Annual Report.

Year ended 30 November 2022

Suffolk Building Society

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British Bank Awards
BEST BUILDING SOCIETY
WINNER 2022

Our members are at the heart of everything we do.

We exist to benefit our members - now and for the future.

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Chairman's Report.

It is with great pleasure that I write this, my first Chairman's report, having previously served on the Society's Board for a total of seven years. I thank the outgoing Chairman Alan Harris for his dedication, with eleven years on the Society's Board, five as Chairman. In recent years, Alan has supported the Society's Board and Executive Team in navigating major events such as the Coronavirus pandemic and, most recently, the Society's name change to Suffolk Building Society. I join all at the Society in wishing Alan an enjoyable retirement.

The successes of the past year, the Society's first full year as Suffolk Building Society, can surely be summed up in the award revealed at the British Bank Awards in May 2022: Best Building Society. The British Bank Awards are widely recognised as the ultimate symbol of excellence across the banking industry, as determined by those who matter most: our members. We continue as a fiercely independent mutual Society, with face-to-face customer service at the heart of our savings model and an excellent reputation and positioning within the intermediary market.

Financial highlights

The Society ended the year with a profit before tax of £5.9m (2021: £2.9m) with the increase largely as a result of the increase in Net Interest Margin (NIM). Our targeted approach delivered an improved year on year NIM of 2.2% (2021: 1.9%) on total mortgage balances of £655m at year end (2021: £615m).

The mortgage balance has increased at the end of November 2022 by £39m over the comparative prior period – an increase of 6.4%. A total of £165m of loans completed during the year (2021: £168m) and the portfolio delivered net interest income of £17.0m, an increase of 26% over 2021 of £13.5m. The mortgage portfolio is funded through a mix of retail savings and central bank funding. The Society's retail savings balances have grown significantly by £34m to £681m.

Management expenses were £11.9m (2021: £10.8m). We continue to invest significantly in our people, technology infrastructure and enhanced digital capability to deliver an improved service for members.

We have not yet seen any increase in mortgage arrears or payment arrangement requests despite the challenging conditions in the economy, nor have we experienced any credit losses. Nonetheless we have included in our impairment provisioning an amount of £0.6m as a provision to reflect the current economic climate.

Capital and liquidity strength: Common Equity Tier 1 (CET1) ratio remains well above statutory requirements at 14.6% whilst the Society's Leverage Ratio was broadly maintained at 5.0%.

The Liquidity Coverage Ratio of 154% is also considerably above the regulatory minimum requirement.

Economic conditions

The backdrop to this performance has been arguably the most eventful economic year since 2008. Global factors such as post-pandemic recovery and the conflict in Ukraine have seen high inflation and low growth. Back home, a mini-Budget and changes within government caused market volatility and a sharp increase in both the Bank of England Base Rate and swap rates. The fallout has seen market conditions where many borrowers want to lock into fixed-rate mortgages. Savers are increasingly looking for the best rate to offset inflation eroding their investments, and to increase income on their investments to support with the cost of living.

Earlier in the year, demand for the Society's mortgages increased, particularly remortgages, as interest rates rose and homeowners and buyers looked to lock in fixed rate mortgages.

In August and September 2022, over 3,000 mortgage deals were withdrawn by lenders and average pricing on a residential 2-year fixed rate went up 0.43% to 5.17% across the market. Due to the market volatility at the time, the Society made the decision to withdraw temporarily from the market from mid-August to mid-September in order to maintain service levels.

The eight successive Bank of England Base Rate changes from 1 December 2021 to 30 November 2022 saw the rate rise by a total of 2.9 percentage points. During the same period the Society increased its Standard Variable Rate (SVR) on mortgages by 1.7 percentage points, carefully balancing the needs of both savers and borrowers and the effects of inflation on their borrowing and investments. Each time the Society raised its SVR, variable savings rates were also increased. A table of the changes made at each decision point can be found within the Strategic Report on page 12.

The Society extended its mortgage proposition with the following product types: expat holiday let borrowing, a self-build large loan (£1m - £2m) and increased maximum loan sizes to £1m up to 80% Loan to Value. A green Advance Range is planned for this year.

The H1 2022 Smart Money People Broker Insight Report for our mortgage business showed that intermediaries value our people very highly (a score of 100% for our people) and regard our product performance as being above that of our peers and other lenders. A full breakdown of the results can be found in the Strategic Report on page 11.

Savings balance growth was £34m, which was £8m ahead of plan. The first few months of the year saw relatively modest growth, before a succession of Bank of England interest rate rises were introduced to curb inflation. This enabled the Society to offer more attractive rates to savers, which were well received, and significant growth in balances has been observed as a result. The Society attracted 1,522 new savings members (2021: 935).

Environmental, Social and Governance (ESG)

Suffolk Building Society is committed to integrating the principles of Environmental, Social and Governance at the core of our business. We believe that economic growth is closely connected with the wellbeing of the Society and the protection of our planet. This is not a new concept for us. Since 1849, the Society has been committed to improving the social position of the people in our communities, so I am proud that this central mission continues to this day. With strategic charitable partners, ESG Champions across the business, a relaunched volunteering programme and two distinct campaigns centred around Safe Homes and Saving Suffolk, we set ourselves apart from our competitors, invest in our communities and do the right thing.

There are more details on the strides we are making in addressing our environmental footprint in our Sustainability Strategy section on page 17.

Transformation

There continues to be significant investment in the Society. This investment spend includes continuing the Society's digital journey. This commenced with a refresh of the Society's websites (for members and for brokers) and the planned implementation of a new mortgage origination system.

For saving members, we are pleased to give an update on our digital offering. A contract with a strategic supplier has now been signed, with the build of the new eSavings platform taking place throughout first half of 2023. The Society is aiming to introduce online savings capability later this year.

This digital offering is part of the Society's wider member proposition to ensure that the Society remains relevant, accessible and addresses changing member behaviour. Our member proposition work has resulted in a defined brand strategy and distinctive offering that will allow us to attract new audiences for our straightforward products and services. New FCA consumer duty regulation comes into force in 2023, with firms having to demonstrate that good outcomes for consumers are central to their firm's culture, strategy and business objectives. The Society's robust governance framework and cross-team working practices are well placed to ensure we embed all requirements of the new duty.

A strong and effective Board is instrumental in this respect, and I would therefore like to thank all my colleagues on the Board for their hard work and unstinting support. It has been a hugely successful year, in challenging conditions, while achieving an excellent rate of growth. Thank you.

Conclusion

In addition to being awarded Best Building Society, the mortgage business was Highly Commended for Best Specialist Mortgage Provider at the British Bank Awards and the Society was Highly Commended for Regional Lending Provider at the Moneyfacts Awards.

We will continue to deliver award-winning service; the feedback that we receive from our members highlights how our staff go above and beyond to deliver a service that we should all be proud of. Thank you to all our team members who are making this possible. Your commitment to service and innovation continues to be one that is relevant, sustainable and hugely appreciated by members, brokers, and the Suffolk community.

Peter Elcock
Chairman

31 January 2023

1,251 mortgage applications processed in 2022

1,522 new savings members

4.81/5 Smart Money People Score (all reviews)

Chief Executive Officer's Report.

The Society has taken another year of unprecedented change in its stride and continues to grow and thrive. In our first full year as Suffolk Building Society we have won awards, developed new propositions for our members and embarked on a sweeping strategy of environmental and social purpose, all managed with robust governance.

We have supported our own staff members with the increased cost of living and looked after our savings members with increased returns on their savings. We have also continued to shield our borrowing members as much as we are able from the impact of increased mortgage rates. Each of the eight successive Bank of England Base Rate rises during the financial year presented a challenge and a balancing act: the need to attract and retain savings deposits while protecting those with mortgages already impacted by high inflation.

To support saving members, we have increased the rates payable on variable rate savings (on a product-by-product basis) on every occasion that we have raised SVR this financial year.

In December 2022, a Payment Shock Taskforce was created with the collections team, to proactively contact maturing customers whose monthly payment may increase by more than £200 per month.

Community

At its inception in 1849 the Society was determined to 'improve the social position' of our local communities. We have continued this mission and have brought it up to date for 2022. We now have a programme in place to put a framework around the positive influence that the Society has always had in our communities, and to make that influence more focussed and impactful.

I am delighted to say that we are ambitious in the ESG arena, with it embedded across the entire business. This means that ESG is not only incorporated within the core strategy of the Society, but it is fully integrated in its corporate purpose and objectives. It is also reflected throughout its activities and operations both internally and externally.

We have embarked on strategic charitable partnerships which will support two campaigns over the next three years. Safe Homes for Suffolk will support homelessness charities Emmaus Suffolk and Ipswich Housing Action Group, as well as Lighthouse Women's Aid. Saving Suffolk will support Suffolk Wildlife Trust, including at its new nature reserve, Martlesham Wilds, which is currently 289 acres of arable land, soon to be given back to nature. Our aim is to support these organisations, in part through financial contributions but also through sharing our skilled resource, in the form of volunteering.

We have chosen four specific United Nations Sustainable Development Goals (climate action, sustainable cities and communities, reduced inequalities, and good health and wellbeing) to ingrain ESG within our culture and to be able to demonstrate to the outside world what it is we stand for.

In addition to this, we have made a local contribution via our now-closed Mutual Advantage affinity account and over £19,000 was shared amongst nine local charities – one charity per branch.

Membership

2022 saw a return to live member events and it was a delight to meet members of the Society at our Annual General Meeting in March once again. For the first time, the Society live-streamed the event to enable those watching from home to experience it. Other events such as the 'behind the scenes' visits to the Suffolk Wildlife Trust and an electric vehicle exhibition reflected our commitment to climate change. Our choice of speaker at our Annual General Meeting, Terry Waite CBE (President of Emmaus), was one of our first steps into supporting 'homelessness' as a cause.

Member engagement has always been at our heart. We are investing more in engaging with new members to seek feedback and insight into their experiences with us and their savings goals.

Each person featured in our brand photography is a member of the Society. Our second photoshoot with our Suffolk-based photographer was oversubscribed with volunteers and it is incredibly humbling to see how our members wish to become advocates for the Society and are proud of their association with us.

People at the Society

Our collegiate, collaborative approach of working has resulted in a positive and inclusive culture and is very much part of our people strategy. This is evidenced by our improving employee engagement score (further detail is provided in our Director's People, Wellbeing and Remuneration Report on page 33). We have introduced a new behaviours framework as part of our performance management. Staff performance is now measured not just on competence and outcomes, it is also the behaviours demonstrated.

We have a transparent approach to disseminating information and our monthly staff briefings, conducted both face-to-face at head office and online via Teams for our colleagues, ensure clear lines of communication and engagement.

In addition to recruiting and training 12 ESG Champions, we polled all Society employees to find out their views on ESG. 74% of respondents said they would be more willing to work for a company that has integrated ESG in its operations than one that has not. 91% said they were supportive of Suffolk Building Society's efforts to take a leadership role within its sector around ESG issues by promoting ESG principles throughout its operations.

Our people will play a role in supporting our strategic charity partners. This goes beyond fundraising and awareness. It is in part through financial contributions but also through sharing our skilled resource, in the form of volunteering. We want to match our personal and professional skills to meet the needs of our strategic partners. So far, we have arranged volunteering days at Suffolk Wildlife Trust's reserves, and seen staff use volunteering time to become trustees and provide support to the charitable organisations.

Accessibility

Our future focus is very much on accessibility – making it easier for members to access our products and services. We will continue to adopt our 'bricks and clicks' approach, with digital access working in tandem with face-to-face branch access. Research conducted in 2022 with members and non-members affirmed this approach, and our Smart Money People reviews confirm that our friendly, helpful, knowledgeable staff add value and set us apart from online-only competitors. We are fully committed to our branch network, appreciating the vital service it provides on high streets for members who prefer face-to-face interaction. Now that Coronavirus restrictions are in our rear view mirror we can re-launch our financial education programme during 2023 and we envisage branch staff playing a fundamental role in both community and educational outreach.

The planned introduction of an online savings platform in 2023 will enable the Society to widen its appeal. This additional service will provide members with an alternative method of managing their finances. Online accessibility will strengthen our presence and will allow us to promote sustainable practices that are more in line with the digital era.

The planned introduction of a new and improved mortgage origination program will enable our intermediary partners to support digital customer onboarding and allow a faster application process.

£61,387 Total donated to good causes

Net Promoter Score up by 108%

Colleague Engagement Score 76.6%

Chief Executive's Report continued.

Industry

It was a huge honour – and career highlight – to go up on stage with some of our team in May 2022 to collect the trophy for Best Building Society at the British Bank Awards in London, and be Highly Commended for Best Specialist Mortgage Lender on the same evening. The mortgage business was also Highly Commended for Regional Lending Provider at the Moneyfacts Awards the following month. It is rewarding to see how the Society continues to punch above its weight within the industry.

We were delighted to support the Building Societies Association's first UK Savings Week – a great initiative to encourage savings which resulted in media coverage despite challenging economic conditions.

At the time of going to print we are finalists for Rebrand of the Year in Financial Reporter's Mortgage Industry Marketing Awards – another great accolade.

Conclusion

Despite a challenging year on many fronts, and in parallel with a significant change agenda, financial performance has been carefully managed across all areas of the Society, with a pre-tax profit of £5.9m (2021: £2.9m) – an excellent achievement.

Our strategy of embedding Environmental, Social and Governance throughout the Society together with our member proposition and our digital transformation stands the Society in good stead ahead of another year of economic uncertainty.

I look forward to seeing you at our 173rd AGM. It is a privilege to lead this organisation and I thank you for being a member of Suffolk Building Society.

Richard Norrington
Chief Executive Officer
31 January 2023

Strategic Report.

SOCIETY'S VISION

Our mission.

Our mission is to be a safe home for savers and to provide safe homes for our communities.

Suffolk Building Society is a mid-tier regional building society, currently ranked 21st in the UK by asset size from a total of 43 societies, according to the latest data held by the Building Societies Association. The Society was established in 1849.

The Society has clear vision and mission statements, and a new set of values which continue to be embedded. These articulate our commitment to be a safe home for savers and to provide safe homes for our communities – by putting members at the heart of what we do. This places an emphasis on personal customer service.

Since 1849 the Society has been bringing together savers and borrowers for mutual gain. The Society's mission continues to be offering simple and straightforward savings products to investing members and to provide mortgages so that borrowing members can buy a home.

The primary strategic intent for 2021/22 was unchanged from the prior year, with the desire to steadily grow membership, mortgage balances and the savings book, whilst maintaining asset quality and increasing Tier 1 capital.

The Society attracts savings deposits from members and other retail customers, and uses the funding received to offer a range of mortgage products through its extensive broker network and direct sales team. The Society operates through nine full-service branches across Suffolk and one agency. The Society does not offer unsecured lending nor transactional current accounts. The mortgage broker network makes significant use of the broker portal and the Society is planning to implement a new mortgage origination system to meet this need.

This report sets out the Society's progress against its strategy and provides information about the Society's performance against key performance indicators.

Key Performance Indicators

Key performance indicators	2020	2021	2022
Mortgage asset (£m)	568	615	655
Mortgage advances (£m)	124	168	165
Arrears cases over 12 months (no.)	13	17	11
Retail savings balances (£m)	624	648	681
Net Interest Margin (NIM)	1.8%	1.9%	2.2%
Profit before tax (£m)	1.9	2.9	5.9
Management expenses (£m)	9.9	10.8	11.9
Investment spend (£m)	0.4	1.4	1.0
Employee Engagement Score	76.3%	74.6%	76.6%
Net Promoter Score* (across business)	N/A	42	88
Smart Money People reviews	N/A	124	448
Total regulatory capital (£m)	37	38	42

*A Net Promoter Score, often referred to as 'NPS', is a measure of customer loyalty and satisfaction based on the likelihood they would recommend a company, product or service to others. The NPS score is calculated from member reviews and scores provided via the Smart Money People platform.

Mortgages

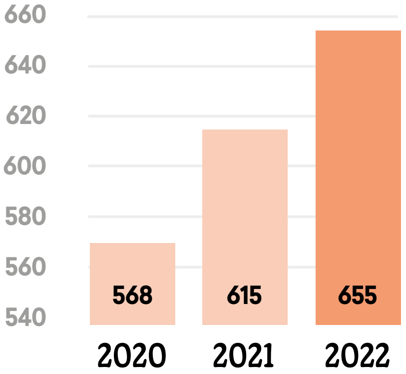
Overview

The Lending Team processed 1,251 mortgage applications in 2022 (2021: 1,159 applications) and 670 completions for the year (2021: 818) with an average loan size of £244k (2021: £214k).

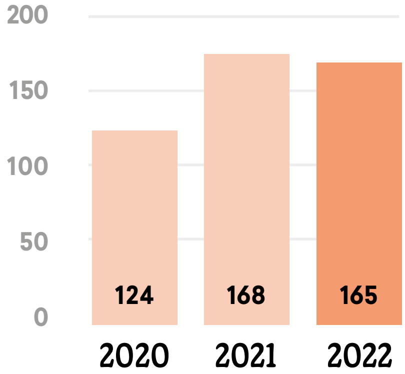
The Society is well placed with its strong and individual offering to the mortgage market and has an ability to underwrite individually and look at each mortgage application purely on its merits, using its own judgement to assess outgoings and affordability. Maintaining administrative expenses to an appropriate level is important for the sustainability of the Society, and the Society is committed to ensuring that its processes are as efficient as possible to maintain control of costs.

Strategic Report continued.

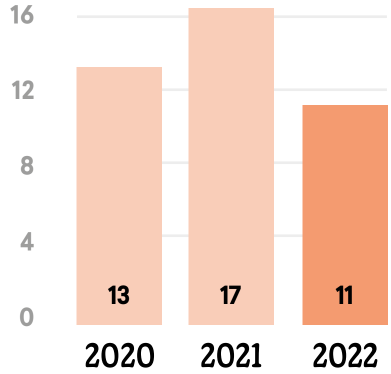
Mortgage assets (£m)



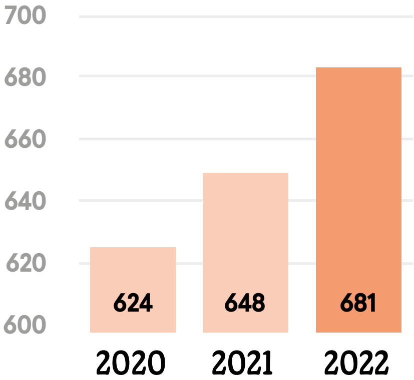
Mortgage advances (£m)



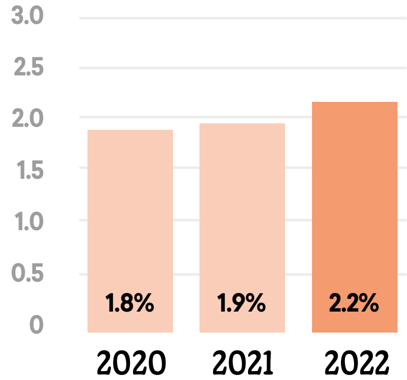
Arrears cases (number)



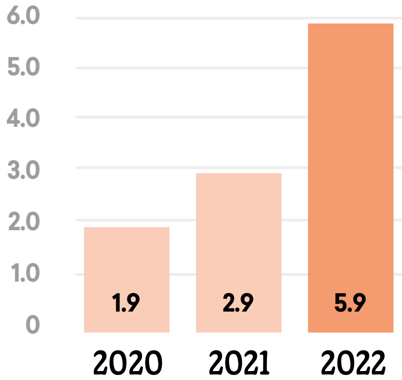
Retail savings balances (£m)



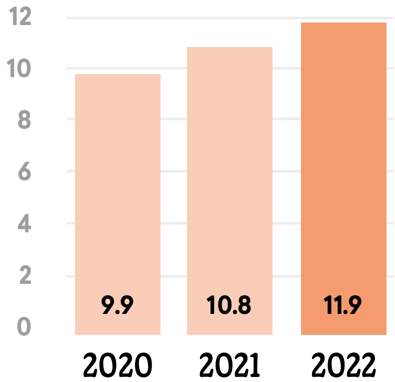
Net Interest Margin (NIM)



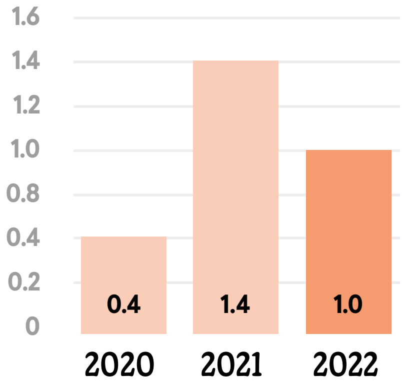
Profit before tax (£m)



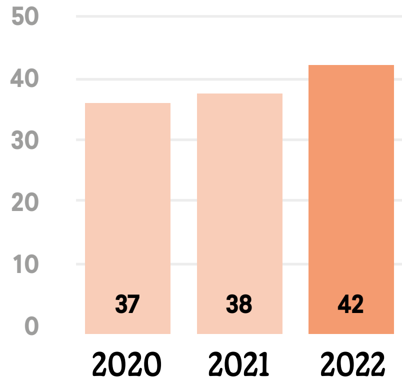
Management expenses (£m)



Investment spend (£m)



Total regulatory capital (£m)



The Society remains an active participant in the Bank of England's Sterling Monetary Framework (SMF), and alongside many other financial institutions, participated in the Bank of England's Term Funding Scheme. At 30 November 2022 amounts borrowed under this Scheme amounted to £50m (2021: £55m).

Mortgage asset and mortgage advances

The Society's lending proposition is to provide mortgages through a network of approved mortgage brokers, as well as directly from the Society. The Society does not rely solely upon credit scoring as all loans are individually underwritten by our underwriters. The Society targets customers in certain segments and the intermediaries that operate in these segments. These segments include self build, ex pat, buy to let, holiday let, shared ownership, later life and inter-generational lending.

Our mortgage teams are held in high regard by intermediaries, networks and clubs, and we are seen as offering a relevant and competitive range of products combined with the benefits of manual underwriting. The introduction of the mortgage origination platform will further enable us to develop our service and our niche product proposition for both our mortgage customers and our intermediary partners.

Residential lending made up 80% of this year's mortgage completions this year. This included 57 self build cases (2021: 49), lending over £20m to those self building (2021: £22m), and 52 shared ownership mortgages, which totalled £7.4m (2021: N/A). The Product Team set up 365 mortgage products this year (excluding retentions); this included launching expat holiday let and a new large loan self build product. We re-entered the shared ownership market with both fixed and discount products.

With mortgage volatility and other lenders withdrawing from the market, we made the decision in August to follow suit to manage operational capacity and maintain service levels. We re-entered in September and continued to re-introduce more products to the portfolio. The Society's mortgage book increased by £39m during the year.

The Society welcomed 988 new or returning borrowers. A total of 63% of maturing mortgage balances were transferred on to a retention product, which was £4.7m above plan. The retentions team have managed over 883 maturing accounts and adjusted their process to allow customers to switch up to three months early without paying an Early Repayment Charge.
This was to support borrowing members who were concerned about the rising rate environment and to encourage retentions.

In March 2022, the Society launched two new green additional borrowing products for existing customers looking to make their homes more energy efficient. These products support customers to fund approved green home purchases which are: solar panels, traditional insulation, air source heat pumps, rainwater harvesting, double/triple glazing, low energy lighting, boiler upgrades, wind turbines or electric car charging stations.

As our customers are becoming more conscious of the importance of sustainability, we will thread our sustainability objectives throughout our offerings and highlight initiatives to our direct customers and our intermediaries. We will continue to build on our green product offering with the introduction of the mortgage origination system and this will extend into our lending criteria, including the introduction of modern methods of construction and a greater focus on improving Energy Performance Certificate (EPC) ratings.

The Smart Money People Lender Benchmark Survey H1 2022 saw a large increase in feedback received from brokers, with 50 responses (2021: 12). This larger number of responses enables us to have a more robust and accurate score for our mortgage business, achieving an overall rating of 88.8% and a 4* rating. Further insight into our report is shown below. We will now use these findings to put into our ongoing improvement programme, to result in an enhanced process for both brokers and internal operations.

Smart Money People: Lender Benchmark Survey H1 2022

Highest performing feedback areas:

1. Satisfaction with relationship managers (93.5%)
2. Ease of determining product eligibility (90.2%)
3. Ease of determining max loan amount (88.4%)

Consistent with the previous report, our lowest scoring feedback area was the speed to process applications through to offer (75.8%). Underwriting continues to be a strength, with the majority of comments in this theme being positive (83%); brokers praised the "personal approach", "common sense lending" and the ability to speak with the underwriting team directly.

	SBS	All lenders	Building Societies
People	**100%**	70%	84%
Product & lending	**89%**	74%	68%
Process	**62%**	57%	60%

NPS score:
72.0

Overall rating:
88.8%

★★★★☆
Star rating:
4

Pieces of feedback:
50

Strategic Report continued.

Arrears

With the cost-of-living crisis, and successive Bank of England Base Rate rises, this year the work carried out by our Collections Team has been even more vital to ensure we support our borrowing members who may have been experiencing payment difficulties.

In December 2022, a Payment Shock Taskforce was created with the collections team, to proactively contact maturing customers whose monthly payment may increase by more than £200 per month.

A direct 'mortgage payment difficulties' phone number was added in prominent places on the website and on member communications to ensure that anyone affected by the cost of living would be able to access help quicker.

The Society arrears levels currently remain low. The Society has a dedicated arrears team which aims to support members with payment difficulties sympathetically. We seek to agree sensible and affordable payment arrangements with those borrowers wherever possible to enable them to manage their payments. At 30 November 2022 there were 11 (2021: 17) mortgage accounts where the arrears were the equivalent of 12 months' payments or more.

The total amount of principal outstanding in these cases was £1.7m (2021: £2.3m). The total amount of arrears was £226k (2021: £467k). At 30 November 2022, the Society had 3 (2021: 2) properties in possession. We had 17 accounts in 2022 that were able to exit forbearance measures and either resume normal payments or redeem the account. At 30 November 2022, the Society had 38 (2021: 63) mortgage accounts subject to forbearance, which equates to 0.91% by number of the total mortgage book. These mortgage accounts have a total balance of £3.8m (2021: £5.6m). 15 (2021: 34) of these cases are currently in arrears, with total arrears balances of £136k (2021: £122k). Where the Society considers there is a possibility of loss, a provision is made in accordance with the Society's policies.

Retail Savings

Our proposition has continued to be based on competitive products and on the excellent customer service delivered in our nine branches and one agency. The 305 Smart Money People customer reviews we received specifically for our savings business have produced a rating of 99% with a Net Promoter Score (NPS) of 92. Feedback from surveys highlights the value of branches and customer service, with customers using words such as *friendly, helpful, personal* and *local* to describe their experience.

Changes to our savings portfolio this year included increasing the maximum balance in fixed rate bonds from £150k to £200k. We introduced a new 120 Day notice account, a new regular saver account, and increased the maximum monthly deposit from £250 to £500 on new issues of our regular saver accounts. We launched two accounts in collaboration with Suffolk Wildlife Trust, A Nature Reserve Regular Saver and a Suffolk Young Saver account, both of which offered discounted membership of the Trust.

The Society is pleased to note that retail savings balances have increased by £34m since last year (2021: £23.5m) and the Society opened 3,743 new accounts during the year (2021: 2,772). The Society opened 1,529 new accounts for 1,522 new members (2021: 935). Total membership now stands at 64,656 (2021: 66,708). The first Child Trust Funds started to mature in 2021. This financial year we have retained 54% of these funds (£2.9m). Across the suite of savings products, we retained 89% of our maturity balances by year end.

We also relaunched our home insurance offer from Royal & Sun Alliance Insurance Ltd (RSA) this year, with a focus on online information and in-branch advice.

The eight successive Bank of England Base Rate changes from 1 December 2021 to 30 November 2022 saw it rise by a total of 2.9 percentage points. During the same period the Society increased its Standard Variable Rate (SVR) by 1.7 percentage points. The Society increased the rates payable on variable rate savings (on a product-by-product basis) with each SVR rise.

Increased profit levels mean we can reinvest into the Society for the benefit of members. Achieving a profit is important for the long-term

Base Rate change	Our SVR
16 December 2021 +15bps to 0.25%	1 February 2022 +15bps to 5.39%
3 February 2022 +25bps to 0.50%	1 March 2022 +15bps to 5.54%
17 March 2022 +25bps to 0.75%	No change
5 May 2022 +25bps to 1.00%	No change
16 June 2022 +25bps to 1.25%	No change
4 August 2022 +50bps to 1.75%	1 September 2022 +30bps to 5.84%
22 September 2022 +50bps to 2.25%	1 November 2022 +50bps to 6.34%
3 November 2022 +75bps to 3.00%	1 December 2022 +60bps to 6.94%
Total rate changes +290bps	**Total rate changes +170bps**

sustainability of the Society because it enables the Society to add to its capital reserves and grow further. It has also enabled us to give generously to local good causes
and invest strategically with our charitable partners.

The Society needs to invest to stay relevant for the future. As a result of our profit growth we have further developed our brand, and are implementing a new mortgage origination platform. The Society will also develop its online savings proposition. The Board remains confident the Society can remain profitable over the three year corporate plan period which allows the Society to grow to outrun its costs.

Management expenses

Management expenses consist of administrative expenses, depreciation and amortisation. The Board will exercise close control over costs in the coming years whilst acknowledging the need to attract and retain high-quality in staff in a highly competitive labour market. In 2022 management expenses were £11.9m. Continued focus and management attention on costs is vital, particularly as the Society continues its digital journey. The Society constantly seeks to make processes more efficient to control costs but not at the expense of the bespoke service members want.

Capital

The Society's total regulatory capital is £42m, an increase of £4m from the previous year. The capital position therefore remains strong, giving the Society a sound platform from which to grow further. The Tier 1 Capital Ratio was 14.6% at 30 November 2022 (2021: 14.1%). As part of the Capital Requirements Directives (CRD) the Board has assessed the adequacy of the Society's capital resources. Information about the Society's Pillar 3 disclosures, which are a requirement of the CRD, together with the disclosure to comply with the requirements of Article 89 of the Capital Requirements Directive IV (CRD IV), is provided on the Society's website www.suffolkbuildingsociety.co.uk.

Profit Before Tax for the year ending 30 November 2022.

The Society achieved a profit before tax of £5.9m (2021: £2.9m). In 2022, this included a hedging gain of £0.7m, so for this financial year the 'pre hedging gain' profit was £5.2m. For comparison, in 2021 the hedging gain was £0.3m, so the equivalent for 2021 was £2.6m. The result for 2022 is a significant improvement over that of 2021.

The primary cause of the increased profit is net interest income. The Society's Net Interest Margin (NIM) improved to 2.2% in 2022 from 1.9% in 2021.

The Society's profit this year has heavily benefited from a rising rate environment. These economic conditions are unlikely to be repeated and it is important that the Society has been able to build its capital strength during this time for its long-term sustainability.

As explained elsewhere in the Chief Executive's Report, the increases in the Bank of England interest rate have been largely matched in terms of increases to both borrowers and savers. The main driver for the improvement in profit is the structure of the Society's balance sheet; the Society has more variable rate interest-bearing assets than variable rate interest-bearing liabilities.

A large proportion of these assets comprises £119m in Bank of England balances and Debt Securities which attract variable rates in line with bank base rate. When market rates rise, the income from these assets increases. This is partly offset by Bank of England funding of £55m, which similarly attracts an interest charge which moves in line with bank base rate, resulting in a net benefit from Bank of England liquidity activity.

In terms of hedging, the steps the Society takes to hedge the risks from rising interest rates mean that the cost of funding is capped to some extent. The Society has benefited from the hedging instruments that were executed when the market expectation for future rates was much more pessimistic than it is now.

In relation to hedging, the Society operates under the Prudential Regulation Authority's 'matched' treasury regulations in line with its size and complexity. This means that the Society is not permitted to take interest rate positions, and as such, is required to hedge its mortgage assets to mitigate interest rate risk. As a result, the Society can incur hedging gains or losses over the period of the mortgage assets. Due to the nature of the accounting treatment for derivatives, short-term gains and losses can occur although these should net off over time.

This volatility is caused by changes in the yield curves used to value the derivatives. The yield curves themselves move due to the anticipation of bank Base Rate movements, and the inherent market view of the prospect of these movements. This has seen particular volatility over the past few months due to the mixed views on the prospect of Base Rate rises both in terms of magnitude and timing.

Membership Review.

Our vision.

To be a strong, growing, fiercely independent building society.

Our mission.

To be a safe home for savers and to provide safe homes for our communities.

Our values.

MEMBERSHIP

Our members are at the heart of everything we do.

ACCESSIBILITY

Our door is open and it's got real people behind it.

COMMUNITY

Our community isn't just where we are; it's how we are.

The Society established a clear mission statement and a revised set of values which articulate our commitment to be a safe home for savers and to provide safe homes for our communities. We put members at the heart of what we do and place an emphasis on personal customer service.

Our proposition has established a strong strategic direction for our brand in the coming years, which will set the Society apart from banks and online savings platforms for an audience that shares our values.

As we grow, we continue to modernise for the benefit of our members. This year has seen work to enable members to carry out some account changes digitally via the use of web forms. Enhancements to follow include an online booking facility for branch appointments. The introduction of DocuSign, for digital document signing, will enable electronic withdrawals, a better member experience and less paper required during the account opening process. We also re-launched our home insurance offer from RSA this year, with a refreshed web page detailing product personalisation, backed up by in-branch advice.

Our borrowing members faced rising interest rates after a period of historically low rates. In December 2022, a Payment Shock Taskforce was created with the collections team, to proactively contact maturing customers whose monthly payment may increase by more than £200 per month. The Society takes a supportive approach to all our borrowing members and this ensures our level of arrears has remained low.

Member engagement continues to be a priority and this year we were able to return to a live Annual General Meeting and live member events. The behind-the scenes member event with Suffolk Wildlife Trust was oversubscribed and we were able to offer members a discount to attend an electric vehicle track and test day. Real members feature in all our brand photography and we interviewed some for 'member stories' to find out why they save with us and what membership means to them.

Our environmental strategy extended to new products for both savers and borrowers. In collaboration with Suffolk Wildlife Trust we launched a Nature Reserve Regular Saver which offered discounted membership of the Trust, and a Suffolk Young Saver account which also offered the discount. For borrowers we introduced green additional borrowing to enable members to make energy-efficient home improvement, for enhancements such as an electric car charging point, insulation, solar panels or a heat source pump.

Our heritage resonates strongly with members, and over 800 people came through the doors of our flagship branch Mutual House in Ipswich for Heritage Open Day. In addition to tours of this historic building, our archivist Margaret Hancock took guests on walking tours of Ipswich, to highlight the homes we built nearby.

Community Review.

Community is one of our three values; our membership proposition research showed that local community is an issue of importance to members and non-members in the Eastern Region – across all demographics but particularly those in the age group 25-34.

When the conflict in Ukraine started in February 2022, we immediately used our branch network to accept monetary donations from members to be distributed by the Red Cross – to date £2,995 has been raised. When Suffolk Community Foundation launched its Surviving Winter fundraising campaign, we once again gave our full support with marketing and by receiving donations in branch.

In addition to our strategic charity partnerships, local charities have benefitted from over £19,000 donated across nine charities – one for each branch. Our branch teams supported both the Hadleigh and Haverhill Shows by taking exhibition stands to meet and greet members and potential members. They have also attended careers fairs in local schools and been fully involved within their local communities.

The Queen's Platinum Jubilee offered an opportunity for members and non-members alike to visit branches with their photographs of jubilees and visits to the county by Her late Majesty Queen Elizabeth II over the years, and scrapbooks were created in each branch.

Team-building activities have taken place at environmental charity Green Light Trust and teams have volunteered at Suffolk Wildlife Trust as part of our relaunched staff volunteering programme.

Charitable Donations

£25,000	Strategic Charity Partners - Suffolk Wildlife Trust, Emmaus Suffolk, Ipswich Housing Action Group (ihAg) and Lighthouse Women's Aid
£19,241	Mutual Advantage Account – donated to nine local charities*
£7,882	We-Care Account – St Elizabeth Hospice, Suffolk Wildlife Trust and East Anglian Air Ambulance*
£5,000	Suffolk Giving Fund – administered by Suffolk Community Foundation
£4,264	Donated to other causes
£61,387	**Total**

* This account is now closed.

Profit before tax increase of 103%

Total regulatory capital £42m

800 visitors for Heritage Open Day

Our People Review.

British Bank Awards
BEST BUILDING SOCIETY
WINNER 2022

British Bank Awards
BEST SPECIALIST MORTGAGE PROVIDER
HIGHLY COMMENDED 2022

Winning the Best Building Society 2022 award and receiving recognition within the lending industry at the British Bank Awards and Moneyfacts are symbols of excellence that could not have been achieved without the staff going above and beyond to deliver an excellent service.

The Society uses Engagement Multiplier to monitor and improve staff engagement. Surveys over the last three years have shown improvement in the overall employee engagement score from the starting position. Our colleague engagement has risen this year from 74.6% to 76.6% taking us firmly into the "engaged" zone.

Feedback from the Engagement Multiplier is always acted on. Staff development days, different communication strategies and more opportunities for social interaction are some of the initiatives that have resulted directly from our twice-annual survey. There has also been an accelerated uptake of external study.

As the financial year progressed it was clear that the rising cost of living was becoming a considerable concern for many of our employees. We were very keen to look after our staff by doing what we could to relieve this worry and therefore agreed that the majority of employees would receive £1,000 in October 2022 to assist with the cost of living over the winter months. We continue to pay the Real Living Wage to all employees. Wellbeing is a priority and the Society has now become part of the Norfolk and Suffolk NHS Foundation Trust "Wellbeing Friends" group, in addition to offering mental wellness sessions to all staff during work time.

Within the Society's corporate plan we have set the following objectives for our people strategy.

- *To ensure the Society's culture fully reflects the Society's mission, vision and values*
- *To ensure that the Society can be viewed as an "employer of choice" and attract sufficient talent and resource.*
- *To ensure that the Society makes maximum use of its people resource.*
- *To ensure that the Society's culture is inclusive in all areas and respectful of cognitive diversity.*

The Society has now mobilised its ESG policy that encompasses all aspects of a value-driven organisation and supports its people strategy. A team of ESG Champions has been established to ensure the successful implementation and embedding of the programme throughout the Society. Additionally, a more energised and efficient volunteering programme has been launched along with a review of our charitable partners to align with our ESG programme.

The Society's adoption of a hybrid working policy means that Head Office employees now have more improved flexibility and choice. There is a friendly, collegiate style among employees and a very strong culture and desire to support our local communities. We are furthering opportunities for development with increased secondment, job-sharing and staff development days where team members can spend a day with another team understanding the challenges and opportunities their colleagues face. This year, 47 members of staff took part in one of these development days, representing almost a third of the Society's total workforce. Continuous Professional Development extends to professional qualifications too; this year, eight members of the Society achieved an external qualification and one member of staff completed their apprenticeship.

The Society nurtures a diverse and inclusive working culture in which everyone is valued and treated equally. Diversity and Inclusion is an integral part of the Society's ESG framework which is in line with the United Nations Sustainable Development Goals relating to health and wellbeing. Employee recognition is aligned with our values through our 'Living the Values' Awards.

Our new behaviours framework means that staff performance is now measured not just on competence or outcomes; the behaviours demonstrated to achieve success are also carefully assessed by our people leaders.

Our core behaviours:

1. Progressive, Adaptable and Motivated
2. Inclusive, Caring and Authentic
3. Courageous
4. Professional
5. Collaborative

Our Sustainable Society.

The Society has mutuality at its core, and the ethos that underpins mutuality is well aligned with the increasing focus on ethics, sustainability, and purpose in society in general. As a mutual the Society was established with a clear original social purpose, which was to provide homeownership to 'ordinary' people. This social purpose is clearly aligned to the Society's current mission statement.

ESG and sustainability

ESG can seem quite a complex concept, but it is at its heart sustainability; taking into consideration the environmental, social and economic impact of our actions, and ensuring that there is a balance between environmental protection, social equality and economic prosperity, or the 3 Ps (Planet, People, Profit).

Building an ESG framework

In 2022, the Society began to build on its existing environmental and social credentials with the development of an ESG programme and strategy, supported by an expert advisor in the corporate sustainability space.

The Society had already adopted the United Nations Sustainable development Goals (UN SDGs) as the basis for implementation of an ESG framework. The specific UN SDGs that the Society has included within its frameworks are as follows:

- *Sustainability Goal number 13: Climate action*
- *Sustainability Goal number 11: Sustainable Cities and Communities*
- *Sustainability Goal number 10: Reduced inequalities*
- *Sustainability goal number 3: Good health and wellbeing*

In 2021, the Society put in place an implementation plan for the UN SDGs which sets out its objectives over the short-term (2021-2024), medium-term (2025-2030) and long-term (2030+). The Society aims to be carbon neutral throughout its own operations by 2030.

The Society will continue to regularly update its progress in the implementation of these goals as it strives towards the highest standards of sustainability.

Overall, this ESG programme will ensure that the Society makes the required changes that will result in creating opportunities, mitigating risks and providing best practice within the building society sector.

ESG in our community

In 2022, the Society made strong strides in embedding its ESG framework throughout the Society. A key factor in this has been the recruiting, training and mobilising of 12 ESG Champions from across the Society.

The Champions undertook a full day of dedicated ESG training, then studied for and completed assessments which resulted in ESG certification. They have already begun to work on a variety of workstreams covering issues that range from environmental, such as climate action and energy efficiency, to social, such as mental health and wellbeing, diversity and equality, or community engagement.

In the wider workforce, we also have buy-in for our approach. In an ESG staff survey undertaken in 2022, 74% of respondents said they would be more willing to work for a company that has integrated ESG into its operations than one that has not. 91% said they support the Society's efforts to take a leadership role within its sector around ESG issues by promoting ESG principles through its operations.

Our member proposition research found that 'Conserving wildlife and the natural world' was the key issue of concern for the majority of members and non-members across the Eastern Region (91%), so we know that there is an appetite for and a growing movement towards sustainability.

Our charitable partners

Part of a strong ESG strategy is also the need for stronger partnerships between companies and charitable organisations. During 2022, the Society identified charities with which to build strategic and

Profit before tax of £5.9m

Retail savings have grown to £681m

Mortgage asset increased to £655m

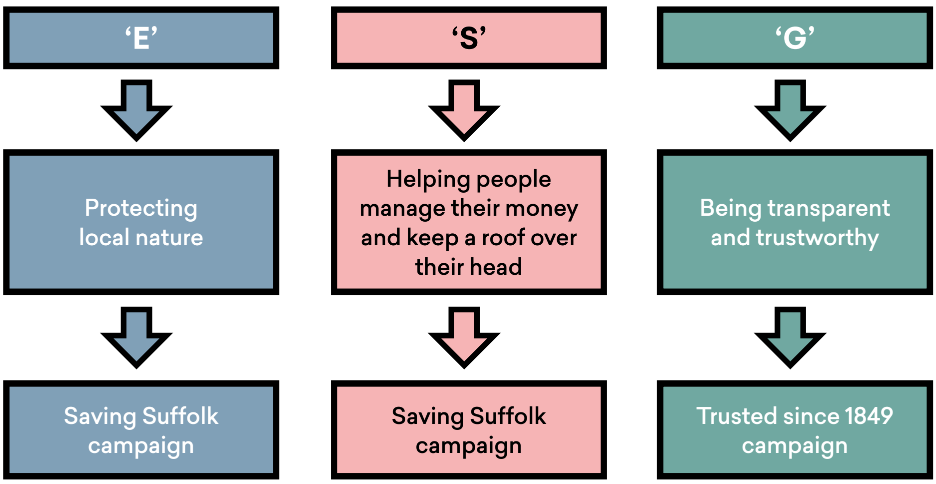
Our Sustainable Society continued.

long-term relationships. Establishing a strategic partnership is also more effective for both sides; the aim is that everyone involved benefits equally.

Under the environmental pillar, we will be partnering with and continuing to build our existing relationship with the Suffolk Wildlife Trust. Under the social pillar, we have established a three-way partnership with Ipswich Housing Action Group (ihAg) and EMMAUS to tackle the housing crisis. We are also establishing a partnership with Lighthouse, the Womens' Aid organisation, to support women impacted by domestic abuse. These charities have been chosen as their missions locally align very much with our own.

Articulating our ESG strategy

In order to make our ESG strategy clear to our audience, we have articulated it into three pillars:



Saving Suffolk campaign

Through our partnership work with the Suffolk Wildlife Trust and potential partnership with Project Seagrass, we will support projects that aim to decarbonise Suffolk, and provide a safe home for nature. We will begin by sponsoring the Martlesham Wilds project, 289 acres of arable land purchased by the Suffolk Wildlife Trust which will be given back to nature through a wilding project. Our volunteering programme will help staff across the Society to support these initiatives directly. We will also launch products for homeowners and self builders to fund projects that can help to make their homes more energy efficient – to keep the bills down and contribute to a greener housing stock.

Safe Homes for Suffolk campaign

Through our partnership work with Emmaus Suffolk, Ipswich Housing Action Group and Lighthouse Women's Aid, we will support projects that aim to tackle the housing crisis in the region, deliver help to those who are in debt and at risk of homelessness, and provide safe spaces for women under threat of domestic violence. We will donate funds that the charities can use for basics such as food, shelter, and essential belongings, as well as the support of professionals. Staff from the Society will work on a financial education programme that can provide vulnerable people with the budgeting life skills they need to support themselves to avoid homelessness.

Trusted Since 1849 campaign

We know savers choose to save with brands they know and trust. We will always be transparent in how we operate, and we will demonstrate why the people of Suffolk have been putting their trust in us since 1849. This will run through our brand messaging in our advertising, our corporate and operational communications, and our AGM. We will emphasise face-to-face service and seek to incorporate new ways for people to do business with us, whether that is through the website or out in the community.

Our own carbon footprint

We continue to be holders of the Silver Suffolk Carbon Charter Award, which is awarded to Suffolk organisations who are making significant and measurable progress on carbon reduction. We have continued to build on actions to reduce our carbon footprint, with several initiatives. These include:

- The continued use of solar photovoltaic panels in our head office. During the financial year 2022, the solar panels produced 34,190 kwh of electricity. This is enough electricity to power over 11 homes for a year (based on Ofgem UK average house data)
- Signing up to the lease of an electric vehicle to replace our current pool car used by Society staff for business travel
- Installation of car charging points for our staff at our Freehold House head office. These are powered by our solar panels
- The installation of additional roof insulation in all our premises to aid energy efficiency
- Installation of window film in head office to improve energy efficiency of our air conditioning
- Identification of process changes and increased use of technology to reduce the need for paper We have also installed new software which has resulted in a reduction of printing
- The installation of LED lighting in all our premises to reduce energy consumption
- Encourage as much recycling as possible amongst our staff. We maintain recycling collections at all our sites for paper, card, plastics and cans
- Replaced plastic wallets for new member packs with a reusable branded tote bag. New members are also encouraged to receive their welcome pack by email wherever possible

The data capture for measuring the management of our carbon emissions is currently a journey. We currently collate carbon data related to energy usage in all our premises.

Between January and March 2023, we will be working with Groundwork East to further develop our carbon monitoring, for example to include measurement of carbon related to business travel, and to ensure we identify specific further actions that we need to undertake to work towards our carbon neutrality goal.

Risk Review.

Key Risk Objective	Level 1 Risk
FINANCIAL Our objective is to manage profit volatility within defined parameters with capital and liquidity at levels that allow the Society to operate effectively in both normal and stressed conditions.	• Capital • Liquidity & Funding • Interest Rate Risk • Wholesale Credit Risk • Financial Reporting & Regulatory Returns • Model Risk
RETAIL CREDIT Our objective is to manage and control credit risk within defined limits and exposures and to underwrite more complex mortgages for our customers that fit with our underwriting expertise.	• Lending Quality • Concentration Risk • Credit Monitoring • Problem Debt Management • Climate Change
OPERATIONAL Our objective is to develop and maintain cost-effective and operationally resilient systems, infrastructure and processes (including those provided by a third party) to deliver the corporate strategy. We will have in place the right number of skilled and motivated people. We will develop and retain our best talent.	• Information Security & Records Management (inc. Data Quality) • Systems • Change Management • Third Party Suppliers • Fraud • People Risk
CONDUCT Our objective is to deliver good customer outcomes consistent with our vision. Our foundation is the delivery of compliant products, processes and systems in how we treat or interact with our customers. We will seek full compliance with appropriate regulations.	• Product Design • Sales – Savings • Sales – Mortgages • Post Sales – Savings • Post Sales – Mortgages • Governance & Culture • Legal Risk • Financial Crime • Compliance Oversight

The key risks incurred in the Society's activities include retail credit, financial, operational and conduct. Key risk objectives and Level 1 risk categories, which are based on the Society's strategic objectives, are outlined in the table above. Each Level 1 risk is owned by a nominated member of the Society's Senior Leadership Team. In the event of a Level 1 risk being deemed outside Board-approved appetite, management actions are put in place to ensure the Society operates adequate and effective controls within Board-approved limits over the longer term. The Society has an Executive Risk Committee (ERC) that monitors and reports monthly on the Society's risk profile to Board Risk and Compliance Committee. Retail Credit Risk Committee, Assets and Liabilities Committee, and the Operational and Conduct Risk Committee report to the ERC. The risk profile of the Society has remained stable during 2022.

Throughout 2022 the Society has continued to carefully manage liquidity risk, set aside sufficient capital to protect members from all reasonable, foreseeable circumstances and ensure we manage our lending risk within pre-agreed risk appetite levels. We continue to ensure we meet all regulatory requirements and conduct business to ensure good customer outcomes. We maintain procedures to help our staff to identify and support our members who may be vulnerable or affected by the increased cost of living. We have also worked to ensure our operations are resilient to maintain continuity of key member services against pre-defined thresholds.

Risk Review continued.

Capital risk: The Board complies with the Capital Requirements Directive IV (CRD IV) which requires the Society to assess the adequacy of its capital through an Internal Capital Adequacy Assessment Process (ICAAP). To assist the Board in determining the level of capital required, stress testing and scenario analysis are performed on key business risks to assess whether the Society could survive a severe economic downturn and other severe business shocks. Through this process the Board ensures that the Society holds a level of capital sufficient to satisfy regulatory requirements and meet our own internal capital assessment. The Pillar 3 disclosures required under the CRD are available from the Society's Secretary, or on our website.

Liquidity risk: Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. This includes requests from members to withdraw funds and complete new mortgage drawdowns. The Society is required by regulation to hold a calculated level of liquidity. Liquidity investments are held in either on-call accounts or as short term dated investments including Certificates of Deposit (CDs) and Floating Rate Notes (FRNs). However, we hold most of our on-call liquidity investments with the Bank of England. At 30 November 2022 we had a total of £121.6m held as liquid assets. £96.6m was available on-call with the Bank of England and the remainder sat in cash, CDs and FRNs.

Interest rate risk: Interest rate risk arises from either a mismatch between the interest rate characteristics or the maturity profiles of assets and liabilities. The Board-approved Treasury Policy includes set limits for assets and liabilities on different interest rate bases. Where possible we use natural hedging between our fixed-rate mortgages and fixed-rate savings bonds. We also use interest rate swaps to manage interest rate risk within our Balance Sheet. Further details can be found in note 28 of the Accounts.

Wholesale credit risk: Wholesale credit risk is the risk of default on assets held to mitigate liquidity risk (on-call accounts, CDs and FRNs). We manage the risk of investing these liquid assets by having strict criteria for accepting counterparties to invest in and absolute limits for these investments with each counterparty. These criteria and limits are stated in our Board-approved Liquidity Policy, and include a requirement for counterparties to have a Fitch rating of A- or higher (except building societies where management may use their specialist knowledge). We review our approved counterparty list and investments made at the Assets and Liabilities Committee.

Retail credit risk: This risk materialises when a loss is incurred through non-repayment of mortgage lending and is mitigated through our Board-approved Lending Policy, which shows our risk appetite for our lending and includes clear guidelines for mandate levels and lending. We also focus on supporting borrowers who may be having payment difficulties to help mitigate any potential loss and assist the borrowers in returning to a normal repayment pattern. Where we consider the potential for a loss we make a provision for this in accordance with our policies.

Operational risk: Operational risk is the risk of loss through inadequate or failed internal processes or systems, including human error or external events. Operational risk events and near misses are captured and root cause analysis is undertaken to identify and mitigate further risk events. We believe our membership can only be served by having committed, knowledgeable staff, with the ability and authority to meet the requirements and expectations of our members. As such we encourage all staff to undertake personal development and advancement, and we recognise and reward their achievements, creating a sense of pride in serving our membership, and in providing total customer satisfaction. The Society has performed a self-assessment of its operational resilience and will do so annually to ensure it can continue to deliver its critical services to members under a range of different "threats".

Conduct risk: Conduct risk arises when a firm's behaviour results in inappropriate or poor outcomes for customers. Our culture is based upon ensuring that each of our members has a right to expect that their relationship with us will be conducted in a fair and consistent manner. We recognise our members as the owners of the Society with individual requirements and expectations, and this approach is demonstrated within our conduct risk framework. We design products with target markets in mind. We have policies and procedures in place to ensure compliance with the regulations that affect our business. The volume and complexity of compliance with these regulatory issues may impact the Society's ability to compete and grow. The Board will continue to monitor regulatory changes to ensure that the Society continues to meet all its regulatory requirements.

Corporate Governance.

Our Board of Directors

Peter Elcock
Chairman

Non-Executive Director 2014-2020 and since 2022. Board Chairman since December 2022 (independent on appointment). Committees: Chairman's and Nominations (Chairman), Remuneration

Skills and experience

Peter Elcock has worked for over 40 years in the financial services industry including roles at Barclays, Coventry Building Society, Charter Court Financial Services Group PLC (CCFS) and One Savings Bank. Peter is passionate about the mutual model, its values and the safety and security it brings to members and is pleased to be able to bring his experience and practical understanding of the risk, regulatory and compliance areas to support the Society.

Current material external positions

Non-Executive Director, Advanced Payment Solutions Limited.

Previous positions include

Founder, Cornhill Consulting

Chief Risk Officer, OSB Group (OneSavings Bank)

Chief Risk Officer, Coventry Building Society

Sian Hill
Non-Executive Director

Non-Executive Director since 2020. Committees: Audit, Board Risk and Compliance, Remuneration

Skills and experience

Sian is a Fellow of the Institute of Chartered Accountants in England and Wales. Sian was at KPMG for many years including over twenty years as a financial services tax partner advising a broad range of financial institutions. She retired from KPMG in June 2018.

Current material external positions

Non-Executive Director, Cordiant Digital Infrastructure Limited

Non-Executive Director, Apollo Syndicate Management Limited

Non-Executive Director, Yealand Fund Services Limited

Trustee of Place2Be, a leading UK children's mental health charity.

Previous positions include

Partner, KPMG

Paul Johnson
Chief Financial Officer

Board Director since 2020

Skills and experience

Paul Johnson joined the Society in June 2020. Paul was previously Head of Finance at Vanquis Bank for six years, having been at Citi previously for fifteen years in a variety of senior finance roles, including CFO of the UK Consumer business. Prior to that Paul held a number of financial controller roles including the broker subsidiary of Société Générale, and started his career at Deloitte. Paul is a fellow of the Chartered Association of Certified Accountants.

Previous positions include

Head of Finance, Vanquis Bank

Chief Financial Officer, UK Consumer Citi

Elaine Lenc
Non-Executive Director

Non-Executive Director since 2019. Committees: Board Risk and Compliance, Chairman's and Nominations, Remuneration (Chairman)

Skills and experience

Elaine is a Fellow of the Chartered Institute of Bankers in Scotland. She has had a lifelong career in Financial Services and held senior posts at National Australia Group Europe, latterly as Director, Customer Remediation but spanning IT and Strategic Change, Products and Marketing, Retail and Business Banking across four European banks.

Current material external positions

Governor, Delta Academies in North Yorkshire.

Previous positions include

Director, Customer Remediation, National Australia Group Europe

Steve Liddell
Non-Executive Director

Non-Executive Director since 2017. Committees: Audit (Chairman), Board Risk and Compliance, Chairman's and Nominations, Remuneration

Skills and experience

Steve Liddell is a Fellow of the Institute of Chartered Accountants in England and Wales. He retired from Mazars LLP, where he was a financial services partner, in 2020. He previously worked for many years at KPMG and was the senior partner at the firm's Ipswich office from 2002-06. Steve lives in Suffolk and has over 30 years' experience in working with regulated businesses.

Current material external positions

Non-Executive Director, Samsung Fire & Marine Insurance Company of Europe Ltd

Non-Executive Director, Aspen Syndicate Management Limited

Non-Executive Director, Aspen Insurance Company UK Limited.

Previous positions include

Partner, Mazars LLP

Partner, KPMG

Rebecca Newman
Chief Operating Officer

Board Director since 2022

Skills and experience

Qualifying as a solicitor in 2008, Rebecca acted as legal counsel within the financial services industry for over seven years before joining the Society in 2015 as society secretary with responsibility for board governance. She soon became Legal Counsel and then Chief of Staff, developing the Corporate Governance framework to include ambitious programmes on ESG, Diversity and Inclusion and Employee Performance. Rebecca joined the Board as Chief Operating Officer in May 2022.

Previous positions include

Legal Counsel,
AXA Liabilities Managers

Richard Norrington
Chief Executive Officer

Board Director since 2016 and appointed Chief Executive Officer 2016. Chairman's and Nominations Committees

Skills and experience

Richard has extensive leadership experience in the financial services sector, in a career spanning over three decades. He spent 16 years with Barclays Bank PLC, and, more recently, ten years at Clydesdale & Yorkshire Bank where, as regional director, he had responsibility for the East of England area. He is passionate about the Society's social purpose and mutual values.

Previous positions include

Regional Director,
Clydesdale & Yorkshire Bank

Steve Reid
Non-Executive Director,
Deputy Chairman

Non-Executive Director since 2016. Committees: Chairman's and Nominations, Board Risk and Compliance (Chairman), Remuneration

Skills and experience

Steve has spent his entire career in the Financial Services industry with a particular focus on Retail banking and Wealth Management. During this time, he has held Executive roles with the Woolwich Building Society, Barclays Bank PLC, National Australia Group Europe and as CEO of Allied Irish Bank (UK).

Current material external positions

Non-Executive Director,
Wyelands Bank

Previous positions include

CEO, Allied Irish Bank (UK)

Fiona Ryder
Non-Executive Director,
Senior Independent Director,
Whistleblowing Champion

Non-Executive Director since 2018. Committees: Board Risk and Compliance, Audit

Skills and experience

Fiona is a Fellow of the Royal Society of Arts with over 25 years' experience across the broadcasting, digital and commercial sectors. She was previously the founding CEO of instore marketing and communications company, The Cube Group, before its profitable sale in 2006 and more recently the Managing Director of Archant's local TV station for Norwich and environs. Fiona lives in Suffolk.

Current material external positions

Fiona is an Executive Director at Bonza Music Ltd and TCD Media

Previous positions include

Managing Director,
Mustard TV Limited

CEO, Cube Music Limited

Corporate Governance continued.

Report on Corporate Governance

The UK Corporate Governance Code (the Code) was revised in 2018. The Code sets out a number of principles that emphasise the value of good corporate governance to an organisation's long-term sustainable success. It is aimed at listed companies and therefore the Society is not specifically required to comply. However, the Society is committed to maintaining best practice in corporate governance. This report explains the actions that the Society has taken under each of the Code principles. The Code principles are provided in italicised text.

Board leadership and 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 of Directors' focus is to ensure the long-term sustainability of the Society for the good of our members. We do this by setting the strategy to meet the needs of our members, remain competitive and deliver our services appropriately, with a profit, to help build our capital over the long term. The Board formulates the strategy, reviews business performance, oversees the identification and management of risks and adherence to laws and regulations, and ensures that the required controls are in place and aligned to our strategy. The results achieved by the Society over recent years are a testament to the Board's effectiveness.

In 2022 the Board of Directors met 9 times with one and a half additional days dedicated to strategy. These meetings have taken place both virtually and in person throughout the year. Board meetings have a formal schedule with papers circulated in a timely manner to ensure Board members can perform their duties effectively. Minutes record details of Board, Board Committee and Management meetings.

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 reviews a cultural dashboard which provides key performance indicators to monitor the Society's culture. Culture is also independently considered by Internal Audit as part of its annual audit.

As part of the Senior Managers Regime, Directors are required to provide relevant information to enable the Society to certify annually that they remain fit and proper to continue in the role. During the year, there have been no conduct breaches reported by the Society.

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 operates an Enterprise Risk Management Framework (ERMF). There are four committees that report directly into the Board: Board Risk and Compliance Committee and the Audit Committee which meet at least quarterly; the Remuneration Committee and Chairman's and Nominations Committee, both of which meet at least twice a year. In addition, the Society has an Executive Risk Committee that is part of the Society's second line of defence and reports into the Board Risk and Compliance Committee. There are three first line management committees: Assets and Liabilities Committee, Retail Credit Risk Committee and Operational and Conduct Risk Committee, all of which meet monthly. The Terms of Reference for committees are available from the Society's Secretary on request.

Board Committees

Board Risk and Compliance Committee

The role of the Committee is to act as a second line of defence to the Society's risk management framework. The Committee assists the Board in fulfilling its oversight responsibilities by receiving regular reports from the Executive Risk Committee which enable it to assess the risks involved in the Society's business (including risks that could threaten its business model, future performance, solvency or liquidity) and to consider the principal risks identified by Management and if they are appropriate. It reviews the Society's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP). The Committee is responsible for ensuring the Society complies with the Board's risk appetite and reviews the Society's future risk strategy for economic, capital, liquidity, reputational and operational risk profiles. The Committee uses a variety of internal and external sources to make these assessments.

Audit Committee

The purpose of the Committee is to oversee the Society's financial reporting arrangements, the effectiveness of its internal controls, and the Internal and External Audit processes. The Committee approves matters and reports to the Board on its activities or makes recommendations were appropriate. Minutes of the meetings are circulated to the Board of Directors, along with a verbal report from the Chairman of the Audit Committee highlighting key issues for Board review. The key responsibilities of the Committee are set out below, together with examples of how it discharges its duties.

At least annually the Committee meets with the External and Internal Auditors without the Executive Directors or senior management present. The Board is satisfied that the members of the Committee have specialist expertise including recent and relevant financial and risk management expertise.

The key responsibilities of the Audit Committee and details of how they have discharged these responsibilities this year are set out below.

- Monitoring the integrity of the Society's financial statements and reviewing critical accounting policies, judgements and estimates.
- Reviewing the appropriateness of the going concern basis for preparing the accounts.
- Providing advice to the Board on whether the Annual Report and Accounts, taken as a whole, are fair, balanced, understandable, and include the information necessary for members to assess the Society's position and performance, business model and strategy.

The Committee considered the following significant judgements and estimates. It also reviewed reports from External Auditors and Management. More detail on the principal judgements and accounting estimates is set out in Note 1 of these Accounts.

<u>Allowance for impairment losses on loans and receivables:</u>

Determining the appropriateness of an allowance for impairment losses involves judgement and requires Management to make a number of assumptions around default rates, likely asset recoveries and other factors. The loan loss impairment provisions recorded by the Society as at 30 November 2022 were £774k.

The Committee considered and challenged the provisioning methodology applied by Management. The Committee was satisfied that the impairment provisions were appropriate.

<u>Effective Interest Rate ("EIR"):</u>

The application of the EIR method of accounting requires judgement and the accounting entries involve estimates based on key assumptions, particularly around customer behaviour at the end of the fixed term of their products. The Statement of Financial Position as at 30 November 2022 includes the recognition of a net EIR adjustment of £835k, an increase of £660k on the prior year driven by increases in the Society's standard variable rate and early repayment charges.

The Committee spent time understanding and challenging the judgements made and the methodology applied by Management in determining the EIR. The Committee agreed that Management's judgements were appropriate in respect of the year ended 30 November 2022.

<u>Hedge accounting:</u>

The Society has implemented hedge accounting in line with FRS 102. The designated macro hedges require matching, hedge effectiveness documentation and testing, and fair valuing of both the hedged instrument and the underlying hedged item. The Committee considered the appropriateness of the hedging arrangements and the fair value processes in respect of hedging instruments and the underlying hedged items. The Committee agreed that hedge accounting had been applied in accordance with FRS 102.

<u>Retirement benefit obligations:</u>

The Society makes significant judgements in calculating the present value of the retirement benefit obligations. The major assumptions are in respect of mortality and the Committee is satisfied that the assumptions used are reasonable. The net pension scheme liability recorded at 30 November 2022 was £233k.

<u>Accounting Policies:</u>

The Committee examined the Society's accounting policies to ensure they are appropriate and applied consistently. They also confirmed that the policies are in line with applicable Accounting Standards.

<u>Going Concern:</u>

The Committee considered a paper from Management covering the Society's current and projected liquidity and capital position, together with potential risks that could impact the business, as well as consideration of potential stress scenarios. This covered the period to 30 November 2026 in detail regarding long-term projections contained within the approved Corporate Plan. Based on its review, the Committee concluded that the adoption of the going concern assumption to prepare the financial statements remains appropriate.

<u>2022 Annual Report</u>:

The Committee considered whether the 2022 Annual Report, when taken as a whole, is fair, balanced and understandable and whether it provides the necessary information for members to assess the Society's position and performance, business model and strategy. The Committee was satisfied that the 2022 Annual Report meets this requirement, and, in particular, that appropriate disclosure has been included for both positive and negative developments in the year. Consequently, in January 2023, the Committee recommended the approval of the final 2022 Annual Report to the Board.

<u>External audit:</u>

In respect of external audit, the committee is responsible for:

- Reviewing the continued objectivity and independence of External Audit, including the level and appropriateness of non-audit services.

Corporate Governance continued.

- Considering the appointment, removal, performance and remuneration of the External Audit firm.
- Considering the planning, scope and findings of the annual External Audit, and the receipt of and responses to the Auditor's management letter.

The Audit Committee is also responsible for assessing the effectiveness of the annual audit process, for monitoring the independence and objectivity of the External Auditor and for making recommendations to the Board in relation to the appointment of the External Auditor. Both the Board and the External Auditor have safeguards in place to protect the independence and objectivity of the External Auditor.

During the year, the Committee reviewed the audit plan presented by BDO, and in January 2023 received the auditors' review memorandum prepared at the end of the 2022 audit.

The Society has a policy for the use of External Auditors for non-audit work in line with regulatory requirements. The Society would not consider the appointment of the External Auditor for the provision of other services that might impair independence.

<u>Internal Controls and Risk Management, including:</u>

- Reviewing the adequacy and effectiveness of the Society's internal financial controls and internal control and risk management systems in conjunction with reviewing reports produced by Internal and External Audit.
- Reviewing the statements to be included in the Annual Report concerning internal controls and risk management.

Certain risk management controls are reported through the Board Risk and Compliance Committee rather than the Audit Committee.

The Committee was satisfied that internal controls over year-end financial reporting were appropriately designed and operating effectively.

An annual report is presented to the Board on the effectiveness of the Society's whistleblowing procedures and the Board is satisfied that arrangements are in place to enable individual employees to raise concerns about possible improprieties on a confidential basis.

<u>Internal Audit, including:</u>

- Considering and approving the strategic and annual plans of work.
- Considering finalised Internal Audit reports and Management's responses to recommendations.
- Considering the appointment, removal, performance and remuneration of the Internal Audit firm.
- Reviewing the annual conclusion on the Governance, Risk and Control Framework.

Internal Audit is outsourced to Deloitte LLP. During 2021/22 the Committee monitored the effectiveness of Internal Audit and the Internal Audit programme, approving the audit plan and budget, and confirming that appropriate resources were in place to execute the plan effectively.

In the year ended 30 November 2022, Internal Audit carried out seven audits of varying size and complexity. The findings from each individual review are presented to the Audit Committee including management responses. The Audit Committee considers the adequacy of management responses and the implications of significant findings on the effectiveness of the overall internal control system and the risk management framework.

Chairman's & Nominations Committee

The Committee is responsible for making recommendations to the Board on matters relating to the composition of the Board and Senior Management. This includes Board and Senior Management succession planning, the appointment of new Directors, election and re-election of Directors and the Chief Executive Officer's annual appraisal. The Committee monitors the Society's compliance with the Board diversity and inclusion policy which places great emphasis on ensuring that its membership reflects diversity in its broadest sense. The Committee is also responsible for recommending to the Board objectives in relation to the Society's diversity and inclusion aims. The Society is a signatory to the Women in Finance Charter.

Remuneration Committee

The Committee's main role is to approve the remuneration and incentive schemes for the Society's Executive and Senior Management. The Executive together with the Chairman meet annually to review Non-Executive Director fees, including those of the Deputy Chairman, Senior Independent Director, Chairman of the Audit Committee and Chairman of Board Risk and Compliance Committee. The Remuneration Committee takes account of the Society's progress in relation to its sustainability and diversity and inclusion aims.

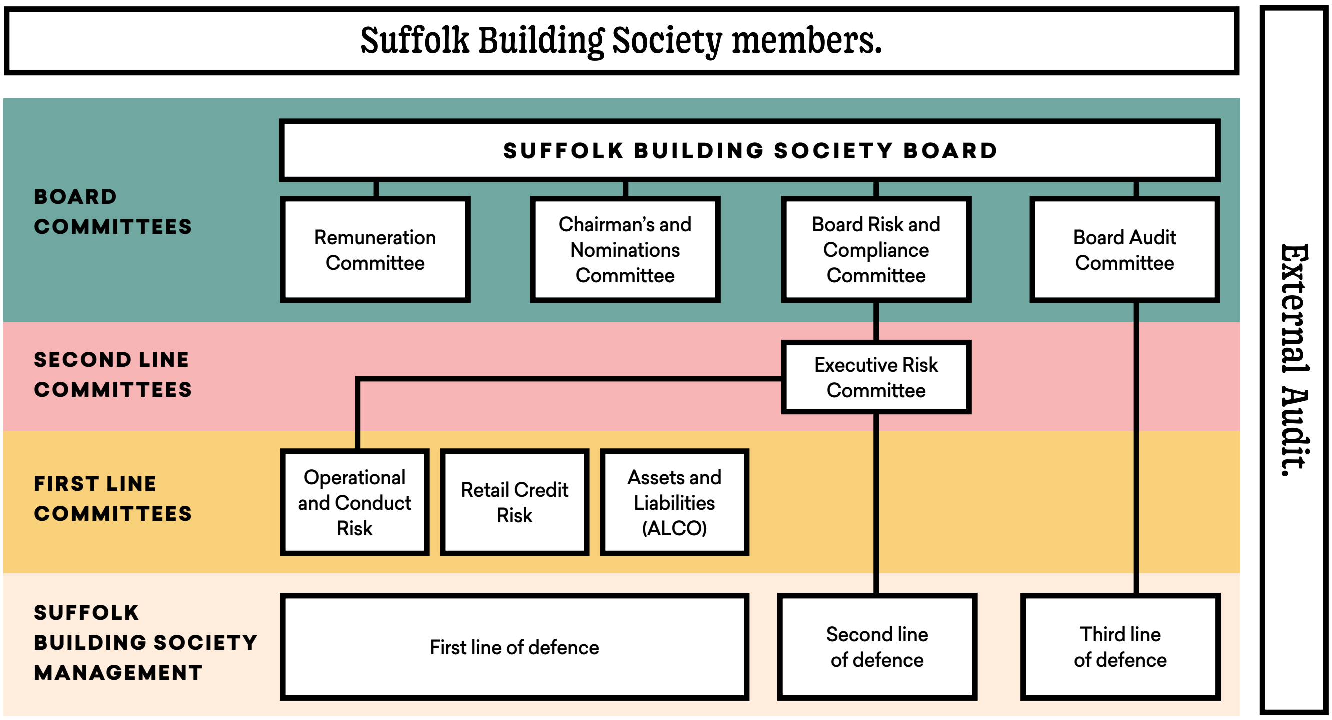
The Directors' People, Wellbeing and Remuneration Report can be found on page 33.

<u>Management Committees</u>

Executive Risk Committee

The purpose of the Executive Risk Committee is to monitor and oversee the Society's risk profile in accordance with the ERMF and Board risk appetite. The Committee is part of the Society's second line of defence. The Committee supports the Board Risk and Compliance Committee by providing oversight of the adequacy of the Society's application and embedding of ERMF tools and processes.

The Executive Risk Committee reports to the Board Risk and Compliance Committee.



Assets and Liabilities Committee

This Committee manages wholesale credit risk (the risk of default on assets), capital risk, liquidity risk (the risk that the Society will not be able to meet its financial obligations), financial reporting risk and interest rate risk (which arises from a mismatch between interest rate characteristics). The Committee is responsible for ensuring the Society operates within agreed parameters set out in the Board's Liquidity and Financial Risk Management policies. On a monthly basis the Committee reviews the relevant risk appetite profiles and metrics to ensure that the Society is operating within the Board-approved risk appetite. It refers any relevant matters or any recommendations for amendments to risk metrics to the Executive Risk Committee.

Operational and Conduct Risk Committee

The Committee manages operational and conduct risk. Operational risk is the risk of loss through inadequate or failed internal processes or systems, including human error or external events. Conduct Risk is the risk that the Society's behaviour results in inappropriate or poor outcomes for customers. On a monthly basis the Committee reviews the relevant risk appetite profiles and metrics to ensure that the Society is operating within the Board approved risk appetite. It refers any relevant matters or recommendations for amendments to risk metrics to the Executive Risk Committee.

Retail Credit Risk Committee

Retail credit risk arises when unexpected losses are incurred through non-repayment of mortgage lending. This Committee is responsible for monitoring the Society's high-level policy on lending and that the Society is operating within the Board-approved risk appetite. This includes ensuring the mortgage assets stay within agreed Board-approved levels, including reference to the PRA's Specialist Sourcebook for Building Societies. The Committee reviews the Society's Lending Policy Statement, ensuring this aligns with our risk appetite, and recommends changes to the Policy to the Board for approval. It refers any relevant matters or any recommendations for amendments to risk metrics to the Executive Risk Committee.

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.*

The Society does not have shareholders in the same way as a listed company; as a mutual society our members are our shareholders. The importance of listening to and engaging with members in the Society's activities is an important part of our culture. The Society is committed to regular dialogue with members through frequent newsletters, social media and events such as the AGM. At the AGM, members are invited to attend, ask questions and vote on their opinions. At the 2022 AGM the Society adopted a hybrid approach to attendance so that members could also attend and ask questions remotely.

The Society actively seeks member feedback through its use of Smart Money People. Members visiting branches and the Society's intermediary customers are invited to leave feedback via this system by using an online survey. The results of these surveys have been presented to the Board for review. The purpose of this dialogue with members is to understand, and better serve, their needs.

Member feedback has been instrumental in the Society's strategic direction, and feedback obtained from member focus groups as part of the Society's name change and rebrand has shaped the Society's mission and ESG principles.

Workforce engagement is facilitated by the Chief Executive Officer and the Chief Operating Officer using a variety of different forums. The Executive Team holds monthly staff briefings (both online and face-to-face) and at least once a year holds an all-staff meeting where the Society strategic direction and objectives are communicated to staff.

Corporate Governance continued.

We are actively engaged with our communities, particularly through our strategic partnership with 5 local organisations. Society employees are engaged to spend 4 hours a month volunteering with local organisations that align with the Society's mission.

We have a transparent and open relationship with our regulators and have regular dialogue with them, both directly, for example through our quarterly update with the PRA, and through our industry bodies. We monitor regulatory publications both from the regulators and wider stakeholder groups and act as required.

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

Employee 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 via a central repository and the HR team are available to provide support.

The Society utilises an anonymous online survey called Engagement Multiplier that measures employee engagement. These surveys are conducted regularly, and the results are presented to the Board. A Management action plan is prepared as a result of the survey responses to progress any areas for improvement. Engagement Multiplier also provides employees with the ability to raise any issue or question anonymously at any time.

The Society has implemented a hybrid working policy for those staff who are able to conduct their roles remotely.

Employee wellbeing remains a key focus for the Society. The Society has provided support to employees in several ways, including access to an Employee Assistance Programme which offers confidential counselling and advice on a wide range of work and personal issues.

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.*

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.*

We have separate roles for Chairman and Chief Executive Officer and these are held by different people. Each role has its own job description approved by the Board. No individual has autonomous powers of decision making. The Chairman is appointed by the Board annually.

Below is a summary of each role:

Chairman

- **Leadership of the Board, setting the tone of organisational culture and values**
- **Ensuring the Board is effective in its duties**
- **Setting and monitoring the strategic direction and risk appetite**
- **Ensuring long term sustainability of the Society**
- **Development and evaluation of Board Directors**
- **Leading open and honest debate and encouraging challenge in Board meetings**
- **Liaising with regulators as appropriate**

Peter Elcock is the Society's Chairman, and was appointed in December 2022.

Chief Executive Officer

- **Implementation of the Board's strategies and policies with support of the Executive Team**
- **Ongoing management of the Society guided by risk management**
- **Implementing and monitoring processes, people and systems to ensure effective delivery of corporate plans and budgets**
- **Developing an effective working relationship with the Chairman and Board of Directors**
- **Developing positive relationships with regulators, media, trade organisations, and other building societies to promote the Society and lobby on key issues in the corporate strategy**

Richard Norrington is the Society's Chief Executive Officer.

Role of the Deputy Chairman

Steve Reid is the Society's Deputy Chairman. The Deputy Chairman acts as a sounding board for the Chairman and with the Senior Independent Director undertakes the Chairman's annual appraisal. They also stand in for the Chairman in the event that they are unable to attend a meeting or perform their duties.

Role of the Senior Independent Director

Fiona Ryder is the Society's Senior Independent Director. The Senior Independent Director is available for members to refer issues to that they have not been able to resolve via the Chairman, Chief Executive Officer or other Executive Directors, or for matters where it is not appropriate to raise these issues directly with these Directors. The Senior Independent Director also assists the Deputy Chairman in performing the Chairman's appraisal. Fiona Ryder is also the Society's Whistleblowing Champion and provides an independent point of contact for members of staff who may wish to raise issues. Fiona will now take on a further role, as the Society's Consumer Duty Champion.

Role of the Executive Team

The Executive Team works with the Chief Executive Officer and Board to ensure the effective implementation of strategies and policies within agreed budgets and time frames. It holds a leadership role within the business, acting to ensure the correct culture is developed and that the relevant resources, people and systems are utilised efficiently and towards the aims of the corporate strategy and policies set by the Board. It is also responsible for the development of employees, delivering consistent high-quality customer service standards, implementation of effective systems within the business and reporting and tracking progress towards our key performance indicators and key results indicators. The Executive Team is also responsible for designing, operating and monitoring risk management systems and controls.

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.

The Non-Executive Directors of the Society are drawn from a wide range of backgrounds to ensure that the Board has the appropriate skills, knowledge and experience to provide a robust level of challenge and debate. The role requires an understanding of the risks in business, commercial leadership within a framework of prudent and effective risk management controls, and the ability to monitor performance and resources whilst providing support to the Executive in developing the Society.

The Society has a succession plan in place for all Non-Executive Director positions. Directors are informed of the time commitment in their letter of appointment. The Chairman's and Nominations 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 process in place for approving new requests to take up roles elsewhere.

The Society has a process to evaluate the performance and effectiveness of individual Non-Executive Directors. This appraisal process includes a 360 questionnaire and feedback from all the Non-Executive Directors. The Chairman is evaluated by the Deputy Chairman with assistance from the Senior Independent Director. The Chief Executive Officer evaluates the Chief Financial Officer and the Chief Operating Officer as a member of the Executive Team. The performance of the Chief Executive Officer is assessed by the Chairman and the Deputy Chairman and discussed at the Chairman's and Nominations Committee.

Corporate Governance continued.

Below is a table setting out Director attendance at the Society's meetings for the financial year.

Name/Title	Board Meetings	Audit Committee	Board Risk and Compliance Committee	Remuneration Committee	Chairman's and Nominations Committee
Alan Harris Chairman	9(9)*	4(5)Δ	5(5)Δ	3(4)	3(3)
Sian Hill Non-Executive Director	9(9)	5(5)	5(5)	4(4)	–
Steve Reid Non-Executive Director	8(9)	–	5(5)*	3(4)	3(3)
Steve Liddell Non-Executive Director	9(9)	5(5)*	5(5)	3(4)	3(3)
Fiona Ryder Non-Executive Director	9(9)	5(5)	5(5)	–	–
Elaine Lenc Non-Executive Director	9(9)	–	5(5)	4(4)*	3(3)
Peter Elcock Non-Executive Director (appointed: 30 June 2022)	4(4)	2(2)Δ	3(3)	1(1)	1(1)
Richard Norrington Chief Executive Officer	9(9)	–	–	–	3(3)
Ian Brighton Chief Operating Officer (resigned: 1 May 2022)	3(4)	–	–	–	–
Paul Johnson Chief Financial Officer	9(9)	–	–	–	–
Rebecca Newman Chief Operating Officer (appointed: 1 May 2022)	5(5)	–	–	–	–

– not a member of the Committee.

* Denotes Chairman of the Committee.

Δ The Chairman attended these meetings as an observer only.

It should also be noted that in addition to attendance at the above meetings both Executive and Non-Executive Directors are invited to attend Committees of which they are not 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 Society continuously improves management information to assist its Committees in discharging their terms of reference, and each Committee annually conducts an internal effectiveness review. Internal Audit reviews the adequacy of the information provided to the Board.

The Society provides a formal induction for new Directors. 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 and Society Secretary ensure that Non-Executive Directors are provided with briefings and 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 Society Secretary provides support on corporate governance matters and individual members of the Board have access to independent advice if required.

- 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 Society makes Non-Executive Director appointments on merit, based on the specific skills and experience required under the succession plan. The Chairman's and Nominations Committee meet as necessary to oversee the Board succession plan. There were no appointments to the Board during 2021. There were two appointments to the Board in 2022 - Rebecca Newman in May and Peter Elcock in June.

All Directors must meet the tests of fitness and propriety designed by the Financial Conduct Authority and Prudential Regulation Authority, and all Directors are required to be notified to the regulators. All Directors undergo basic disclosure and barring checks prior to appointment. Senior Managers (including Non-Executive Directors) with responsibilities for specific areas of business allocated to them are required to be pre-approved by the Regulator.

The Society is committed to diversity and currently has a 40% (2021: 33%) female representation on the whole Board. This is therefore above the recommendations of the Davies Report which, for diversity purposes, has set a minimum target of 25% female representation. The Society aims to have 40% of female representation in senior management by 2024 as part of its commitment to the Women in Finance Charter.

- 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.*

As at 30 November 2022 the Board consisted of seven Non-Executive Directors (including the Chairman and Chairman designate) and three Executive Directors, providing a balance of skills and experience appropriate for the requirements of the Society. The member mix of the Board and Committees is reviewed annually by the Chairman's and Nominations Committee to ensure that appropriate expertise and skills are maintained.

Non-Executive Directors will not usually serve more than nine years. The Code recommends annual re-elections for all Directors. However, in the view of the Board, all of the Non-Executive Directors are independent in character and judgement, are free of any relationship or circumstance which could interfere with the exercise of their judgement, bring wide and varied commercial experience to Board deliberations and continue to represent the interests of the Society's members. As a result, the Society does not currently put forward all Directors for annual re-election.

The Society's Rules require that one third of its number retire from the Board and stand for re-election. At the AGM Richard Norrington, Steve Reid and

Corporate Governance continued.

Elaine Lenc will retire from the Board and stand for re-election. Any Director newly appointed to the Board must be put forward to election at the AGM. At the AGM in 2023, Peter Elcock and Rebecca Newman will be put forward for first election.

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.

Each Non-Executive Director has an annual performance appraisal carried out by the Chairman. The Chairman's performance appraisal is facilitated through the Deputy Chairman and Senior Independent Director, taking into account the views of all the Directors. The Non-Executive Directors and Chairman give feedback to the Board on general issues of performance. The last external Board effectiveness review took place in 2018 and noted that the Society was considered to be within the top quartile for board effectiveness. The Society plans to undertake a further external effectiveness review in 2023.

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 and the Chief Risk Officer, as well as representatives from the internal and external auditors, attend by invitation. The Chair is not a member but may attend by invitation. The Chair is also an alternate member of the Committee and therefore co-opted into the Committee if required to establish an effective quorum.

It meets five times a year and once a year the external and internal auditors meet the Committee without the presence of the Executive Directors. Further details about the responsibilities of the Audit Committee and how it discharges those responsibilities are set out under section C above.

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

The responsibilities of the Directors in relation to the preparation of the Society's accounts and the statement that the business is a going concern are contained in the Strategic Report on page 9 and Directors' Responsibilities on page 37.

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 Directors have a responsibility, both under the Building Societies Act 1986 and the Financial Services and Markets Act 2000, to establish and maintain systems of control appropriate to the business. Executive Management is responsible for designing, operating and monitoring risk management systems and controls. Each Board and Management Committee is responsible for the risks and controls within its remit. The Board Risk and Compliance Committee assesses the adequacy of this process on behalf of the Board. Internal Audit provides independent assurance to the Board on the effectiveness of the system of internal control through the Audit Committee.

The Board has reviewed the effectiveness of the ERMF and concluded that the Society has a strong risk management and compliance culture, and that the current framework is effective and appropriate for the size and complexity of the business.

The information received and considered by the Audit Committee provided reasonable assurance that during the financial year there were no material breaches of control or regulatory standards, and that overall, the Society maintained an adequate system of internal control.

The Directors' People, Wellbeing and Remuneration Report on page 33 explains how the Society complies with the Code Principles relating to remuneration.

Peter Elcock
Chairman of the Board.
31 January 2023

Our members are at the heart of everything we do.

We exist to benefit our members – now and for the future.

Directors' People, Wellbeing and Remuneration Report.

The purpose of this Report is to inform members of the Society about our approach to the remuneration and financial wellbeing of all staff members, including the Executive and Non-Executive Directors, and how this is balanced with financial sustainability of the Society.

The remuneration of Directors is detailed in note 6 of the accounts on page 55. All members who are eligible to vote at the Society's Annual General Meeting will have the opportunity to approve the People, Wellbeing and Remuneration Report, through an ordinary resolution (non-binding). The 2021 Report received a 90.4% positive vote.

This Report explains how the Society considers the principles of the UK Corporate Governance Code relating to remuneration, as far as they are applicable to a mutual organisation of our size. The Society has adopted a Remuneration Policy, which complies with the relevant elements of the FCA's Remuneration Code and the PRA's Remuneration Policy. Directors are designated as "Code Staff" under the Regulator's Remuneration Code due to their material impact on the Society's risk profile.

Our approach

The Society's overall approach to remuneration is a key part of the Society's people strategy and governance. Decisions relating to basic pay and performance-related pay are always intended to align with our commitment to the long-term business sustainability, values and objectives, and culture of our Society. In addition, any decisions relating to remuneration comply with the aims of the FCA (Financial Conduct Authority) remuneration Code. These aims can be summarised as seeking to:

- Ensure greater alignment between risk and individual reward
- Discourage excessive risk-taking and short-termism, supported by effective risk management
- Encourage strong environmental, social and governance outcomes
- Support positive behaviours and a strong and appropriate conduct culture, consistent with the Society's purpose, values and strategy.

The Society's remuneration policy and practices are overseen by the Society's Remuneration Committee. The role of the Committee (under the delegated authority of the Board) is to make recommendations on the general remuneration policy of the Society and specifically on the remuneration of the Board and Executive Team. Membership of the Committee is solely comprised of Non-Executive Directors, all of whom are also members of the Society. Other individuals, such as the Chief Executive Officer and Chief Operations Officer may be invited to attend for all, or part of the meeting as required. Reports and minutes of the Committee's meetings are circulated to all members of the Committee and the Chairman of the Committee reports at the Board meeting following a Committee meeting.

The Committee ensures that remuneration is in line with the Society's values, corporate objectives, and performance. It also oversees the Society's implementation of key values relating to diversity and inclusion. The Committee carefully monitors the Society's gender pay gap and identifies any required actions. In addition, the Board is updated on a regular basis on aspects relating to culture at the Society including consideration of internal or external changes that may have a significant impact on our team members or culture.

Economic factors – inflation and the cost of living

Since February 2022, households across the country have experienced unprecedented economic pressure due to rising home energy bills, fuel and food costs. This has been compounded by rising mortgage costs due to eight successive interest rate rises since December 2021. These combined factors have led to enormous strains on finances and have had a significant influence on pay decisions this year.

2022 - pay decision

When determining the approach to remuneration throughout 2022, the Committee continued to be mindful of the performance of the Society and the individual responsibilities of Directors, and the pay and employment conditions across our workforce and externally. The Committee was mindful that the Society must continue to compete to attract and retain team members against other employers in both the local area and now, with the increase of remote working, further afield. The Society pays at least the Real Living Wage to all employees including Saturday employees and apprentices. The ratio between our highest paid permanent member of staff and our lowest paid regular permanent member of staff is 9.4:1 (2021: 9.1).

In June 2022 the Board approved the Executive recommendation that salaries for all employees should be increased by 4% with effect from 1 June 2022. This was the largest annual increase awarded by the Society in recent years and reflects the Society's acknowledgement of the increased cost of living.

Other salary adjustments were made for career progression or significant changes in responsibilities. Executive Directors were subject to these same terms.

Results at the end of the year indicate that the Society achieved a strong financial performance and we also achieved positive customer experience scores.

Directors' People, Wellbeing and Remuneration Report 2022. continued.

The Strategic Report on page 9 provides more information on the performance of the Society during 2022. The Society has paid a bonus for grades A-D employees. The amount paid to individual employees is based on their individual performance throughout the year which is measured via the Society's performance appraisal process.

This process has been changed significantly with the introduction of the Behaviours Framework, ensuring a higher bonus weighting to those employees who demonstrated our core behaviours.

2022 - additional cost of living payment

By the autumn of 2022 it was clear that with inflation rising to double figures, employees were experiencing increases in mortgage / rent as well as rising domestic power, food and vehicle fuel costs. In October 2022 the Board decided to help relieve increasing staff worries, making a one-off payment to the majority of employees (grades A–D) of £1,000 to assist with the escalating cost of living over the winter months.

Part time and full-time staff received the same amount, with Saturday Member Assistants receiving a flat amount of £100.

Health and wellbeing support

The emotional and physical health and wellbeing of our employees is vitally important to us, and this is especially true in challenging times. In the autumn staff were reminded of the wellbeing support on offer which includes an Employee Assistance Programme (EAP) via MetLife Wellbeing. MetLife Wellbeing offers help to employees dealing with personal problems that might impact work performance, life outside of work, health and wellbeing. This includes a wide range of support, including online resources, counselling, legal support and referral services, on what to do if they are struggling with their finances. MetLife Wellbeing offers financial assessments in partnership with the Money Advice Service, which provides helpful tools, calculators and advice on how to keep finances on track and improve financial wellbeing.

Society staff are also eligible for Medicash, a benefit which helps employees with cashback on day-to-day health treatments which include prescription charges, dental and optical costs, along with special discounts on various purchases.

The Society also announced in the autumn it would consider additional support in exceptional circumstances, and where it is appropriate to do so (for example, advancement of wages, interest free loan) for those employees in hardship.

Non-Executive Directors

The level of fees payable to Non-Executive Directors is assessed using information from comparable organisations (building societies of a similar size). Remuneration comprises a basic fee with a supplementary payment for holding the position of Chairman of a Committee, Deputy Chairman or Senior Independent Director. This fee reflects the additional responsibilities and time commitments of these positions. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not take part in any incentive scheme or receive any other benefits. Non-Executive Directors do not have employment contracts with the Society.

Annually the Executive Team together with the Chairman are responsible for setting the Non-Executive Directors' fees. The Board, with the exception of the Chairman, agrees the Chairman's fee.

Executive Directors

The remuneration of Executive Directors reflects their expertise, responsibilities and roles within the Society. The Executive Directors' benefit package is designed to motivate decision making in the long-term interests of the Society and members as a whole. This year it comprised basic salary, participation in a three-year performance-related pay scheme and various benefits. Further details of these are set out below. The Society has no share option scheme and none of the Executive Directors has any beneficial interest in, or any rights to subscribe to, any instruments, or shares in or debentures of the Society.

Basic salary

Salaries are reviewed by benchmarking against jobs carrying similar responsibilities, using external salary benchmarking data from the building society sector and the financial services sector as a whole, as well as other UK and regional salary data. This encompasses consideration of the responsibility and complexity of the role, market conditions and demands, and the Society's very high-quality standards.

The Society's approach is not to compromise on quality standards, and to seek to secure the best and most appropriate people for any particular role at a rate of remuneration consistent with the Society's financial, business and member objectives.

Three-year performance-related pay scheme

A performance-related pay scheme operated during the year for Executive Directors. This was carefully designed to encourage achievement of targets that maintain the financial strength and integrity of the Society, the embedding of the Society's risk management framework and to recognise performance factors that contributed to the Society's overall business and member objectives. The PRP currently allows a maximum of 20% of salary earned for achievement of all targets set, which for 2022 were cost management, capital and member and broker satisfaction metrics, and which are subject firstly to meeting defined financial performance and risk management criteria. In addition, criteria for achievement also included the Society's progress in relation to diversity and inclusion and the progress and embedding of its ESG and sustainability agenda. At least one third of this payment is deferred for up to a three-year period to ensure consistent performance is delivered over the longer term.

With respect to our progess on Diversity and Inclusion, one of our objectives is to ensure the Society's workforce is representative of its local geographic population. The starting point to enable us to achieve this objective is to gather and record our employees' ethnicity (with their consent and cooperation). The ethnicity categories we use mirror those used by the Office for National Statistics. This will ensure we align with local community data. Of the 12 ESG Champions across the Society, four have been given workflow actions with respect to wellbeing and diversity and inclusion.

As part of the process, the Remuneration Committee sets targets and assesses whether any payment should be made prior to recommendation for Board approval. In 2022, the committee recommended that the variable award should be 20%. This acknowledges the commitment of the Executive Directors and the financial performance of the Society during the year.

Pensions

The Society makes a contribution of between 17.5% and 20% of salary for Executive Directors' pension arrangements. For Richard Norrington and Paul Johnson this is in the form of a cash equivalent payment.

Benefits

Executive Directors receive other taxable benefits including a car allowance, travel and accommodation allowance when on Society business and a private health care scheme, which covers the Directors and their families. The Society does not provide concessionary home loans to Directors.

Contractual terms

The Executive Directors are employed on open-ended service contracts; they require 12 months' notice to be given by the Society and six months' notice by the individual.

Elaine Lenc
Chairman of the Remuneration Committee
31 January 2023

Directors' Report.

Information presented in other sections of the Annual Report and Accounts

Certain information which is required to be included in the Directors' Report has been included in the separate Strategic Report.

This information is deemed to form part of the Directors' Report: the Society's profitability and financial position; the principal risks and uncertainties facing the business; outlook for the business; detailed financial risk management disclosures.

Directors

- Ian Brighton - Chief Operating Officer (Resigned 30th April 2022)
- Peter Elcock – Chairman (Board appointed 30th June 2022, Chairman appointed 22nd December 2022)
- Alan Harris - Chairman (Resigned 22nd December 2022)
- Sian Hill – Non-Executive Director
- Paul Johnson – Chief Financial Officer
- Elaine Lenc – Non-Executive Director
- Steve Liddell – Non-Executive Director
- Rebecca Newman – Chief Operating Officer (Appointed 1st May 2022)
- Richard Norrington – Chief Executive Officer
- Steve Reid – Non-Executive Director, Deputy Chairman
- Fiona Ryder – Non-Executive Director, Senior Independent Director, Whistleblowing Champion and Consumer Duty Champion

At the Annual General Meeting, in line with the Society's Rules, one third of its Directors retire from the Board and stand for re-election. At the year-end no director had an interest in any shares or debentures of the Society.

Other matters

Charitable & political donations

The Society made charitable donations totalling £61,387 (2021: £24,800) during the year. No contributions were made for political purposes.

The Society's Pillar 3 disclosure is available to read on its website at www.suffolkbuildingsociety.co.uk/about/governance.

Supplier payment policy

Our policy is to pay invoices on receipt of the completed provision or service, unless staged payments are agreed in advance. We operate within agreed payment terms with our suppliers. At 30 November 2022 we had an average of 17 days' purchases outstanding in trade creditors (2021: 13 days).

Going concern

The Board regularly engages in the forward planning of the business to ensure we meet the liquidity, capital, lending and retail savings balances defined in our corporate strategy and annual plan. Board members also consider our liquidity and capital requirements in further detail within our capital and liquidity adequacy assessments; these include the results of placing both requirements under significant stress scenarios. As a result of these considerations the Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, the Accounts continue to be prepared on a going concern basis.

Auditor

In accordance with Section 77 of the Building Societies Act 1986, a resolution for the re-appointment of BDO LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board of Directors

Peter Elcock
Chairman

31 January 2023

Statement of Directors' Responsibilities.

Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Directors' Report and the Annual Accounts:

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

The Building Societies Act 1986 ("the Act") requires the Directors to prepare Annual Accounts for each financial year. Under that law they have elected to prepare the Annual Accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 these 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
- assess the Society's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

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 the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of Annual Accounts that are free from material misstatement, whether due to fraud or error, and 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 Suffolk Building Society.

In our opinion:

- the financial statements give a true and fair view of the state of the Society's affairs as at 30 November 2022 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements of Suffolk Building Society (the 'Society') for the year ended 30 November 2022 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Interests, the Statement of Cash Flows and notes to the Accounts, including a summary of significant accounting policies. 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the Board of Directors on 9 July 2020 to audit the financial statements for the year ended 30 November 2020 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ending 30 November 2020 to 30 November 2022. We remain 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 FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Society.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Assessing the Director's assessment of going concern including supporting financial forecasts through review of key ratios such as probability, net assets, capital and liquidity for significant deterioration, indicating issues related to going concern;
- Reviewing the Internal Capital Adequacy Assessment Process document (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and regulatory capital and liquidity requirements;
- Challenging the Directors' assumptions and judgements made with regards to their base forecast and stress-tested forecasts. In doing so we agreed key assumptions such as forecast growth to historic actuals and relevant market data and considered the historical accuracy of the Directors forecasts;
- Assessing how the Directors have factored in key external factors expected to impact the Society such as rise in interest rates and falling house prices and their corresponding economic impact, checking that these had been appropriately considered as part of the Directors' going concern assessment.

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

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

Overview

Key audit matters	2022 Revenue Recognition Impairment losses on loans and advances	2021 Revenue Recognition Impairment losses on loans and advances
Materiality	£435,000 (2021: £403,000) based on 1% (2021: 1%) of Net assets.	

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Society and its environment, including the Society's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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, including 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.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Revenue Recognition

As disclosed in Note 1.2 and explained in Note 1.14 (critical estimates and judgements) the Society's mortgage interest income is recognised using an effective interest rate ("EIR") method.</td><td>Revenue comprises contractual mortgage income and an adjustment for fees and expenses in order to recognise this income on an EIR basis.

The models used to achieve this are reliant on the completeness and accuracy of input data. Management judgement is required to determine the expected cash flows for the Society's loans and advances, in particular the expected behavioural life redemption profiles of the mortgages due to the impact on timing and quantum of expected future cash flows.

As a result of the magnitude of gross interest income and its significance to the financial statements, the revenue recognition thereof was considered to be a key area of focus for our audit.</td><td>We assessed whether the revenue recognition policies adopted by the Society are in accordance with requirements of the accounting framework. This included an assessment of the types of fees and costs being spread within the effective interest rate models versus the requirements of the applicable financial reporting standard.

Through inspection of contractual terms we challenged the fees and costs included or excluded from the effective interest rate estimates, including early redemption charges.

We assessed the completeness and accuracy of data and key model inputs feeding into the EIR models by agreeing the samples back to the loan management system or source documents.

With the use of data analytics, we performed a recalculation of gross mortgage interest income to determine the accuracy and completeness.

We challenged management's assessment relating to loan behavioural life run-off curves which were based on the Society's historical data and also considered the trends in more recent customer behaviour. This included reviewing the sensitivity analysis performed by management, obtaining supporting evidence where necessary.

We reviewed the relevant interest income and effective interest rate disclosures made by management to ensure compliance with accounting standards and agreed the disclosures to supporting evidence.

Key observations:

Based on the procedures performed, we have not identified any indicators to suggest that the recognition of mortgage interest income was inappropriate.</td></tr>
</table>

Independent auditor's report to the members of Suffolk Building Society continued.

Impairment losses on loans and advances As disclosed in Note 16 and explained in Note 1.14 (critical estimates and judgements), the Society holds £774K of impairment provisions at year-end (2021: £728K).	The Society accounts for the impairment of loans and advances to customers using an incurred loss model. Estimating both the specific and collective loan loss provision requires significant management judgement and estimate in determining the value and timing of expected future cash flows. The specific provision is sensitive to key judgements and assumptions in respect to the underlying value of collateral held and credit profiles of counterparties. The collective provision is calculated within a model that uses a combination of the Society's historical experience, segmentation of the loans by risk and external data, adjusted for current conditions including the impact of rising interest rates which translates into a higher cost of living. The model is sensitive to key judgements and assumptions including probability of defaults, future house price movements and forced sale discounts against collateral. Due to the sensitivity to key inputs judgements and estimates and high degree of estimation uncertainty the Society's collective impairment provision has a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. Error within the loan loss provisioning models itself or bias in key assumptions applied could result in the material misstatement of impairment provisions. Loan loss provision has therefore been identified as a key audit matter.	We tested the operating effectiveness of the loan management system control that identifies loans in arrears. We assessed the specific and collective provision methodology compared to the requirements of the applicable accounting standard. We challenged the appropriateness of the key assumptions within the model such as impairment triggers, forced sales discount and probability of default through a combination of benchmarking against comparable market information, sensitivity analysis and agreeing significant inputs to external data sources where applicable. We checked the completeness and accuracy of data and key assumption inputs feeding into the collective and specific provision calculations through agreeing them on a sample basis to underlying source data. We reconciled the loan balances in the models to the loan management system to test whether the relevant loan populations were being considered for impairment. We tested the integrity and mathematical accuracy of the model calculations. We assessed the appropriateness of management's overlay through assessing the rationale for the impairment charge, compared to our industry knowledge and through benchmarking. We also undertook sensitivity analysis over the key assumptions to determine whether the overall adjustment is reasonable. We reviewed the impairment and sensitivity analysis disclosures made by management to ensure compliance with the requirements of the applicable accounting standards and agreed the disclosures to supporting evidence. **Key observations:** Based on the procedures performed, we have not identified any indicators to suggest that the provision for loans and advances to customers is unreasonably estimated in consideration of the key assumptions and judgements made or that the related disclosures are not appropriate.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	2022 **£**	**2021** **£**
Materiality	435,000	403,000
Basis for determining materiality	1% of Net Assets	1% of Net Assets
Rationale for the benchmark applied	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. Net assets is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Society as well as the purpose of the Society which is to optimise rather than maximise profits.	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. Net assets is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Society as well as the purpose of the Society which is to optimise rather than maximise profits.
Performance materiality	326,000	262,000
Basis for determining performance materiality	On the basis of our risk assessment together with our assessment of the Society's overall control environment and expected total value of known and likely misstatements, based on past experience, our judgment was that overall performance materiality for the Society should be 75% of materiality	On the basis of our risk assessment together with our assessment of the Society's overall control environment and expected total value of known and likely misstatements, based on past experience, our judgment was that overall performance materiality for the Society should be 65% of materiality

Independent auditor's report to the members of Suffolk Building Society continued.

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £22,000 (2021: £16,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

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. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Other Building Societies Act 1986 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Building Societies Act 1986 and ISAs (UK) to report on certain opinions and matters as described below.

Annual business statement and Directors' report	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 material misstatements in the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Building Societies Act 1986 requires us to report to you if, in our opinion: • adequate accounting records have not been kept; or • the financial statements are not in agreement with the accounting records; or • we have not received all the information and explanations we require for our audit.

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

In our opinion the information given in Note 8 for the financial year ended 30 November 2022 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities, 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's or to cease operations, or have no realistic alternative but to do so.

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.

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

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

We gained an understanding of the legal and regulatory framework applicable to the Society and the industry in which it operates and considered the risk of acts by the Society which would be contrary to applicable laws and regulations, including fraud. These included but were not limited to compliance with the Building Societies Act 1986, Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA") regulations, pension legislation and tax legislation.

We considered compliance with this framework through discussions with the Audit Committee and performed audit procedures on these areas as considered necessary. Our procedures involved enquiry with the management and the Audit Committee, review of the reporting to the Directors with respect to compliance with laws and regulation, review of board meeting minutes and review of legal correspondence.

We assessed the susceptibility of the financial statements to material misstatement, including fraud and considered the fraud risk areas to be management override of controls and in relation to accounting estimates such as the EIR and loan loss provisioning.

Our procedures included:

- obtaining an understanding of the control environment in monitoring compliance with laws and regulations;
- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with the relevant laws and regulations discussed above;
- enquiring of management and those charged with governance about their own identification and assessment of the risks of irregularities, including fraud;
- 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 correspondence with the FCA and the PRA for instances of fraud or non compliance with laws and regulations;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments by agreeing them to supporting documentation and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- in addressing the risk of fraud in accounting estimates, the procedures performed in the key audit matters section of our report assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and
- we also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Daniel Taylor
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London, UK
31 January 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income.

FOR THE YEAR ENDED 30 NOVEMBER 2022

	Notes	**2022 £000**	2021 £000
Interest receivable and similar income	2	**23,797**	17,480
Interest payable and similar charges	3	**(6,796)**	(3,986)
Net interest income		**17,001**	13,494
Defined benefit pension income	9	**3**	2
Fees and commissions receivable		**191**	228
Fees and commissions payable		**(146)**	(155)
Gains on financial instruments at fair value	4	**749**	371
Net profit on financial operations	8	**17,798**	13,940
Other operating income		**74**	11
Total income		**17,872**	13,951
Administrative expenses	5	**(11,538)**	(10,456)
Depreciation and amortisation	17, 18	**(382)**	(353)
Other operating charges		**(32)**	(18)
Operating profit before impairment allowance and provisions		**5,920**	3,124
Impairment losses on loans and advances to customers	16	**(45)**	(187)
Operating profit and profit before tax		**5,875**	2,937
Tax on profit on ordinary activities	10	**(1,204)**	(809)
Profit for the financial year		**4,671**	2,128

Other Comprehensive Income			
Actuarial (loss)/gain recognised in the pension scheme	9	**(552)**	72
- Movement in related deferred tax		**138**	(17)
Movement in fair value of debt securities	13	**(123)**	(4)
- Movement in related deferred tax		**30**	(1)
Revaluation gain on freehold property	17	**144**	–
- Movement in related deferred tax		**(27)**	(68)
Total comprehensive income for the year		**4,281**	2,110

The Notes to these Accounts are contained on pages 48 to 79.

Statement of Financial Position.

AS AT 30 NOVEMBER 2022

	Notes	2022 £000	2021 £000
Assets			
Liquid assets			
Cash in hand and balances with Bank of England	11	**97,131**	93,665
Loans and advances to credit institutions	12	**2,258**	1,865
Debt securities	13	**22,188**	27,233
Total liquid assets		**121,577**	122,763
Derivative financial instruments	14	**15,484**	2,641
Loans and advances to customers			
Loans fully secured on residential property	15	**654,074**	614,726
Loans fully secured on land	15	**645**	662
Total loans and advances to customers	15	**654,719**	615,388
Tangible fixed assets	17	**4,476**	4,397
Intangible fixed assets	18	**2,011**	1,573
Other assets	19	**159**	175
Deferred tax	10	**134**	23
Prepayments and accrued income	20	**797**	252
Net pension asset	9	**–**	117
Total assets		**799,357**	747,329
Liabilities			
Shares	21	**637,932**	608,043
Amounts owed to credit institutions	22	**55,240**	55,009
Amounts owed to other customers	23	**43,418**	39,728
Derivative financial instruments	14	**1,217**	340
Other liabilities	24	**15,289**	2,411
Accruals and deferred income	25	**1,221**	1,403
Deferred tax	10	**1,252**	1,121
Net pension liability	9	**233**	–
		755,802	708,055
Reserves			
General reserve		**42,602**	38,320
Revaluation reserve		**1,026**	934
Available-for-sale reserve		**(73)**	20
Total liabilities and reserves		**799,357**	747,329

The accounting policies and notes on pages 48 to 79 form part of these Accounts.

Approved by the Board of Directors on 31 January 2023.

Peter Elcock, Chairman

Richard Norrington, Chief Executive Officer

Paul Johnson, Chief Financial Officer

Statement of Changes in Members' Interests.

FOR THE YEAR ENDED 30 NOVEMBER 2022

	General reserves 2021 £000	Revaluation reserve 2021 £000	Available-for-sale reserve 2021 £000	Total reserves 2021 £000
Balance at 1 December 2020	36,112	1,027	25	37,164
Total comprehensive income for the year				
Profit for the year	2,128	–	–	2,128
Movement in related deferred tax	–	(68)	–	(68)
Other comprehensive income	55	–	(5)	50
Transfer between reserves	25	(25)	–	–
	2,208	(93)	(5)	2,110
Balance at 30 November 2021	38,320	934	20	39,274

	General reserves 2022 £000	**Revaluation reserve 2022 £000**	**Available-for-sale reserve 2022 £000**	**Total reserves 2022 £000**
Balance at 1 December 2021	**38,320**	**934**	**20**	**39,274**
Total comprehensive income for the year				
Profit for the year	**4,671**	**–**	**–**	**4,671**
Valuation gains on freehold property	**–**	**117**	**–**	**117**
Other comprehensive income	**(414)**	**–**	**(93)**	**(507)**
Transfer between reserves	**25**	**(25)**	**–**	**–**
	4,282	**92**	**(93)**	**4,281**
Balance at 30 November 2022	**42,602**	**1,026**	**(73)**	**43,555**

The Notes to these Accounts are contained on pages 48 to 79.

Statement of Cash Flows.

FOR THE YEAR ENDED 30 NOVEMBER 2022

	Notes	**2022 £000**	2021 £000
Cash flows from operating activities			
Profit before tax		**5,875**	2,937
Adjustments for:			
Depreciation and amortisation of fixed assets	17, 18	**382**	353
Impairment losses on loans and advances to customers	16	**45**	174
Net cash generated by operating activities		**6,302**	3,464
Changes in operating assets and liabilities			
Changes in fair values of financial instruments at fair value through the Statement of Comprehensive Income	4	**(749)**	(371)
Increase in prepayments and accrued income	20	**(668)**	(33)
(Decrease)/increase in accruals and deferred income	25	**(182)**	336
Increase in other assets	19	**(81)**	3,370
Increase in other liabilities	24	**12,132**	2,012
Net pension scheme payment	9	**(203)**	(202)
(Increase)/decrease in loans and advances to customers	15	**(50,576)**	(52,128)
Taxation paid	10	**(200)**	(400)
Movement in Shares	21	**29,871**	26,042
Increase in amounts owed to credit institutions and other customers	22, 23	**3,921**	22,447
Net cash (used)/generated by operating assets and liabilities		**(6,735)**	1,073
Cash flows from investing activities			
Purchase of debt securities	13	**(10,000)**	(15,000)
Proceeds on maturity of debt securities	13	**15,047**	15,051
Purchase of tangible fixed assets	17	**(127)**	(251)
Proceeds on disposal of tangible fixed assets	17	**–**	–
Purchase of intangible fixed assets	18	**(628)**	(1,077)
Net cash generated/(used) by investing activities		**4,292**	(1,277)
Net increase in cash and cash equivalents		**3,859**	3,260
Cash and cash equivalents			
At 1 December of previous year	11, 12	**95,530**	92,270
Movement in the year		**3,859**	3,260
At 30 November	11, 12	**99,389**	95,530

The Notes to these Accounts are contained on pages 48 to 79.

Notes to the Financial Statements.

FOR THE YEAR ENDED 30 NOVEMBER 2022

General information and basis of preparation

Suffolk Building Society ("the Society") has prepared these Society Annual Accounts in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102: *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (FRS 102) as issued in March 2018. 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). The presentation currency of these Annual Accounts is sterling. All amounts in the Annual Accounts have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Annual Accounts.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the Annual Accounts and estimates with a significant risk of material adjustment in the next year are discussed in note 1.14.

The Directors have prepared these Accounts on a going concern basis as set out in the Directors' Report on page 36. The directors have considered the output of the ICAAP, ILAAP, and Corporate Plan in making this determination. These involve an analysis of the impact of potential stress scenarios to the Society's liquidity and capital position and it's ability to withstand them. Following a review of this analysis, the Directors consider that preparing the accounts on a going concern basis is appropriate.

1.1 Measurement convention

The Annual Accounts are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: freehold land and buildings, derivative financial instruments and financial instruments classified either at fair value through profit or loss (FVTPL) or available-for-sale.

1.2 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the income statement and other comprehensive income include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis
- interest on available-for-sale investment securities calculated on an effective interest basis
- interest on interest rate derivatives.

Fair value changes in derivatives and other financial assets and financial liabilities carried at fair value through profit or loss are presented in gains less losses on other financial instruments at fair value through profit or loss in the statement of comprehensive income.

1.3 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see 1.2).

Other fees and commission income, including account servicing fees, sales commission, and other fees are recognised as the related services are performed.

1.4 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

1.5 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit or loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the date of the Statement of Financial Position, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the Annual Accounts. The following timing difference is not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met. Deferred

tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the date of the Statement of Financial Position. For non-depreciable assets that are measured using the revaluation model, or investment property that is measured at fair value, deferred tax is provided at the rates and allowances applicable to the sale of the asset/property. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.6 Financial instruments

Recognition

The Society initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Society becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

Financial assets

The Society classifies its financial assets into one of the following categories:

- Loans and advances

'Loans and advances' 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 advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method (see 1.2). When the Society chooses to designate the loans and advances as measured at fair value through profit or loss, they are measured at fair value with face value changes recognised immediately in profit or loss.

Should the Society purchase a financial asset and simultaneously enter into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement would be accounted for as a loan or advance, and the underlying asset would not be recognised in the Society's Annual Accounts.

- Available-for-sale

'Available-for-sale investments' are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method (see 1.2). Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in Other Comprehensive Income (OCI) and presented in the available for sale reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

- At fair value through profit or loss

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Fair value hedges

On initial designation of the hedge, the Society formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Society makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is/are expected to be highly effective in offsetting the changes in the fair value of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on remeasurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves). If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments

Notes to the Financial Statements. continued.

to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Financial liabilities

The Society classifies its financial liabilities as measured at amortised cost or fair value through profit or loss.

Derecognition

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Society neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Society is recognised as a separate asset or liability.

The Society enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale and repurchase transactions.

Measurement

Amortised cost measurement

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

Fair value measurement

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

When available, the Society measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Society uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Society determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Identification and measurement of impairment

At each reporting date, the Society assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets are 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer
- default or delinquency by a borrower
- indications that a borrower or issuer will enter bankruptcy
- the disappearance of an active market for a security
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Society considers evidence of impairment for loans and advances and available-for-sale investment securities at both a specific asset and a collective level. All individually significant loans and advances and available-for-sale investment securities are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and available-for-sale investment securities that are not individually

significant are collectively assessed for impairment by grouping together loans and advances and available-for-sale investment securities with similar risk characteristics.

In assessing collective impairment, the Society uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

A range of forbearance options is available to support customers who are in financial difficulty. The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. The main options offered by the Society include:

- temporary transfer to an interest-only mortgage
- reduced monthly payments
- extension of mortgage term
- capitalisation of arrears.

Customers requesting a forbearance option will need to provide information to support the request, which is likely to include a budget planner, statement of assets and liabilities, bank/credit card statements, payslips etc. in order that the request can be properly assessed. If the forbearance request is granted, the account is monitored in accordance with our policy and procedures. At the appropriate time the forbearance option that has been implemented is cancelled, with the exception of capitalisation of arrears, and the customer's normal contractual payment is restored.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss; otherwise, any increase in fair value is recognised through OCI. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is always recognised in OCI.

1.7 Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash comprises cash in hand and unrestricted loans and advances to credit institutions repayable on demand. Cash equivalents comprise highly liquid unrestricted investments that are readily convertible into cash with an insignificant risk of changes in value with original maturities of less than three months.

The Statement of Cash Flows has been prepared using the indirect method.

1.8 Tangible fixed assets

Freehold land and buildings are stated at revalued amounts, being the fair value, determined by market-based evidence at the date of valuation, less any depreciation subsequently accumulated and subsequent impairment. The difference between the amount of depreciation charged in the year on the revalued amount and what would have been charged based on the historical cost is transferred between the Revaluation Reserve and General Reserves each year. Full valuations are completed at least every five years followed by interim valuations three years later. The Directors review the valuations to confirm that they remain appropriate in the intervening years. Increases in valuations of freehold properties are credited to Other Comprehensive Income except to the extent that they reverse previous impairment losses recognised in the Income Statement for the same assets, in which case they are credited to the Income Statement. Decreases in valuations are recognised in the Income Statement except to the extent that they reverse amounts previously credited to Other Comprehensive Income for the same assets, in which case they are recognised in Other Comprehensive Income.

All other tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets. For example, land is treated separately from buildings.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are

Notes to the Financial Statements. continued.

classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The Society assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- buildings 50 years
- branch fitting out costs 10 - 15 years
- equipment, fixtures and vehicles 5 - 10 years
- computer equipment 3 - 5 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Society expects to consume an asset's future economic benefits.

1.9 Intangible assets

Software development

Intangible assets relating to the development of the Society's core IT system are stated at cost less accumulated amortisation and less accumulated impairment losses. Amortisation is charged to the profit or loss on a straight-line basis from the date the assets are available for use over the life of the IT supply contract, or over a shorter period where it is felt that the Society will not draw value from the systems over the life of the contract. The estimated useful life of the IT system is 10 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. In addition, the assets are assessed for impairment in accordance with Section 27 of FRS 102.

1.10 Impairment excluding financial assets and deferred tax assets

The carrying amounts of the Society's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or CGU).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.11 Employee benefits

The Society operates both a defined benefit pension scheme and a defined contribution pension scheme, which are funded by contributions from the Society and its employees. The defined benefit scheme was closed to new members with effect from 1 January 2001 and was made paid-up at 31 March 2006.

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which the Society pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Defined benefit plan

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Society's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Society determines the net interest income/(expense) on the net defined benefit asset/(liability) for the period by applying the discount rate

as determined at the beginning of the annual period to the net defined benefit liability/(asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the date of the Statement of Financial Position on AA credit-rated bonds denominated in the currency of and having maturity dates approximating to the terms of the Society's obligations. A valuation is performed triennially by a qualified actuary using the projected unit credit method. The entity recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in profit or loss.

Remeasurement of the net defined benefit liability/asset is recognised in other comprehensive income in the period in which it occurs.

1.12 Provisions

A provision is recognised in the Balance Sheet when the Society has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.13 Sale and repurchase agreements

Investments and other securities may be lent or sold subject to a commitment to repurchase them (a "repo"). Such securities are retained within the Statement of Financial Position when substantially all the risks and rewards of ownership remain within the Society, and the liability associated with the cash advanced is included separately within the Statement of Financial Position.

The difference between the sale and repurchase price is accrued over the life of the agreements and recognised within net interest income.

1.14 Critical estimates and judgements

The Society makes critical estimates and judgements in the following areas:

- Impairment losses on loans and advances to customers

The Society reviews its mortgage portfolio at least quarterly to assess impairment. In determining whether an impairment loss should be recorded the Society is required to exercise a degree of judgement. Impairment provisions are calculated using externally provided probability of default statistics, historical arrears experience, and expected cash flows. Estimates are applied to determining prevailing market conditions including interest rates and house prices and the length of time expected to complete the sale of properties in possession. The accuracy of the provision would therefore be affected by unexpected changes to these assumptions.

Sensitivity analysis has been carried out on the allowance for impairment by i) altering the percentage of collateral that it is estimated would be recovered in the event of repossession by +/-5%, and ii) altering the probability of default by +/-50%. The combined effect of favourable stresses resulted in an increase in profit for the year of £99k. The combined effect of adverse stresses resulted in a decrease in profit for the year of £209k. The impairment provision would decrease or increase accordingly.

- Effective interest rate (EIR)

The EIR will affect the carrying values of loans and receivables. One of the key components of the EIR is the expected life of the asset. In determining the expected life of mortgage assets the Society uses historical and forecast redemption data as well as management judgement. At least annually the expected life of mortgage assets is reassessed for reasonableness. Any variation in the expected life of mortgage assets will change the carrying value in the Statement of Financial Position and the timings of the recognition of interest income.

Doubling the period from the date of maturity of a mortgage product to the point at which the borrower switches to another mortgage product or redeems their mortgage increases net interest income by £605k. However, halving the period decreases net interest income by £317k. The EIR asset increases and decreases accordingly.

- Defined benefit pension scheme

The defined benefit pension scheme exposes the Society to actuarial risks such as investment risk, interest rate risk, inflation risk and longevity risk. In conjunction with its actuaries, the Society makes key financial assumptions that are used in the actuarial valuation of the defined benefit pension obligation and therefore changes to these assumptions have an impact on the pension obligation shown within the Statement of Financial Position. The key assumptions include inflation rates, discount rates and life expectancy. See note 9 for further details on these assumptions. A decrease in discount rate of 0.25% per annum would increase liabilities by £136k, an increase in inflation of 0.1% would increase inflation- linked liabilities by 1%, or £23k, and a one-year increase in life expectancy would increase liabilities by 3%. Each of these sensitivities considers that change in isolation.

02 Interest receivable and similar income

	2022 £000	2021 £000
On loans fully secured on residential property	**21,326**	18,434
On other loans	**25**	36
On debt securities		
Interest and other income	**277**	89
On other liquid assets		
Interest and other income	**1,173**	97
Net income/(expense) on asset related derivatives	**996**	(1,176)
	23,797	17,480

03 Interest payable and similar charges

	2022 £000	2021 £000
On shares held by individuals	**6,167**	3,945
Term Funding Scheme Interest	**605**	41
Indexed Long Term Repo Interest	**24**	–
	6,796	3,986

04 Net income from other financial instruments at fair value through profit and loss

	2022 £000	2021 £000
Derivatives in designated fair value hedge relationships	**12,441**	5,254
Adjustments to hedged items in fair value hedge relationships	**(11,218)**	(4,902)
Derivatives not in designated fair value hedge relationships	**(474)**	19
	749	371

05 Administrative expenses

	2022 £000	2021 £000
Staff costs		
Wages and salaries	**5,445**	4,829
Social security costs	**609**	498
Other pension costs	**475**	439
	6,529	5,766
Other administrative expenses	**5,009**	4,690
	11,538	10,456

Amounts receivable by the Society's Auditor and their associates are included within other administrative expenses and comprise fees in respect of:

	2022	2021
Audit of these financial statements	**172**	135
Other services	**–**	18
	172	153

These fees are shown exclusive of VAT. Other services includes an assurance report in connection with the Bank of England's Term Funding Scheme: £nil (2021: £17.5k).

No provision has been made in 2022 as the Society did not require an audit of the TFSME scheme.

06 Remuneration of Directors

	2022 fees £000	2021 fees £000
Non-Executive Directors		
P Elcock (Board appointed 30th June 2022, Chairman appointed 22nd December 2022)	**11.3**	–
A Harris (Resigned 22nd December 2022)	**48.5**	47.5
S J Reid (Deputy Chairman)	**34.0**	33.5
E Lenc	**31.5**	31.0
S Liddell	**31.5**	31.0
S Hill	**29.5**	29.4
F Ryder	**29.5**	29.0
	215.8	201.4

Non-Executive Directors also receive reimbursement for travel and subsistence expenses incurred as part of their duties, in line with the Society's expense policy.

		Performance-Related Pay					
	Salary	**Payable now**	**Deferred**	**Benefits**	**Sub Total**	**Pension Entitlements**	**Total**
Executive Directors	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
2022							
R Norrington (Chief Executive Officer)	**182.2**	**24.8**	**12.4**	**29.4**	**248.8**	**36.4**	**285.2**
P Johnson (Chief Financial Officer)	**152.2**	**20.7**	**10.3**	**15.9**	**199.1**	**26.7**	**225.8**
I Brighton (Chief Operating Officer) (Resigned 1 May 2022)	**49.1**	**5.3**	**2.7**	**7.1**	**64.2**	**8.6**	**72.8**
R Newman (Chief Operating Officer) (Appointed 1 May 2022)	**72.9**	**9.7**	**4.9**	**7.9**	**95.4**	**12.8**	**108.2**
	456.4	**60.5**	**30.3**	**60.3**	**607.5**	**84.5**	**692.0**

R Norrington and P Johnson have elected to receive cash payments in respect of pension entitlements.
Benefits include health care, car allowance and subsistence allowance.
Total Directors' remuneration amounted to £907.8k (2021: £828.4k)

Ian Brighton resigned as Chief Operating Officer to become Head of Credit Management and Mortgages.

		Performance-Related Pay					
	Salary	Payable now	Deferred	Benefits	Sub Total	Pension Entitlements	Total
	£000	£000	£000	£000	£000	£000	£000
2021							
R Norrington (Chief Executive Officer)	177.2	17.9	8.9	23.9	227.9	35.4	263.3
P Johnson (Chief Financial Officer)	148.1	7.5	3.7	13.2	172.5	25.9	198.4
I Brighton (Chief Operating Officer)	116.8	11.8	5.9	10.3	144.8	20.5	165.3
	442.1	37.2	18.5	47.4	545.2	81.8	627.0

07 Employees

The average number of persons, including Executive Directors, employed during the year was as follows:

	2022 Full time	**2022 Part time**	2021 Full time	2021 Part time
Head office	**78**	**32**	75	31
Branch offices	**15**	**35**	16	32
	93	**67**	91	63

The average number of persons, including Executive Directors, employed during the year on a full time equivalent basis was 133 (2021: 129).

08 Country by Country Reporting

The Capital Requirements (Country by Country Reporting) Regulation 2013 places certain reporting obligations on financial institutions that are within the scope of EU Capital Requirements Directive (CRD IV).

The objective of the country by country reporting requirements is to provide increased transparency regarding the source of the financial institution's income and the locations of its operations. Suffolk Building Society is a UK registered entity.

Name, nature of activities and geographical location: Suffolk Building Society is a deposit taker and lender, not part of a group and operates only in the United Kingdom.

	2022 £000	2021 £000
Turnover	**17,798**	13,940
Profit before tax	**5,875**	2,937
Corporation tax paid	**200**	400
Number of employees on a full time equivalent basis	**133**	129

Turnover is defined as net profit on financial operations.

During the year the Society has participated in the Bank of England Term Funding Scheme. Details of drawings are in note 22.

Corporation tax paid in 2022 is in respect of the results for the year ended 30 November 2021.

09 Pension arrangements

The Society operates a defined benefit scheme in the UK. This is a separate trustee administered fund holding the pension scheme assets to meet long-term pension liabilities. A full actuarial valuation was carried out on 30 November 2021 by a qualified actuary, independent of the scheme's sponsoring employer.

The Society's policy is to eliminate any deficits of the scheme through additional contributions in agreement with the trustees and in accordance with the actuarial valuation.

Present values of defined benefit obligation, fair value of assets and defined benefit asset/(liability)

	2022 £000	2021 £000
Fair value of plan assets	**3,958**	6,214
Present value of defined benefit scheme obligation	**(4,191)**	(6,097)
(Deficit)/surplus in the plan	**(233)**	117
Defined benefit scheme liability to be recognised	**(233)**	117
Deferred tax	**58**	(29)
Net defined benefit (liability)/asset to be recognised	**(175)**	88

09 Pension arrangements (continued)

	2022 £000	2021 £000
Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at the start of the period	**6,097**	6,892
Interest expense	**96**	95
Actuarial (gains)/losses	**(1,805)**	306
Benefits paid	**(197)**	(1,196)
Defined benefit scheme obligation at the end of the period	**4,191**	6,097

The present value of the defined benefit scheme obligation has seen a significant decrease during the year as the discount rate used to value this liability increased significantly from 1.6% at 30 November 2021 to 4.45% at 30 November 2022, principally as a result of the UK Government's mini-budget on 23 September 2022.

	2022 £000	2021 £000
Reconciliation of opening and closing balances of the fair value of the plan assets		
Fair value of plan assets at start of period	**6,214**	6,735
Interest income	**99**	97
Actuarial (losses)/gains	**(2,358)**	378
Contributions by the Society	**200**	200
Benefits paid	**(197)**	(1,196)
Fair value of plan assets at end of period	**3,958**	6,214

The actual return on the scheme assets over the period ending 30 November 2022 was a loss of £2,259k (2021: gain of £475k).

The Scheme holds a number of Liability Driven Investments ("LDIs") as a partial hedge against its defined benefit obligation and the value of these LDI funds decreased during the year as a result of the significant increase in debt yields following the September mini-budget. The value of the Scheme's growth assets has also fallen in the year because as a result of the fall in value of its LDI funds, the Scheme disposed of some of its growth assets to enable it to meet collateral calls arising in the LDI funds and maintain the level of liability hedging within the Scheme.

	2022 £000	2021 £000
Defined benefit scheme income/(expense) recognised in profit or loss		
Net interest income	**3**	2
Defined benefit scheme income recognised in profit or loss	**3**	2

	2022 £000	2021 £000
Defined benefit scheme costs recognised in Other Comprehensive Income		
Return on scheme assets (excluding amounts included in net interest cost) - (loss)/gain	**(2,358)**	378
Experience losses arising on the plan liabilities	**(284)**	(176)
Gains/(Losses) due to effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	**2,090**	(130)
Total (loss)/gain recognised in other comprehensive income	**(552)**	72

09 Pension arrangements (continued)

	2022 £000	**2021 £000**	2020 £000
Assets			
Growth assets	**1,844**	3,570	4,245
Bonds	**227**	265	341
Cash	**228**	129	26
Liability driven investments	**1,659**	2,250	2,123
Total assets	**3,958**	6,214	6,735

None of the fair values of the assets shown above include any of the Society's own financial instruments or any property occupied by, or other assets used by, the Society.

	2022 % per annum	2021 % per annum	2020 % per annum
Assumptions			
Rate of discount	**4.45**	1.60	1.55
Long Term Inflation (RPI)	**3.10**	3.50	3.00
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.10**	3.50	3.00
Allowance for pension in payment increases of RPI or 5% p.a. if less	**2.90**	3.30	2.90
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	**2.00**	2.10	2.00
Allowance for commutation of pension for cash at retirement	**90% of Post A Day**	90% of Post A Day	90% of Post A Day

The mortality assumptions adopted at 30 November 2022 assume the following life expectancies:

	2022	2021
Male retiring in current year	**23.5**	22.2
Female retiring in current year	**25.0**	24.0
Male retiring in 2047 (2021: 2046)	**25.2**	23.6
Female retiring in 2047 (2021: 2046)	**26.8**	25.5

The best estimate of contributions to be paid by the Society to the scheme for the period commencing 1 December 2022 is £200,000.

(b) Defined contribution pension scheme

For staff previously not eligible to join the defined benefit pension scheme and for all qualifying staff from 1 April 2006 the Society operates a defined contribution scheme. The Society additionally funds the cost of life assurance cover for its staff.

Summary of employer's contributions:

Employer's contributions included within the Accounts were fully paid to the scheme and were as follows:	**2022 £000**	2021 £000
Defined contribution scheme	**475**	439

Where applicable, payments into Executive Directors' personal pension plans after 1 April 2006 are included within employer's contributions paid in respect of the defined contribution scheme as stated above and are disclosed in Note 6 of these Financial Statements.

10 Tax on profit on ordinary activities

	2022 £000	2021 £000
UK corporation tax at 19% (2021: 19%)	**1,044**	385
Current tax charge for the year	**1,044**	385
Deferred tax:		
Origination/reversal of timing differences	**160**	316
Change in rate	**–**	108
Total deferred tax	**160**	424
Tax on profit on ordinary activities	**1,204**	809

The actual current tax charge for the year differs from that calculated using the standard rate of corporation tax in the United Kingdom. The differences are explained as follows:

	2022 £000	2021 £000
Profit before tax	**5,875**	2,937
Theoretical tax charge at the standard rate of 19% (2021: 19%)	**1,116**	558
Effects of:		
Expenses not deductible for tax purposes	**76**	131
Utilisation of deferred tax items at differing rates	**12**	12
Deferred tax rate changes	**–**	108
Current tax charge for the year	**1,204**	809

	2022 £000	2021 £000
Deferred tax assets and liabilities		
Deferred tax assets		
Retirement benefit obligations	**58**	–
Employee benefits	**51**	23
Available for sale assets	**25**	–
	134	23
Deferred tax liabilities		
Accelerated capital allowances	**(865)**	(723)
Property revaluation	**(335)**	(308)
Business asset rollover relief	**(44)**	(44)
Retirement benefit obligations	**–**	(29)
Available for sale assets	**–**	(6)
Other	**(8)**	(11)
	(1,252)	(1,121)
Net deferred tax liability	**(1,118)**	(1,098)

Changes in the Finance Act 2021 included that, effective from 1 April 2023, the UK corporation tax rate would increase to 25% for companies with profits of over £250k. For accounting purposes, the Society has therefore valued deferred tax asset and liability exposures at 25%.

The movement in the deferred tax liability pertaining to the property revaluation was an increase of £27k for the year. The increase related to the impact of timing differences.

11 Cash in hand and balances with the Bank of England

	2022 £000	2021 £000
Balances held with the Bank of England	**96,584**	93,202
Cash in hand	**547**	463
	97,131	93,665

12 Loans and advances to credit institutions

	2022 £000	2021 £000
Repayable on demand	**2,258**	1,865

13 Debt securities

	2022 £000	2021 £000
Certificates of deposit	**10,058**	15,002
Floating rate notes	**12,130**	12,231
	22,188	27,233

Debt securities have remaining maturities from the date of the Statement of Financial Position as follows:

	2022 £000	2021 £000
Accrued interest	**167**	41
In not more than one year	**11,949**	14,976
In more than one year	**10,072**	12,216
	22,188	27,233

All debt securities held are issued by borrowers other than public bodies and are unlisted and transferable.

The Directors of the Society consider that the primary purpose of holding securities is prudential. All transferable securities held as liquid assets are held with the intention of use on a continuing basis in the Society's activities and are therefore classified as available-for-sale financial assets.

Movements during the year of transferable securities classified as available-for-sale financial assets are analysed as follows:

	2022 £000	2021 £000
At 1 December of previous year	**27,194**	27,248
Additions	**10,000**	15,000
Maturities	**(15,047)**	(15,050)
Fair value changes through other comprehensive income	**(123)**	(4)
At 30 November	**22,024**	27,194

14 Derivative financial instruments

	2022 Fair value - assets £000	2022 Fair value - liabilities £000	2021 Fair value - assets £000	2021 Fair value - liabilities £000
The fair values of derivative financial instruments held at 30 November are set out below.				
Derivatives designated as fair value hedges				
Interest rate swaps	**15,399**	**645**	2,641	327
Derivatives not designated as fair value hedges				
Interest rate swaps	**85**	**572**	–	13
	15,484	**1,217**	2,641	340

At 30 November 2022 the Society held £14,130k collateral in respect of derivative contracts (2021: £2,000k collateral pledged).

15 Loans and advances to customers

	2022 £000	2021 £000
Loans fully secured on residential property	**668,370**	617,777
Loans fully secured on land	**645**	662
Fair value adjustment for hedged risk	**(13,522)**	(2,322)
	655,493	616,117
Less: allowance for impairment (Note 16)	**(774)**	(729)
	654,719	615,388

The maturity of loans and advances to customers from the date of the Statement of Financial Position is as follows:

	2022 £000	2021 £000
In not more than three months	**3,915**	3,368
In more than three months but not more than one year	**2,874**	6,316
In more than one year but not more than five years	**37,412**	31,413
In more than five years	**624,814**	577,342
Fair value adjustment for hedged risk	**(13,522)**	(2,322)
	655,493	616,117
Less: allowance for impairment (Note 16)	**(774)**	(729)
	654,719	615,388

Repayments of interest and principal due to the Society where the borrower is in arrears under the terms of the loan contract have been included in the above table on the assumption that the arrears are cleared over a thirty-six month period from the date of the Statement of Financial Position. It is the Society's experience, in common with most mortgage lenders, that many loans will be repaid earlier than the contractual maturity date.

Loans and advances to customers include an amount relating to the effective interest rate adjustment an asset of £835k (2021: asset of £175k).

16 Allowance for impairment

	Loans fully secured on residential property £000	**Total £000**
Provisions for losses on loans and advances fully secured on residential property have been made as follows and deducted from the appropriate asset values shown in the Statement of Financial Position:		
Individual impairment allowance		
At 1 December 2021	164	164
Amounts written off during the year, net of recoveries	–	–
Reversal for the year	(61)	(61)
At 30 November 2022	**103**	**103**
Collective impairment allowance		
At 1 December 2021	565	565
Amounts written off during the year, net of recoveries	–	–
Charge for the year	106	106
At 30 November 2022	**671**	**671**
Individual impairment allowance		
At 1 December 2020	12	12
Amounts written off during the year, net of recoveries	(13)	(13)
Charge for the year	165	165
At 30 November 2021	**164**	**164**
Collective impairment allowance		
At 1 December 2020	543	543
Amounts written off during the year, net of recoveries	–	–
Charge for the year	22	22
At 30 November 2021	**565**	**565**

The current economic climate continues to be uncertain due to the ongoing impact of both COVID-19 and the conflict in Ukraine, and the effect these events are having on global market prices. Management are mindful of falling house prices and rising unemployment and have therefore increased the size of the collective provision for impaired loans.

In determining the size of the collective provision, Management have considered and evaluated the threats to borrowers' ability to service their loans in this economic environment, the value of collateral held and the size of any forced sale discount that could be incurred. The provision is based on the assumptions that house prices could fall by up to 10% in 2023 and that the level of arrears could increase in line with the expected increase in unemployment. This has resulted in Management increasing the collective provision calculated from £550k to £671k.

As at 30 November 2022 the Society has no impairment provisions against loans fully secured on land.

17 Tangible fixed assets

	Freehold buildings £000	Short leasehold buildings £000	Equipment, fixtures, vehicles £000	Computer equipment £000	**Total £000**
Cost or valuation					
At 1 December 2021	4,227	817	635	717	6,396
Additions during year	76	26	25	–	127
Disposals during year	–	–	–	–	–
Revaluation	144	–	–	–	144
At 30 November 2022	**4,447**	**843**	**660**	**717**	**6,667**
Depreciation					
Balance at start of year	228	695	484	592	1,999
Charged in year	83	13	31	65	192
Disposals during year	–	–	–	–	–
Revaluation	–	–	–	–	–
At 30 November 2022	**311**	**708**	**515**	**657**	**2,191**
Net book value					
At 30 November 2022	**4,136**	**135**	**145**	**60**	**4,476**
At 30 November 2021	3,999	122	151	125	4,397

The net book value of land and buildings occupied by the Society for its own activities comprises:	**2022 £000**	2021 £000
Freehold	**4,136**	3,999
Short leasehold	**135**	122
	4,271	4,121

Freehold land and buildings were professionally valued by Akermans Chartered Surveyors on an existing use basis as at November 2021. This valuation was £4,136k compared to a previous net book value of £3,992k. The Directors considered this valuation amount appropriate and the Society revalued it's assets accordingly.

In accordance with the Society's accounting policy, the carrying value of £4,136k has been reviewed by the Directors as at 30 November 2022 and is still considered to be appropriate. Under the historical cost basis the carrying amount of Freehold land and buildings would have been £2,713k (2021: £2,695k).

The amount of depreciation charged in the year to 30 November 2022 based on the revalued amount was £83k compared to £58k which would have been charged under the historical cost method. An amount equivalent to the difference has therefore been transferred from the Revaluation Reserve to General Reserves in accordance with accounting policy.

18 Intangible assets

	Software development costs £000
Cost	
At 1 December 2021	3,120
Additions during year	628
Disposals during year	–
At 30 November 2022	**3,748**
Amortisation	
At 1 December 2021	1,547
Charged in year	190
At 30 November 2022	**1,737**
Net book value	
At 30 November 2022	**2,011**
At 30 November 2021	1,573

Intangible assets at 30 November 2022 comprise the costs of investment in the Society's IT infrastructure and costs incurred to date in respect of the new mortgage origination platform and include £1,674k (2021: £1,046k) of assets in the course of construction. Amortisation is charged against these assets when they become ready for use by the business over estimated useful lives of between five and ten years.

19 Other assets

	2022 £000	2021 £000
Other	**159**	78
Corporation tax	**–**	97
	159	175

20 Prepayments and accrued income

	2022 £000	2021 £000
Prepayments	**405**	252
Accrued income relating to derivatives	**392**	–
	797	252

21 Shares

	2022 £000	2021 £000
Held by individuals	**637,932**	608,061
Fair value adjustment for hedged risk	**–**	(18)
	637,932	608,043

Shares are repayable from the date of the Statement of Financial Position in the ordinary course of business as follows:

	2022 £000	2021 £000
Accrued interest	**1,445**	904
Fair value adjustment for hedged risk	**–**	(18)
Repayable on demand	**635,767**	606,434
In more than three months but not more than one year	**720**	723
	637,932	608,043

22 Amounts owed to credit institutions

	2022 £000	2021 £000
Accrued interest	**240**	9
Bank of England Term Funding Scheme	**50,000**	55,000
Bank of England Indexed Long Term Repo	**5,000**	–
	55,240	55,009

Amounts owed to credit institutions are repayable from the date of the Statement of Financial Position in the ordinary course of business as follows:

	2022 £000	2021 £000
Accrued interest	**240**	9
In not more than three months	**–**	5,000
In more than three months but not more than one year	**5,000**	–
In more than one year but not more than five years	**50,000**	50,000
	55,240	55,009

The Term Funding Scheme is a Bank of England scheme where funds are lent to firms on a four year term secured by retail mortgages. The Indexed Long Term Repo is a facility within the Bank of England's Sterling Monetary Framework. Funding can be drawn for a period of six months.

At 30 November 2022 the Society had £99m of mortgages pledged as collateral within these schemes.

23 Amounts owed to other customers

Amounts owed to non-member depositors are repayable from the date of the Statement of Financial Position in the ordinary course of business as follows:

	2022 £000	2021 £000
Accrued interest	**54**	33
On demand	**43,364**	39,695
	43,418	39,728

24 Other liabilities

	2022 £000	2021 £000
Other taxation and social security costs	**167**	152
Other creditors*	**14,374**	2,259
Corporation tax	**748**	–
	15,289	2,411

* Included within other creditors is cash collateral held from counterparties in respect of interest rate swaps of £14,130k (2021: £2,000k).

25 Accruals and deferred income

	2022 £000	2021 £000
Accruals relating to derivatives	**–**	133
Accruals relating to administrative expenses	**1,155**	1,208
Other	**66**	62
	1,221	1,403

26 Contingent liabilities and commitments

Leasing commitments
At the date of the Statement of Financial Position, the totals of future minimum lease payments under non-cancellable operating leases were as follows:

	Equipment 2022 £000	Land and buildings 2022 £000	Equipment 2021 £000	Land and buildings 2021 £000
Leases which expire:				
In not more than one year	**2**	**160**	2	160
In more than one but not more than five years	**4**	**392**	–	469
After five years	**–**	**588**	–	671
	6	**1,140**	2	1,300

Operating lease payments which were included within administrative expenses during the year ended 30 November 2022 were £173k (2021: £180k).

Mortgage commitments at 30 November 2022 were £60,814k (2021: £38,653k).

27 Directors' loans and related party transactions

There were no loans or similar arrangements between the Directors and the Society falling due to be reported in the financial statements at either 30 November 2022 or 30 November 2021.

A register is maintained at the Society's Head Office containing details of loans, transactions and arrangements made between the Society and Directors of the Society or persons connected with Directors of the Society. The register will be available for inspection by members at the Head Office for a period of 15 days up to and including the Annual General Meeting.

The Society operates a closed defined benefit pension scheme which constitutes a related party. Details of this pension scheme can be found in note 9.

28 Financial instruments

A financial instrument is a contract that gives rise to a financial asset or a financial liability. The Society is a retailer of financial instruments, mainly in the form of mortgage and savings products. However, the Society also uses other financial instruments to invest liquid asset balances and raise wholesale funding. In addition, the Society uses derivative financial instruments ('derivatives') to manage the risks arising from its operations.

The financial risks arising from the Society's activities include liquidity, interest rate and credit risk. The Board reviews and agrees policies for managing each of these risks, which include the establishment of the Society's risk appetite, risk limits, clear reporting lines and other controls. Additionally, the Society's Assets and Liabilities Committee (ALCO) monitors the financial risks relating to the financial instruments held as well as capital funding and liquidity, in line with the Society's prudential policy statements. The Retail Credit Risk Committee will also ensure that the management of retail credit risk is consistent with the credit risk appetite.

The Society does not hold derivatives for trading or speculative purposes but uses them for hedging purposes only in accordance with the Building Societies Act 1986, specifically to limit the interest rate exposure that arises with the provision of fixed rate mortgage and savings products. The Society employs interest rate swap contracts to manage the interest rate risks as summarised below.

Categories of financial instruments

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost. This note to the financial statements describes 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 assets and liabilities by financial classification:

At 30 November 2022

	Loans and receivables £000	Available-for-sale £000	Fair value through profit or loss £000	Total £000
Financial assets				
Cash in hand and balances with the Bank of England	97,131	–	–	97,131
Loans and advances to credit institutions	2,258	–	–	2,258
Debt securities	–	22,188	–	22,188
Derivative financial instruments	–	–	15,484	15,484
Loans and advances to customers	668,241	–	(13,522)	654,719
Other assets	159	–	–	159
Prepayments and accrued income	–	–	392	392
Total financial assets	767,789	22,188	2,354	792,331
Non-financial assets	–	–	–	7,026
Total assets				799,357

28 Financial instruments (continued)

	Other financial liabilities £000	Fair value through profit and loss £000	Total £000
Financial liabilities			
Shares	**637,932**	**–**	**637,932**
Amounts owed to credit institutions	**55,240**	**–**	**55,240**
Amounts owed to other customers	**43,418**	**–**	**43,418**
Pension liability	**233**	**–**	**233**
Derivative financial instruments	**–**	**1,217**	**1,217**
Accruals	**1,221**	**–**	**1,221**
Other liabilities	**14,376**	**–**	**14,376**
Corporation tax	**748**	**–**	**748**
Total financial liabilities	**753,168**	**1,217**	**754,385**
Non-financial liabilities and reserves			**44,972**
Total liabilities and reserves			**799,357**

At 30 November 2021

	Loans and receivables £000	Available-for-sale £000	Fair value through profit or loss £000	Total £000
Financial assets				
Cash in hand and balances with Bank of England	93,665	–	–	93,665
Loans and advances to credit institutions	1,865	–	–	1,865
Debt securities	–	27,233	–	27,233
Derivative financial instruments	–	–	2,641	2,641
Loans and advances to customers	617,710	–	(2,322)	615,388
Other assets	78	–	–	78
Total financial assets	713,318	27,233	319	740,870
Non-financial assets				6,459
Total assets				**747,329**

	Other financial liabilities £000	Fair value through profit and loss £000	Total £000
Financial liabilities			
Shares	608,061	(18)	608,043
Amounts owed to credit institutions	55,009	–	55,009
Amounts owed to other customers	39,728	–	39,728
Derivative financial instruments	–	340	340
Accruals	1,403	–	1,403
Other liabilities	2,259	–	2,259
Total financial liabilities	706,460	322	706,782
Non-financial liabilities and reserves			40,547
Total liabilities and reserves			**747,329**

28 Financial instruments (continued)

Fair value disclosure

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 (see below).

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.

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. Valuations are based on SONIA (Sterling Overnight Index Average) yield curves in line with the terms of the underlying instruments. No adjustment is made for credit risk.

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 table below summarises the fair values of the Society's financial assets and liabilities that are accounted for at fair value, analysed by the valuation methodology used by the Society to derive the financial instruments' fair value:

As at 30 November 2022	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Available-for-sale				
Debt securities (excluding accrued interest)	**22,021**	**–**	**–**	**22,021**
Fair value through profit or loss				
Interest rate swaps	**–**	**15,484**	**–**	**15,484**
	22,021	**15,484**	**–**	**37,505**
Financial liabilities				
Fair value through profit or loss				
Interest rate swaps	**–**	**1,217**	**–**	**1,217**

As at 30 November 2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Financial assets				
Available-for-sale	27,192	–	–	27,192
Debt securities (excluding accrued interest)				
Fair value through comprehensive income				
Interest rate swaps	–	2,641	–	2,641
	27,192	2,641	–	29,833
Financial liabilities				
Fair value through comprehensive income				
Interest rate swaps	–	340	–	340

Financial assets pledged as collateral
The total financial assets recognised in the Statement of Financial Position that had been pledged as collateral for liabilities at 30 November are shown below:

	2022 £000	2021 £000
Loans and advances to customers	**99,353**	88,593

28 Financial instruments (continued)

Credit risk
Credit risk is the risk that counterparties will not meet their obligations as they fall due. All loan applications are assessed with reference to the Society's lending policy.

Treasury counterparties are approved and monitored by the Assets and Liabilities Committee.

The Society operates an experienced credit risk function, driven by the need to manage potential and actual risk both currently and in the future. Through this, any variations in risk resulting from market, economic or competitive changes are identified and appropriate controls and strategies are implemented.

The Society's maximum credit risk exposure is detailed in the table below:	**2022 £000**	2021 £000
Balance held with the Bank of England	**96,584**	93,202
Loans and advances to credit institutions	**2,258**	1,865
Debt securities	**22,188**	27,233
Derivative financial instruments	**15,484**	2,641
Loans and advances to customers	**668,241**	617,710
Fair value adjustment for hedged risk	**(13,522)**	(2,322)
Prepayment and accrued income	**392**	–
Total Statement of Financial Position exposure	**791,625**	740,329
Off-balance sheet exposure – mortgage commitments	**60,814**	38,653
	852,439	778,982

Loans and advances to customers
The Society is committed to mitigating risk through all stages of the lending cycle. The Society monitors customer affordability and the loan-to-value (LTV) percentages of all loans at the application stage. Additionally, the Society employs underwriting and fraud detection policies to minimise losses once loans have been approved as well as taking a proactive approach to the monitoring and treatment of impaired loans through the collections and recovery functions.

The Society maintains comprehensive management information on the performance and movements within the various loan portfolios to ensure that credit risk is adequately controlled, and any adverse trends are identified before they impact on performance. Society performance is benchmarked against the industry when appropriate to identify any outlying trends. This management information is distributed throughout the Society and monitored at a Board committee level.

The table below provides further information on the Society's loans and advances to customers by payment due status as at 30 November, and the allowance for impairment held by the Society against those assets. The balances exclude the fair value adjustment for hedged risk and are stated before allowance for impairment losses.

28 Financial instruments (continued)

Credit quality analysis of loans and advances to customers

	2022		2021	
	Loans fully secured on residential property £000	**Loans fully secured on land £000**	Loans fully secured on residential property £000	Loans fully secured on land £000
Neither past due nor impaired	**659,787**	**645**	605,412	662
Past due but not impaired				
Up to 1 month	**2,233**	**–**	3,225	–
More than 1 month but less than 3 months	**736**	**–**	788	–
	2,969	**–**	4,013	–
Individually impaired				
Not past due	**1,748**	**–**	2,517	–
Up to 1 month	**153**	**–**	576	–
More than 1 month but less than 3 months	**271**	**–**	488	–
More than 3 months but less than 6 months	**36**	**–**	443	–
More than 6 months but less than 12 months	**1,498**	**–**	1,951	–
More than 12 months	**1,874**	**–**	2,248	–
In possession	**34**	**–**	129	–
	5,614	**–**	8,352	–
	668,370	**645**	617,777	662
Allowance for impairment				
Individual	**103**	**–**	164	–
Collective	**671**	**–**	565	–
Total allowance for impairment	**774**	**–**	729	–

Individual assessments are made of all mortgage loans where objective evidence indicates that losses are likely, for example, when loans are past due, the account is in forbearance or the property is in possession, or where fraud or negligence has been identified. Further consideration is given in accounting policy note 1.6 to the Accounts.

Assets obtained by taking possession of collateral

Details of financial and non-financial assets obtained during the year by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements and held at the year end are shown below. The amounts stated are the most recent valuations adjusted to take account of changes in the Halifax House Price Index published by Lloyds Banking Group Plc.

	2022 £000	2021 £000
Property	**689**	360

The Society's policy is to pursue timely realisation of the collateral in an orderly manner. The Society does not use the non-cash collateral for its own operations.

28 Financial instruments (continued)

Collateral held and other credit enhancements
The Society holds collateral against its retail credit exposures in the form of residential property. This collateral is valued by adjusting the valuation at inception of the loan for changes in the Halifax House Price Index published by Lloyds Banking Group Plc. Values are updated on a quarterly basis. No allowance is made for the costs of realising the collateral.

The table below sets out the value of collateral held against the loan portfolio (excluding adjustments for impairment, effective interest rate and fair value of hedged mortgages).

	2022 £000	2021 £000
Estimated full value of collateral held	**1,939,695**	1,746,635
Value of collateral limited to the amount of debt outstanding	**668,181**	618,266
Percentage of collateral to loans and advances to customers	**100%**	100%

In addition to holding residential property as collateral, the Society holds mortgage indemnity insurance where the ratio of the loan at application to the value of the property is more than 80% (2021: 80%).

Loan to value
The tables below stratify credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The gross amounts exclude any impairment allowance and adjustment for changes in fair value. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

	2022 £000	2021 £000
LTV ratio		
Up to 50%	**315,010**	288,454
More than 50% and up to 70%	**172,772**	125,011
More than 70% and up to 90%	**171,245**	182,792
More than 90% and up to 100%	**9,988**	22,182
	669,015	618,439

Forbearance
In certain circumstances the Society uses forbearance measures to assist those borrowers who are experiencing financial difficulty. These measures can take several different forms and in each case an individual assessment is made to ensure forbearance is in the best interests of both the borrower and the Society. It is expected that the borrowers will resume normal payments once they are able. Accounts in forbearance are included in the individual assessment for impairment.

The table below analyses residential mortgages with renegotiated terms as at the year end:

	Number of accounts	**2022 £000**	Number of accounts	2021 £000
Account restructured and arrears capitalised	**2**	**71**	2	74
Temporary transfer to interest only	**6**	**576**	14	1,204
Term extension	**3**	**543**	3	561
Payment arrangement in place	**14**	**1,602**	31	2,716
Multiple forbearance actions	**13**	**1,001**	13	1,072
	38	**3,793**	63	5,627

28 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting the obligations associated with its financial liabilities that are to be settled by delivering cash or another financial asset. The Society's liquidity policy is to maintain sufficient funds in a liquid form at all times to ensure that it can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide protection against any unexpected events that may occur.

Liquidity is monitored daily and reported to the ALCO on a monthly basis. The Society's liquidity policy is designed to provide the Society with the resources to withstand a range of stressed scenarios. A number of appropriate stressed scenarios have been identified as part of the Society's liquidity risk management. The scenarios developed include idiosyncratic, market-wide and combination stress tests, which fulfill the specific requirements of the Prudential Regulation Authority (PRA).

The Society's high-quality liquid assets comprise deposits with the Bank of England and investment-grade floating rate notes issued by a highly rated Multinational Development Bank. At the year end the percentage of total shares and deposit liabilities held in these high-quality liquid assets was 14.8% (2021: 15.0%). In addition, the Society holds deposits with UK banks and portfolios of certificates of deposits (CDs) and time deposits (TDs) with other financial institutions. When taking the bank deposits, CDs and TDs into account, the percentage of total shares and deposit liabilities held in liquid resources was 16.5% (2021: 17.5%).

The total drawings under the Term Funding Scheme have decreased to £50m (2021: £55m). The Society has participated in the Bank of England's Indexed Long Term Funding facility for the first time in this financial year and has drawn £5m.

Maturity analysis for financial assets and financial liabilities

The tables below set out the remaining contractual maturities of the Society's financial assets and financial liabilities. In practice, contractual maturities are not a reflection of actual experience and therefore the information is not representative of the Society's management of liquidity. For example, the contractual term for the majority of the loans and advances to customers ranges from 10 - 30 years; however, borrowers tend to repay ahead of contractual maturity, with the average life of a loan under 7 years. Conversely, customer deposits (for example, shares) repayable on demand are likely to remain for longer on the Statement of Financial Position. With regard to the net pension surplus, this has been analysed across time periods in accordance with the Payment of the annual contributions agreed with the Trustees to eliminate the deficit.

Contractual maturities of financial assets and liabilities

For the year ended 30 November 2022	On demand £000	Not more than 3 months £000	More than 3 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	More than 5 years £000	Non-defined maturity £000	Total £000
Financial assets							
Cash in hand and balances with Bank of England	97,131	–	–	–	–	–	97,131
Loans and advances to credit institutions	2,258	–	–	–	–	–	2,258
Debt securities	–	–	11,949	10,072	–	167	22,188
Derivative financial instruments	–	100	845	14,526	13	–	15,484
Loans and advances to customers	2	3,915	2,874	37,412	624,812	(14,296)	654,719
Other financial assets	–	159	–	–	–	–	159
Prepayments and accrued income	–	–	–	–	–	392	392
Total financial assets	99,391	4,174	15,668	62,010	624,825	(13,737)	792,331
Non-financial assets	–	–	–	–	–	7,026	7,026
Total assets	99,391	4,174	15,668	62,010	624,825	(6,711)	799,357
Financial liabilities							
Shares	635,767	–	720	–	–	1,445	637,932
Amounts owed to credit institutions	–	–	5,000	50,000	–	240	55,240
Amounts owed to other customers	43,364	–	–	–	–	54	43,418
Pension liability	–	233	–	–	–	–	233
Derivative financial instruments	–	–	–	832	385	–	1,217
Accruals	–	1,221	–	–	–	–	1,221
Other liabilities	14,376	–	–	–	–	–	14,376
Corporation Tax	–	–	748	–	–	–	748
Total financial liabilities	693,507	1,454	6,468	50,832	385	1,739	754,385
Non-financial liabilities and reserves	–	–	–	–	–	44,972	44,972
Total liabilities and reserves	693,507	1,454	6,468	50,832	385	46,711	799,357

28 Financial instruments (continued)

For the year ended 30 November 2021

	On demand £000	Not more than 3 months £000	More than 3 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	More than 5 years £000	Non-defined maturity £000	Total £000
Financial assets							
Cash in hand balances with Bank of England	93,665	–	–	–	–	–	93,665
Loans and advances to credit institutions	1,865		–	–	–	–	1,865
Debt securities	–	–	14,976	12,216	–	41	27,233
Derivative financial instruments	–	–	–	2,641	–	–	2,641
Loans and advances to customers	–	3,368	6,316	31,413	577,342	(3,051)	615,388
Other financial assets	–	78	–	–	–	–	78
Total financial assets	95,530	3,446	21,292	46,270	577,342	(3,010)	740,870
Non-financial assets	–	–	–	–	–	6,459	6,459
Total assets	95,530	3,446	21,292	46,270	577,342	3,449	747,329
Financial liabilities							
Shares	606,434	–	723	–	–	886	608,043
Amounts owed to credit institutions	–	5,000	–	50,000	–	9	55,009
Amounts owed to other customers	39,695	–	–	–	–	33	39,728
Pension liability	–	–	–	–	–	–	–
Derivative financial instruments	–	4	98	235	3	–	340
Accruals	–	1,403	–	–	–	–	1,403
Other liabilities	2,259	–	–	–	–	–	2,259
Total financial liabilities	648,388	6,407	821	50,235	3	928	706,782
Non-financial liabilities and reserves	–	–	–	–	–	40,547	40,547
Total liabilities and reserves	648,388	6,407	821	50,235	3	41,475	747,329

Non-defined maturity items are principally comprised of impairment provisions and hedge accounting adjustments.

Gross financial liability exposure table

The following is an analysis of the total gross cash flows (including all interest due) payable over the lives of the Society's financial liabilities.

For the year ended 30 November 2022

	On demand £000	Not more than 3 months £000	More than 3 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	More than 5 years £000	Non-defined maturity £000	Total £000
Financial liabilities							
Shares	635,767	1,770	5,825	3,581	–	1,445	648,388
Amounts owed to credit institutions	–	5,409	6,134	52,556	–	240	64,339
Amounts owed to other customers	43,364	177	542	–	–	54	44,137
Pension liability	–	233	–	–	–	–	233
Derivative financial instruments	–	177	534	2,141	17	–	2,869
Accruals	–	1,221	–	–	–	–	1,221
Other liabilities	14,376	–	–	–	–	–	14,376
Corporation tax	–	–	748	–	–	–	748
Total financial liabilities	693,507	8,987	13,783	58,278	17	1,739	776,311

28 Financial instruments (continued)

For the year ended 30 November 2021

	On demand £000	Not more than 3 months £000	More than 3 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	More than 5 years £000	Non-defined maturity £000	Total £000
Financial liabilities							
Shares	606,434	499	1,878	656	–	886	610,353
Amounts owed to credit institutions	–	5,014	38	50,135	–	9	55,196
Amounts owed to other customers	39,695	41	126	–	–	33	39,895
Pension liability	–	–	–	–	–	–	–
Derivative financial instruments	–	213	539	600	2	–	1,354
Accruals	–	1,403	–	–	–	–	1,403
Other liabilities	2,259	–	–	–	–	–	2,259
Total financial liabilities	648,388	7,170	2,581	51,391	2	928	710,460

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. Market prices comprise three types of risk: currency risk, interest rate risk and other price risk. As the Society is not exposed to foreign currencies the primary risk associated with market prices comes from interest rate risk.

The Society is exposed to movements in interest rates and this can have an adverse effect on profit. This exposure may be due to a difference in the timing of when assets and liabilities can reprice to market rates, or to a difference in the basis referenced by interest rates, such as Bank of England Base Rate and SONIA. The Society manages this exposure continually within approved limits and, where necessary, by using derivative financial instruments.

Interest rate risk
The Society has adopted the 'Matched' approach to interest rate risk, as defined by the PRA, operating within the exemptions permitted within section 9A of the Building Societies Act 1986. The 'Matched' approach aims to use 'standard' hedging instruments to manage the interest rate risks associated with offering fixed rate retail products, as detailed below. 'Standard' instruments include interest rate swaps.

The Society's interest risk management includes a regular review of the products used for hedging purposes by senior management, supported by monthly review by the ALCO and the Board. In addition, interest rate gap and basis risk analysis is performed on a monthly basis and presented to the ALCO and Board for review.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. The analysis below, also an interest rate sensitivity assessment, represents market value movement calculated using a discounted cash flow basis on all of the Society's financial assets and liabilities. The sensitivity analysis is based on an immediate 200 basis point parallel shifts in interest rates.

All exposures include investments of the Society's reserves. Other interest rate risk exposures, such as basis risk (the risk of loss arising from changes in the relationship between interest rates which have similar but not identical characteristics, e.g. SONIA and Bank of England Base Rate) and prepayment risk (the risk of loss arising from early repayments of fixed rate mortgages and loans) are also monitored closely and regularly reported to the ALCO.

The analysis below summarises the Society's exposure to interest rate risk. The tables present the Society's assets and liabilities by repricing date, along with the derivative financial instruments that are used to reduce the exposure to interest rate risk.

28 Financial instruments (continued)

Interest rate risk at 30 November 2022

	Not more than 3 months £000	More than 3 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	More than 5 years £000	Non-interest bearing £000	Total £000
Assets						
Cash in hand and balances with Bank of England	96,898	–	–	–	233	97,131
Loans and advances to credit institutions	2,258	–	–	–	–	2,258
Debt securities	–	11,949	10,072	–	167	22,188
Derivative financial instruments	–	–	–	–	15,484	15,484
Loans and advances to customers	277,361	90,046	301,609	–	(14,297)	654,719
Other assets	–	–	–	–	7,577	7,577
Total assets before derivatives	376,517	101,995	311,681	–	9,164	799,357
Derivatives - interest rate swaps	280,000	–	–	–	–	280,000
Total assets after derivatives	656,517	101,995	311,681	–	9,164	1,079,357
Liabilities and reserves						
Shares	470,918	70,625	94,285	659	1,445	637,932
Amounts owed to credit institutions	55,000	–	–	–	240	55,240
Amounts owed to other customers	43,364	–	–	–	54	43,418
Derivative financial instruments	–	–	–	–	1,217	1,217
Other liabilities	–	–	–	–	17,995	17,995
Reserves	–	–	–	–	43,555	43,555
Total liabilities before derivatives	569,282	70,625	94,285	659	64,506	799,357
Derivatives - interest rate swaps	28,000	32,000	204,000	16,000	–	280,000
Total liabilities after derivatives	597,282	102,625	298,285	16,659	64,506	1,079,357
Interest rate sensitivity gap	59,235	(630)	13,396	(16,659)	(55,342)	–
Off-balance sheet exposures	(26,014)	371	25,643	–	–	–
Total interest rate sensitivity gap	33,221	(259)	39,039	(16,659)	(55,342)	–
Sensitivity to general reserves						
Parallel shift of +2%	63	43	(548)	1,391	–	949
Parallel shift of -2%	(63)	(43)	548	(1,391)	–	(949)

28 Financial instruments (continued)

Interest rate risk at 30 November 2021

	Not more than 3 months £000	More than 3 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	More than 5 years £000	Non-interest bearing £000	Total £000
Assets						
Cash in hand and balances with Bank of England	93,658	–	–	–	7	93,665
Loans and advances to credit institutions	1,865	–	–	–	–	1,865
Debt securities	–	14,976	12,216	–	41	27,233
Derivative financial instruments	–	–	–	–	2,641	2,641
Loans and advances to customers	278,138	69,676	270,627	–	(3,053)	615,388
Other assets	–	–	–	–	6,537	6,537
Total assets before derivatives	373,661	84,652	282,843	–	6,173	747,329
Derivatives - interest rate swaps	243,000	–	–	–	–	243,000
Total assets after derivatives	616,661	84,652	282,843	–	6,173	990,329
Liabilities and reserves						
Shares	443,562	101,200	61,889	506	886	608,043
Amounts owed to credit institutions	55,000	–	–	–	9	55,009
Amounts owed to other customers	39,695	–	–	–	33	39,728
Derivative financial instruments	–	–	–	–	340	340
Other liabilities	–	–	–	–	4,935	4,935
Reserves	–	–	–	–	39,274	39,274
Total liabilities before derivatives	538,257	101,200	61,889	506	45,477	747,329
Derivatives - interest rate swaps	18,000	35,000	188,000	2,000	–	243,000
Total liabilities after derivatives	556,257	136,200	249,889	2,506	45,477	990,329
Interest rate sensitivity gap	60,404	(51,548)	32,954	(2,506)	(39,304)	–
Off-Balance sheet sensitivity gap	(13,694)	222	13,472	–	–	–
Total interest rate sensitivity gap	46,710	(51,326)	46,426	(2,506)	(39,304)	–
Sensitivity to general reserves						
Parallel shift of +2%	(31)	369	(261)	241	–	318
Parallel shift of -2%	31	(369)	261	(241)	–	(318)

28 Financial instruments (continued)

Derivatives held for risk management

Fair value hedges of interest rate risk
The Society uses derivatives designated to manage certain risks it faces in accordance with Section 9A of the Building Societies Act 1986. In particular, the Society employs 'fair value hedges' in the form of interest rate swaps to manage the exposure to interest rate risk inherent when providing fixed rate retail products. The interest rate swaps essentially hedge the exposure to changes in the fair values of the fixed products. The Society does not hold derivatives for trading or speculative purposes but uses them for hedging purposes only.

The interest rate swap contracts used to manage the interest rate risks are summarised below:

Activity	**Risk**	**Fair value interest rate hedge**
Fixed rate mortgages	Increase in interest rates	Society pays fixed, receives variable
Fixed rate savings	Decrease in interest rates	Society receives fixed, pays variable
Debt securities - fixed rate	Increase in interest rates	Society pays fixed, receives variable

The fair values of derivatives designated as fair value hedges are as follows.

	2022		2021	
	Assets £000	**Liabilities £000**	Assets £000	Liabilities £000
	15,484	**1,217**	2,641	340

Interest rate swaps
Interest rate swaps are matched to specific issuances of fixed rate retail shares or loans or acquisitions of debt securities. All hedges are supported by comprehensive hedging documentation as per the requirement in FRS 102 with the adoption of IAS 39. The Society utilises the derivative instruments for hedging purposes only and no such instruments are used for trading activity or speculative purposes. Fair value hedges are against SONIA.

The composition of the portfolio of interest rate swaps used in hedges and held at each year end is shown in the table below.

	2022 £000	2021 £000
Notional value of SONIA swap contracts used in hedges	**280,000**	226,000
Total notional value of swap contracts used in hedges held at 30 November	**280,000**	226,000

28 Financial instruments (continued)

Capital Structure
The Society's policy is to maintain a strong capital base to secure member, creditor and market confidence and to sustain the Society's plans for the future. Regulatory capital consists of the Society's general reserves, which are the profits of the Society accumulated over the last 173 years, and reserves relating to the revaluation of freehold property and the carrying value of available-for-sale debt securities.

The Society manages its capital requirements through the annual ICAAP (Internal Capital Adequacy Assessment Process). This is carried out in conjunction with the PRA. The ICAAP is closely monitored by the Board and the Board receives regular updates on the amount of capital held and the amount of headroom the Society has over its required level of capital. The required level of capital is set by the PRA through the Society's Total Capital Requirement. This allows the Board to ensure that the quantity and quality of capital held is both sufficient and appropriate to mitigate the risks the Society faces and to safeguard members' interests.

There were no breaches of capital requirements during the year.

Under Basel III Pillar 3 the Society is required to publish further information regarding its capital structure and exposures. The Society's Pillar 3 disclosures can be obtained on our website or by writing to the Society Secretary at our head office.

Regulatory Capital

	2022	2021
Common equity tier 1 capital	**£000**	£000
General reserve	**42,602**	38,320
Revaluation reserve	**1,026**	934
AFS reserve	**(73)**	20
Intangible assets	**(2,011)**	(1,573)
Total common equity tier 1 capital	**41,544**	37,701
Tier 2 capital		
Collective impairment allowance	**671**	565
Total tier 2 capital	**671**	565
Total capital	**42,215**	38,266

Annual Business Statement

FOR THE YEAR ENDED 30 NOVEMBER 2022

01 Statutory percentages

	2022 %	Statutory limit %
Lending limit	**2.7**	25.0
Funding limit	**13.4**	50.0

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

The statutory limits are as laid down under the Building Societies Act 1986 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 shareholding members.

The lending limit represents the proportion of business assets not in the form of loans fully secured on residential property.

Business assets are defined as total Society assets plus impairment allowance less liquid, tangible and intangible assets.

The funding limit represents the proportion of shares and borrowings not in the form of shares held by individuals. Shares and borrowings represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.

02 Other percentages

	2022 %	2021 %
As a percentage of shares and borrowings:		
Gross capital	**5.91**	5.59
Free capital	**5.12**	4.82
Liquid assets	**16.51**	17.47
As a percentage of mean total assets:		
Profit after tax for the financial year	**0.60**	0.30
Management expenses	**1.54**	1.50

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

“Gross capital” represents the aggregate of general reserves and subordinated liabilities.

“Free capital” represents the aggregate of gross capital and collective allowances on loans and advances to customers, less tangible and intangible fixed assets.

“Mean total assets” represents the average of total assets as stated in the Statement of Financial Position at 30 November 2022 and 30 November 2021.

“Management expenses” represents the aggregate of administrative expenses and depreciation and amortisation.

The Notes to these Accounts are contained on pages 48 to 79.

03 Information relating to Directors at 30 November 2022

Name	Occupation	Date of birth	Date of appointment	Other Directorships
P Elcock	Non-Executive Director	08/63	30/06/22	Advanced Payment Solutions Limited
A Harris	Non-Executive Director	08/56	01/07/11	Stonebridge International Insurance Ltd Cornerstone International Holdings Ltd The Prince Henry's High School Academy Trust PHHS Trading Company Limited
S Hill	Non-Executive Director	02/64	01/04/20	Trustee, Place2Be Place2Be Trading Limited Yealand Fund Services Limited Cordiant Digital Infrastructure Limited Apollo Syndicate Management Limited
P Johnson	Chief Financial Officer	08/68	26/11/20	–
E Lenc	Non-Executive Director	08/59	01/10/19	–
S A Liddell	Non-Executive Director	11/63	30/11/17	Samsung Fire & Marine Insurance Ltd Company of Europe Limited Aspen Syndicate Management Limited Aspen Insurance Company UK Limited
R Newman	Chief Operating Officer	05/84	01/05/22	
R H B Norrington	Chief Executive Officer	09/65	30/11/16	–
S J K Reid	Non-Executive Director	07/63	01/11/16	Wyelands Bank Plc
F Ryder	Non-Executive Director	05/67	25/10/18	TCD Media Limited Trustee, Bramfield Village Hall Bonza Music Ltd

Directors' service contracts
At 30 November 2022 the Executive Directors are employed on open-ended service contracts under which notice periods of one year and six months are required to be given by the Society and Director respectively in circumstances in which the contract is to be terminated.

04 Information relating to other Officers at 30 November 2022

Name	Occupation
W Defoe	Chief Risk Officer
L Gladwell	Chief Commercial Officer

Suffolk
Building Society

Suffolk Building Society, Freehold House, 6-8 The Havens,
Ransomes Europark, Ipswich, Suffolk IP3 9SJ
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