518	6,438	-	1,012,939
Amounts owed to credit institutions	-	1,011	4,018	97,558	-	102,587
Amounts owed to other customers	13,052	16,560	-	-	-	29,612
Derivative financial instruments	-	396	1,450	1,992	-	3,838
Total liabilities	907,637	111,365	23,986	105,988	-	1,148,976
31 October 2019						
Shares	819,199	87,974	19,056	13,068	-	939,297
Amounts owed to credit institutions	-	-	13,842	114,622	-	128,464
Amounts owed to other customers	19,022	18,339	-	-	-	37,361
Derivative financial instruments	-	120	574	1,243	-	1,937
Total liabilities	838,221	106,433	33,472	128,933	-	1,107,059

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.

25. 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 LIBOR and 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 2020 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**
2020	£'000	£'000
Net interest income impact	(907)	985

	+200bps Parallel	
	Increase	**Decrease**
2019	£'000	£'000
Net interest income impact	(772)	846

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 FRS102.11.38A 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 10 above.

26. 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 £737,000 (2019: £683,000). There were pension contributions payable at the year end of £52,000 (2019: £51,000). There was a prepayment at the year end of £27,000 (2019: £27,000) for the Society Death in Service Scheme.

27. 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.

	2020 £000	2019 £000
Common Equity Tier 1 Capital		
General reserve	80,531	77,304
Revaluation reserve	2,245	2,140
Intangible assets	(952)	(374)
Total common equity tier 1 capital	81,824	79,070
Tier 2 Capital		
Collective provision	1,540	1,037
Total tier 2 capital	1,540	1,037
Total regulatory capital	83,364	80,107

28. 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 page 8.
- 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 account on page 41.
- Corporation Tax paid: as noted in the Cash Flow Statements on page 44.
- Public subsidies: there were none received in the year.

29. Subsequent Events

At the date of signing these financial statements the UK remains under varying degrees of restriction imposed in response to the ongoing Covid-19 situation. On 19 December 2020 the UK government placed regions of the east and south-east of England and all London boroughs, encompassing many areas of the Society's operating heartland, into the highest restrictions (Tier 4 classification). The extension of restrictions, and speculation that the UK may face a third national lockdown, increases the level of economic uncertainty and, in particular, risks to future unemployment levels. Depending on the length of restrictions and any regulatory or government policy response, the Society may expect to see an increase in the levels of requests for mortgage payment deferrals, forbearance arrangements or arrears. It is not possible to estimate the value of the potential impact on the Society due to the high degree of uncertainty.

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.

Annual Business Statement as at 31 October 2020

	2020 %	Statutory Limit %
1. Statutory Percentages		
Lending limit	1.3	25
Funding limit	11.5	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.

	2020 %	2019 %
2. Other Percentages		
Gross capital as a percentage of shares and borrowings	7.24	7.19
Free capital as a percentage of shares and borrowings	6.32	6.79
Liquid assets as a percentage of shares and borrowings	17.45	19.67
Profit after tax as a percentage of mean total assets	0.27	0.38
Management expenses as a percentage of mean total assets	0.93	0.92
Leverage ratio	6.59	6.62
Risk weighted assets £m	428.6	400.4
Capital ratios		
Common equity tier 1 (CET 1) ratio as a percentage of risk weighted assets	19.1%	19.8%
Capital ratio as a percentage of risk weighted assets	19.4%	20.0%

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;
- 'Leverage Ratio' represents tier 1 capital divided by total exposure;
- 'Common Equity tier 1' represents core capital built from accumulated profits;
- 'Capital Ratio' represents total capital as a percentage of risk weighted assets.

3. Directors and Other Officers as at 31 October 2020

Name	Year of Birth	Business occupation	Date first appointed	Other directorships
Peter Brickley BSc (Hons)	1960	Chief Information Officer	01/07/08	Newbury Mortgage Services Ltd Trustee at The Brain and Spine Foundation
Lee Bambridge BA (Hons), ACA, AMCT	1963	Building Society Chief Risk Officer	23/07/07	Sovereign Housing Association; Sovereign Housing Capital Plc
Chris Brown BA (Hons), Eng, Oxon	1961	Group IT Director	01/06/19	
Phillippa Cardno PGCert, CeMap	1969	Building Society Operations and Sales Director	19/02/15	Temptings Ltd
Roland Gardner MA (Hons)	1960	Building Society Chief Executive	01/09/06	Newbury Mortgage Services Ltd; Newbury Financial Services Ltd; Newbury Insurance Services Ltd
Darren Garner FCCA	1971	Building Society Financial Director	03/08/20	Trustee at Royal Surgical Aid Society (trading as Dementia Carers Count)
Sarah Hordern BA (Hons), ACA	1972	Director	19/02/15	Perspicio Limited Oxford University Hospitals NHS Trust Modulous Ltd
William Roberts BSc (Hons), ACA	1970	Finance Director	19/02/15	Hastoe Capital Plc; Hastoe Homes Ltd; Lowen Homes Ltd
Zoe Shaw BA (Hons)	1960	Managing Director	01/09/17	Promethion Ltd Ezfounder Limited
Alistair Welham	1963	Head of Marketing 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

Roland Gardner, Lee Bambridge and Phillippa Cardno each have a service contract with the Society terminable by either party giving 12 months' notice. The agreements were signed on 30 July 2018. Darren Garner has a service contract signed on 22 April 2020 with the Society terminable by either party giving six months' notice.

Other Officers

Gorse Burrett BA (Hons), FCIPD - Head of HR and People Development

Erika Neves BSc (Hons), DIMA - Head of Risk and Company Secretary

Melanie Mildenhall - Head of Customer Service

Jim Bendon - Head of IT and Business Change

Auditor

Deloitte LLP
Four Brindley Place
Birmingham
B1 2H2

Bankers

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

Employees

The Board would like to thank all our employees without whom we would not have achieved the performance set out in these accounts.

Branches	
Abingdon	Julie Harris • Catherine Newitt • Michele Willis • Samantha James
Alton	Ian Bligdon • Julie Harness • Julie Pink • Becky Reynolds • Caroline Seymour • Clare Taylor
Andover	Alice Champion • Tracie Kidd • Cliff Osborne • Dawn Ross • Sheila Sandham • Sammy Forrester Ana Clarke
Basingstoke	Lisa Wedge • Cassie Newnham • Karen Proudley • Gladys Iredale • Ken Anderson Lynne Corallo • Marie Unwin • Isabel Tavares
Didcot	Eileen Clark • Tina Maughan • Jack Eggleshaw Redoute
Hungerford	Laura Nash • Paula Wheeler • Matt Harris
Newbury	Jane Bosher • Ella Bright • Alice Wood • Robbie Asquith • Stacey Kemp • Maricel Munar Rachel Hawkins • Adam Pacyna • Amy Jones • James Trenaman • Vanessa Winstanley Nicola King-Head
Thatcham	Karen Royal • Ryan Marcham • Chelsea Ford
Winchester	Rob Angus • Louise Morgan • Will Simpson • Subhashini Venkatesan
Wokingham	Alastair Boyd-Smith • Debbie Gadd • Charlotte Hall • Sue Murgatroyd • Justine Ransom Keryn Rosolemos • Holly Webster
Head Office	
Compliance and Risk	Kelly Carter • Shingai Chipfupa • Xania Harden • Andy Ransom • Tash Stacey • Gemma Williams
Customer Service	Diane Long
Customer Support Mortgages	Linda Kite • Alison Thompson • Courtney Lewington Metacalfe • Claire Gale • Hannah Tame Sue Newcombe • Lynn Small • Charlotte Wood • Kim Boyles • Charlotte Couch
Customer Support Savings	Alex Henry • Maria Hernanz-Lillo • Molly Powers • Leanne Blyth • Jane Mason • Gabby Bako Tina Gostling • Stefanie Oates • Danielle Paal • Kay Walker • Val Wheeler
Mortgage Underwriting	Katy Briggs • Nathan Bryan • Lucy Amore • Hannah Auger • Jac Goddard • Kim Smyth Kirsty Cowan • Chloe Somerville • Craig Turner • Hannah Westlake • Jill Bennett • Vicky Boyles Charlotte Courtenay • Ann Davidson
Executives	Gorse Burrett • Melanie Mildenhall • Erika Neves • Jim Bendon
Finance	Suzanne Allen • Ruth Bowden • Cheryl Bowers • Louise Brookes • Laura Chisling • Pete Hawkins Alex Murrell • Jo Paul • Debbie Springer • Elliot Walker • Ben Weatherill • Valentin Ungureanu
Human Resources	Anne-Marie Goldsmith • Cara Holley • Sarah Pearce • Tina Stephens • Gillian Fry
Information Communication Technology	Tom Baker • Ben Ellard • Amba Garlick • Laurence Gough • Piotr Jaworski • Rory Oakley Shiv Stacey • Mariusz Sztabinski • David Ward • Hayley Watt • Kofi Owusu-Kyereko James Ashford • Sarah Nation
Marketing	Alice Dearlove • Sian Dennis • Emma Lavers • Emma Simms • Bronwyn Tucker • Michael Harden
Premises, Health and Safety	Michael Goodall • Chris Rice • Jessica Stacey • Ricky Walker
Business change	Claire Woollard • Zach Hazelton • Rich Newport • Michelle Rolfe • Traci Sharp
Personal Assistant to the Directors	Sarah Rouault
Sales	Angela Bradshaw • Lauren Dearlove • Kerri Dobie • Emma Evans • Rose Hallett • Roger Knight Matt Long • Eve McDowell • Dave Murray • Alice Pocock • Luke Pummell • Kate Rockall Jordan Sharpe • Karen Smith • Kayleigh Tingle • Jack Whiting • Martin Yates
Valuer	Ann Davidson

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