Annual Report.

Year ended 30 November 2023

Suffolk Building Society

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suffolkbuildingsociety.co.uk

Providing a safe home for savers and safe homes for our communities.

Trusted since 1849.

Contents.

Chair's Report.

This year the headlines have been dominated by continuing inflationary pressure, rising interest rates and cost of living increases. The Society has weathered these challenges well, thanks to a strong product strategy balanced with a pragmatic approach to lending and looking after members' savings. We've responded to changes in market conditions, while maintaining service levels.

We have continued to invest in our Society and have made good progress in digital transformation across both lending and savings. The introduction of our online savings platform has been a particular highlight of the year.

We continue as a fiercely independent mutual society, with both digital and face-to-face customer service at the heart of our savings model and an excellent reputation and positioning within the intermediary market for mortgages.

Economic Conditions

The Society has successfully navigated macroeconomic volatility, stubborn inflation and volatility in interest rates.

At the start of December 2022 the inflation rate (ONS CPI) was 10.5%. By the end of June 2023 this had fallen to 7.9%, and by December 2023 this figure was 4.0%. There was also a cooling of the housing market. The average price of a property in the UK in December 2022 stood at £294,329. By September 2023 this had fallen to £291,000.

The run of 14 successive Bank of England Base Rate rises from 16 December 2021 finally came to an end on 3 August 2023 when the Bank of England held rates. At the end of this financial year, rates were falling industry-wide across both mortgages and savings.

Financial highlights

The Society's primary strategic aim is to steadily grow membership, mortgage balances and the savings book, whilst maintaining asset quality and increasing Tier 1 capital. We are pleased to report that we have been successful in achieving this aim during this financial year.

The Society ended the year with a profit before tax of £4.1m (2022: £5.9m). Net Interest Margin (NIM) remained consistent at 2.2% compared to last year (2022: 2.2%) on total mortgage balances of £727m at year end (2022: £655m). By the end of the financial year, the mortgage balance had risen by £72.6m over the prior period, an increase of 11.1%.

A total of £180m of loans completed during the year (2022: £165m) and the portfolio delivered net interest income of £18.7m. This represents an increase of 10% from the £17m in 2022.

The Society retained a significant amount of business on its mortgage book as borrowers sought to lock into rates in a rising interest rate environment. The Society changed its retentions process to support borrowers, allowing them to switch up to three months ahead of their maturity date.

The Society's mortgage portfolio is funded through a mix of retail savings and central bank funding.

The Society's retail savings balances have grown significantly by £56m to £738m, surpassing £700m for the first time in the Society's history.

This year has seen investing members seeking out the most competitive rates on savings accounts, and in response, in addition to launching new fixed rate products, the Society has increased variable savings rates on more occasions than it has raised its mortgage Standard Variable Rate.

As ever, we have continued to balance the needs of both our savings and mortgage members.

Member numbers have seen an overall reduction, reflecting a high number of child trust fund maturities; however, underlying membership growth has been strong with 5,811 new savings accounts opened (2022: 3,978). 2,172 of these accounts were opened by new members (2022: 1,614).

Total membership now stands at 62,295 (2022: 64,656). We expect the introduction of online savings will also support membership growth in the coming years.

Management expenses were £14.2m (2022: £11.9m). We continue to invest significantly in our people, technology infrastructure and enhanced digital capability to deliver an improved service for members, and efficiencies in our operations.

We have not seen any significant increase in the number of mortgage arrears or repossessions. There was an increase in credit losses due to two longstanding legacy loans that were well provided for.

Whilst the Chancellor introduced the Mortgage Charter in July 2023, allowing borrowers to enter into either a short-term interest only concession or extend the term of the mortgage, there were only 26 such cases at the end of 30 November.

As with last year, we have included in our impairment provisioning an overlay of £0.6m to reflect any uncertainty arising from the current economic climate.

Capital and liquidity strength: Common Equity Tier 1 (CET1) ratio remains well above statutory requirements at 14.3% whilst the Society's Leverage Ratio was broadly maintained at 4.9%.

The Liquidity Coverage Ratio of 234% is also considerably above the regulatory minimum requirement.

Regulatory changes

In July, the UK's new Consumer Duty came into effect. This duty sets higher and clearer standards of consumer protection across financial services.

While the Society has always put members first and aims to deliver excellent customer outcomes, we welcomed the implementation of the Consumer Duty regulation across our working practices.

A regulatory change team has worked across the Society to embed Consumer

Chair's Report continued.

Duty. As well as enabling and supporting retail customers to pursue their financial objectives, frameworks have been established to ensure the Society analyses and evidences these actions. These range from product design and member communication to new procedures and processes.

As mentioned above, the Mortgage Charter was introduced in July to ensure that those struggling with mortgage payments are supported. The Society signed the Charter at the earliest opportunity, and it was reassuring to see that many of the options available under the Charter to those struggling with their mortgage payments already existed to our members.

The Society put a rapid task force into action to ensure members could access the support, including an online form direct from the website. To date, the Society has seen little up take of the options available under the Charter, which is a testament to the support that was already available, and our affordability and stress testing.

Environmental, Social and Governance (ESG)

Huge strides have been made in embedding ESG principles across every area of the Society.

Since 1849, the Society has sought to improve the social position of the people in our communities, so I am proud that this central mission continues to this day.

As the cost of living has become a huge concern for many, supporting the vulnerable in society has become even more important. Our social change campaign, Safe Homes for Suffolk, supports those facing, or at risk of, homelessness and domestic abuse. There are more details on the strides we are making in addressing our environmental footprint in our sustainability review on page 18.

In light of the continuing climate crisis, the Society remains committed to its own environmental programme. We continue to actively reduce our own carbon emissions, as well as offering our mortgage customers the ability to improve the energy efficiency of their own homes. At a local level, we have supported wildlife and wilding initiatives.

A strong and effective Board is fundamental in transparent and strong governance, and I would like to thank all my colleagues on the Board for their hard work and unstinting support. It has been a year of transformation, while achieving an excellent rate of growth. Thank you.

Conclusion

We will continue to deliver award-winning service; the feedback that we receive from our members and brokers highlights how our staff deliver a service that we should all be proud of. This will now be complemented by our new eSavings platform.

We will blend the personal touch that our members value with digital tools such as Robotic Process Automation (RPA), as we aim to optimise operational costs and meet customer expectations.

Thank you to all staff members who continue to go above and beyond to put membership at the heart of the Society. Your commitment to service and innovation continues to be one that is relevant, sustainable and hugely appreciated by members, the Board, and the Suffolk community.

Peter Elcock
Chair
13 February 2024

Mortgage assets up 11.1% to £727m

Retail savings up 8.3% to £738m

Profit before tax £4.1m

Chief Executive Officer's Report.

A milestone year

This year has seen the Society reach several significant milestones, while continuing to embed its ESG principles across its decision making.

Both retail savings balances and our mortgage book have passed £700m, with retail investments totalling £738m at the year end, and the mortgage book growing to £727m.

It gives me immense pride to have seen the Society roll out its first online savings proposition.

In an intentionally controlled launch, members were invited to register and view online their mortgage and savings balances. An online only savings account was launched simultaneously with an initial one year fixed rate bond product. This represented a huge moment for the Society as it aims to appeal to a wider, more diverse audience.

This new digital service will enhance the experience for members now and ensure the sustainability of the Society for future generations. This seamless online service complements our branch proposition, to which we are fully committed. This 'bricks and clicks' model is one which combines the best of modern convenience, with traditional face-to-face friendly service.

Feedback for the online service has been overwhelmingly positive to date and we will continue to add new products in the future.

Member and broker proposition

In addition to our new online service, other innovative products and processes were introduced throughout the year. Adhering strictly to the Consumer Duty rules, and our principle of existing for the benefit of our members, these were designed to support members to achieve their financial objectives.

The Mortgage Charter, which was introduced in July, built on the support we had already put in place for borrowers.

The Society's Payment Shock Taskforce, introduced in December 2022 to proactively contact borrowers who had experienced monthly payment rises above £200, continued its work.

We have continued to consider how we support our borrowing members as much as we are able from the impact of increased mortgage rates.

The fact that our mortgage arrears have remained broadly stable year on year, whilst reposessions remain at very low levels, is a testament to our responsible lending, supportive approach and dedicated collections teams.

On the intermediary side of our business, we were delighted to see our new mortgage origination platform, Suffolk Online, rolled out to one of our mortgage networks.

The benefits of Suffolk Online to brokers are speed and automation via electronic identification and verification, and electronic signatures.

Chief Executive Officer's Report continued.

There will be fewer referrals, with decisions at key stages of the journey.

Membership and Community

The Society's commitment to its members goes beyond the products and services it offers.

Our primary use of profits is to add to capital, but they are also used to benefit members and the local community, through targeted charitable initiatives which have a positive impact on the people of Suffolk.

We value the strong engagement we have with members. In November 2023 we increased the amount committed to our two social and environmental change campaigns, from £25,000 to £45,000. Members were asked to vote on how £10,000 of this money should be distributed, and 1,557 members participated in the vote. Lighthouse Women's Aid received the most votes.

The Community Review on page 17 goes into more depth on the range of community projects the Society has helped this year. In additional to our four charitable partners, we've supported the Suffolk Community Foundation and countless other organisations, through volunteering, fundraising, and raising awareness.

The Environment

Investment in environmental retrofitting has been made across our own operations, and we are leading by example in this area.

Since 2018, the Society has cut its natural gas emissions by 84.4% and electricity emissions by 40.8%.

With a Silver Award from Suffolk Carbon Charter every year since 2019 for the Society's impact at Head Office, I'm delighted that this standard has been achieved for the first time across all our operations. For a multi-site organisation of our size, this is highly commendable.

Our environmental strategy has spanned all of our propositions, from eco mortgage products to our support for wilding projects. Martlesham Wilds – the new Suffolk Wildlife Trust nature reserve we support – has proved to be a superb venue for member events as well as supplier team-building days.

Last year's AGM had an environmental theme. We showed our film showcasing Martlesham Wilds, and the urgent need to protect wildlife and nature.

Our speaker was Dr Amir Khan, President of the RSPB, a Vice President for The Wildlife Trust, and an ambassador for The Butterfly Conservation Society. Dr Khan spoke engagingly about the vital impact of nature on our wellbeing.

Ad-hoc staff volunteering days, and in particular our Wild Work Days, have also been helpful in engaging staff in our relaunched volunteering programme. I'm delighted to note that over 400 hours of volunteering have been carried out this financial year. For an organisation of our size, with the demands of a branch network, and sales and servicing teams, this is great to see.

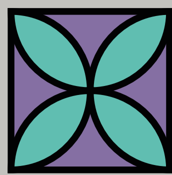
People

Much has been achieved this year on Diversity and Inclusion (D&I), and this work has been led by our team of 12 ESG champions. This team was established in 2022 to embed the Society's ESG principles in all our decision-making, and it continues to make strong progress.

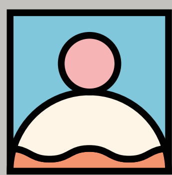
As a Society we celebrated June's Pride Month by inviting LGBTQIA+ colleagues, as well as allies and supporters – on an entirely voluntary basis – to express their support for Pride. This underlined our commitment to the Society being a place where staff can be authentic, and be heard.

This year we signed The Charter for Employers Positive About Mental Health. In signing the Charter, the Society has made a public declaration of its ambition to support the mental health and wellbeing of its staff.

861 mortgage applications processed in 2023



46% more savings accounts opened



Colleague Engagement Score 77.9%

Chief Executive Officer's Report continued.

Our inclusive and transparent culture continues to set us apart. This is evidenced by our improving colleague engagement score (further detail is provided in our People and Wellbeing Review on page 15).

Past employee engagement scores pointed to a desire from staff for more social interaction. As hybrid working continues, and we are located across multiple sites, this is understandable. We listened to this feedback and established a social committee in 2022.

In this financial year, well-attended social events were organised in Sudbury, Ipswich and Woodbridge. Having an engaged workforce goes beyond staff wellbeing and satisfaction. It contributes to communication and collaboration which makes for a more effective workplace.

Industry

Our win for Best Building Society at the British Bank Awards in 2022 was a hard act to follow. However, we were delighted to reach the finals in February in three categories: Best Building Society, Best Specialist Mortgage Provider and Best Building Society Savings Provider.

We once again supported the Building Societies Association's UK Savings Week – a great initiative to encourage saving.

Conclusion

The Society has successfully rolled out a significant change agenda and carefully managed financial performance with a pre-tax profit of £4.1m (2022: £5.9m).

This has been achieved while contributing greatly to our local communities, adhering to strict governance and safeguarding the environment.

Two digital solutions are being launched to members and brokers, setting up the Society for a successful, sustainable future.

I look forward to seeing you at our 174th AGM in March 2024. It is an honour to lead this organisation, and I thank you for being a member of Suffolk Building Society.

Richard Norrington
Chief Executive Officer
13 February 2024

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 embedded values. 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 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, and now offers an e-savings platform. 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 has this year rolled out, in a controlled way, a new mortgage origination system to meet this need.

The primary strategic intent for 2022/23 was unchanged from the prior year, with the desire to steadily grow membership, mortgage balances and the savings book, while maintaining asset quality and increasing Tier 1 capital. 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	2021	2022	2023
Mortgage asset (£m)	615	655	727
Mortgage advances (£m)	168	165	180
Arrears cases over 12 months (no.)	17	11	5
Retail savings balances (£m)	648	681	738
Net Interest Margin (NIM)	1.9%	2.2%	2.25%
Profit before tax (£m)	2.9	5.9	4.1
Management expenses (£m)	10.8	11.9	14.2
Investment spend (£m)	1.4	1.0	2.1
Employee Engagement Score	74.6%	76.6%	77.9%
Net Promoter Score* (across business)	42	88	87.7
Smart Money People reviews	124	448	768
Total regulatory capital (£m)	38	42	45

* 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

The beginning of the year saw record applications with a demand for fixed rate mortgages due to the continuing prospect of bank Base Rate rises.

The Lending Team processed 861 mortgage applications in 2023 (2022: 1,251 applications) and 702 completions for the year (2022: 670) with an average loan size of £258k (2022: £244k).

The Society retained 69.4% of existing mortgage business this year, which, along with the new business, led to a mortgage balance of £727m as at 30 November 2023.

New processes

During Q1 of 2023, mortgage retentions were moved from the Post Completion Mortgage Department (PCMD) to the Mortgage Sales Team. A full review of the mortgage retentions proposition was completed at this time and the new service was launched in May 2023.

Strategic Report continued.

The new proposition allows far more flexibility for the Society to adapt and react to changing markets, as we no longer offer products allocated specifically to each maturing month. It is also now a digital process, which has significantly improved the customer journey, and allows mortgage members to complete a request any time that suits them. This has reduced the time spent waiting for postal switch forms and letters, while improving the Society's environmental impact.

The process is also now more robust, more streamlined and is predominantly automated, using Microsoft Planner and Microsoft Power Automate. This has significantly reduced the scope for errors and shortened timescales, while improving our output, management information and customer experience.

The request-to-offer timeline has reduced from approximately two weeks to one to two working days. The time taken to complete the maturity mailing has reduced from four days to 30 minutes.

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.

The Society remains an active participant in the Bank of England's Sterling Monetary Framework (SMF), and alongside many other financial institutions, participates in the Bank of England's Term Funding Scheme. At 30 November 2023 the total borrowed under this Scheme amounted to £50m (2022: £50m).

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 niches include self build, expat, buy to let, holiday let, shared ownership, and later life, alongside our standard residential offering.

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 77% of this year's mortgage completions. This included 34 self build cases (2022: 57), lending over £17m to those self building (2022: £20m).

Mortgage products and service

A total of 69% of maturing mortgage balances were transferred on to a retention product (2022: 63%).

The Retentions team have managed over 1,437 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.

Economic conditions have required significant management of product ranges in a very volatile market.

In February we introduced a new buy to let product for expat first time buyers.

As part of our commitment to sustainability, and improving the energy efficiency of our mortgage book, we introduced incentives for 'green' borrowing, and we have extended our 'green' product range during 2023.

An example of this is the eco self build product range introduced in October 2023. These products further incentivised all self builders, with a reduced interest rate should their finished build be Energy Performance Certificate (EPC) A or B. The risks from climate change were tested in the 2023 Internal Capital Adequacy Assessment Process (ICAAP) using information provided by a specialist third party, Landmark, and found not to be material or imminent. Therefore, no provision or allowance has been made for any climate change impacts.

In November 2023, we re-entered the shared ownership market with a fixed rate product. 11 shared ownership mortgages completed during the financial year (2022: 52).

The H1 2023 Smart Money People Lender benchmark Survey saw us achieve an overall score of 88.2% and a four star rating from 71 responses (2022: 50).

One of our Business Development Managers, Carly Scanlon, reached the final four in the Account Manager of the Year category at an Annual Awards event held by Dynamo Intermediaries.

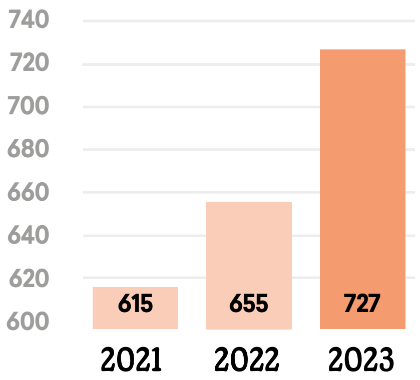
Arrears

The Society arrears levels have remained low throughout the year and we have a dedicated arrears team to support members with payment difficulties.

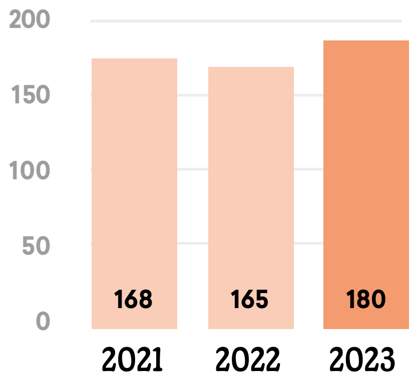
At 30 November 2023, there were five (2022: 11) mortgage accounts where the arrears were the equivalent of 12 months' payment or more. Additionally, there were 19 (2022: 17) mortgage accounts where the arrears were the equivalent to two to 12 months' of payments. The total amount outstanding in these cases was £606k (2022: £1.7m) and the total amount of arrears was £79k (2022: £226k).

Strategic Report continued.

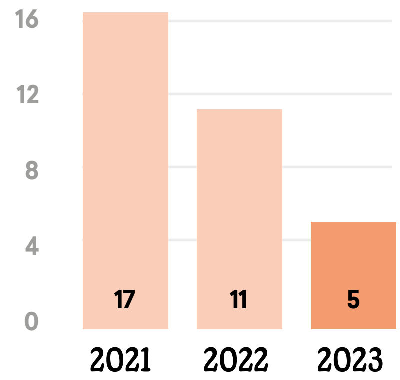
Mortgage assets (£m)



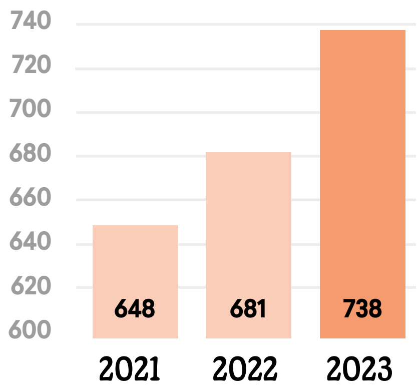
Mortgage advances (£m)



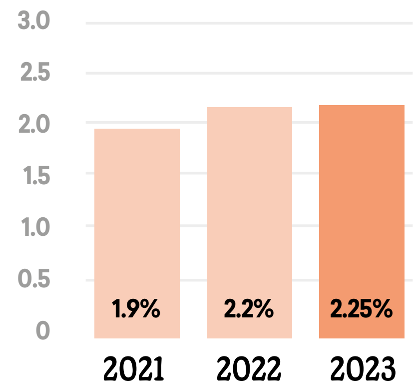
Arrears cases (number)*



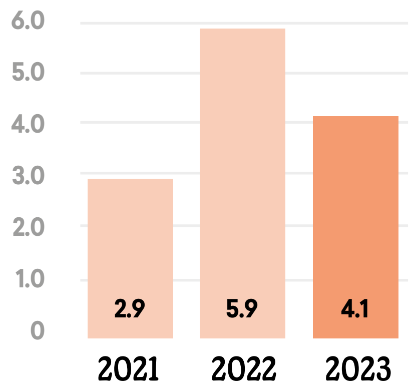
Retail savings balances (£m)



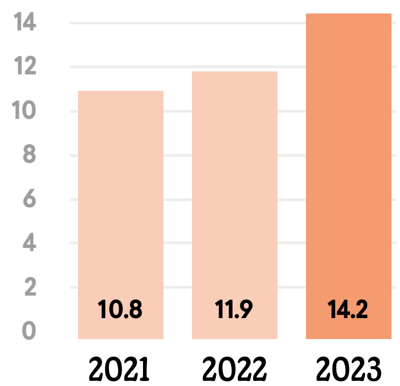
Net Interest Margin (NIM)



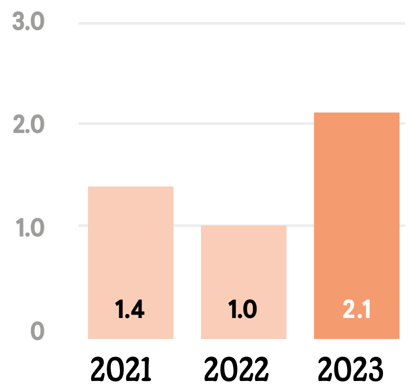
Profit before tax (£m)



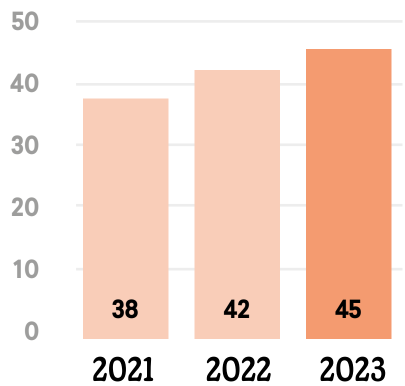
Management expenses (£m)



Investment spend (£m)



Total regulatory capital (£m)



*Arrears cases ≥ 12 months

Strategic Report continued.

At 30 November 2023, the Society had two (2022: three) properties in possession. At 30 November 2023, the Society had 38 (2022: 38) mortgage accounts subject to forbearance, which equates to 0.88% by number of the total mortgage book. These mortgage accounts have a total balance of £4.3m (2022: £3.8m). 17 (2022: 15) of these cases are currently in arrears, with total arrears balances of £95k (2022: £136k). Where the Society considers there is a possibility of loss, a provision is made in accordance with the Society's policies.

Payment Shock Taskforce

The Collections Team has continued to proactively contact our maturity customers who have chosen a product switch and where the monthly payment will increase more than £200.

We have also contacted all Shared-Ownership maturities irrespective of the amount of increase in their monthly payments. To date we have spoken to approximately 160 customers and only four (2.5%) have had payment concerns.

Our borrowers were also able to use the new Mortgage Charter support, much of which was already offered by the Society. To be eligible for the Mortgage Charter borrowers must have a residential mortgage and be up to date with their payments. Borrowers can choose to extend their term or have a temporary switch to interest only payments for six months. As at 30 November 2023 we had 27 customers complete a temporary switch to interest only payments under the Mortgage Charter, with no-one choosing to extend their term.

Retail Savings

During 2023, the Society increased the availability of savings products to four new postcode areas: AL, LU, MK and SG for branch-based products. Online products are now available to residents across the UK, further increasing our future membership base.

With the launch of an online service for members in November 2023, existing members can now view balances and transactions on eligible savings accounts, and send secure messages to the Society.

New and existing members are also able to open online savings accounts through the platform.

The first few months of the year saw relatively modest growth in retail inflows before a succession of interest rate rises was introduced to curb inflation. This enabled the Society to offer more attractive rates to savers, which have been well received, and significant growth in balances has been observed as a result.

Another significant milestone is the Society's retail deposits surpassing the £700m point. At year end the total savings deposits had increased by £56m (2022: £34m) to £738m.

Member numbers have seen an overall reduction, reflecting a high number of child trust fund maturities; however, underlying membership growth has been strong with 5,811 new savings accounts opened (2022: 3,978). 2,172 of these accounts were opened by new members (2022: 1,614). Total membership now stands at 62,295 (2022: 64,656). We expect the introduction of online savings will also support membership growth in the coming years.

The first Child Trust Funds started to mature in 2021 and this financial year we have retained £3.7m of these funds.

Across the suite of savings products, we retained 88% of our maturity balances by year end.

The six successive Bank of England Base Rate changes during our financial year saw the Base Rate rise by a total of 225 base percentage points. During the same period the Society increased its Standard Variable Rate (SVR) by 175 base percentage points.

The Society increased the rates payable on variable rate savings (on a product-by-product basis) with each SVR rise.

Towards the end of the Society's financial year, savings rates in the general market fell, partly due to the prospect of rate rises flattening and potentially reversing.

Strategic Report continued.

Our proposition has continued to be based on competitive products and on the excellent customer service delivered in our nine branches and one agency.

Changes to our savings portfolio this year included introducing the Society's first online product – a fixed rate one year bond. Other new products included a 180-day notice account and a limited issue access ISA. Improvements have been made in cheque imaging and cheque clearance, reducing the time taken to receive cleared funds. Amendments were made to some children's savings accounts and certain instant access accounts to gain some process efficiencies.

636 Smart Money People customer reviews relating to savings resulted in a rating of 98.4%, with a Net Promoter Score (NPS) of 99.1%.

Feedback from these surveys highlights the value of branches and customer service, with customers using words such as 'friendly', 'professional' and 'efficient' to describe their experience.

Consumer Duty

This year saw major new financial rules and principles come into force under the Consumer Duty regulations which were introduced on 31 July 2023. These new regulations cover the entire financial services industry, from mortgages to hire purchase agreements. The requirements of the Consumer Duty regulations are intended to strengthen protections for consumers by ensuring providers of financial products and services act to deliver good outcomes for retail customers, Suffolk Building Society's ethos has always been in alignment with the intentions behind the Consumer Duty.

A dedicated project team has been working on Consumer Duty since late 2022 and has impacted all areas of the Society, from customer-facing departments, to product design, to our Board. The team has interrogated the clarity and effectiveness of our customer communications (across multiple channels: letters, emails and telephone calls). The team continues to review how we monitor the additional needs and outcomes for customers, the suitability of products for a specified target market, what information we gather and who it's reported to. Quarterly updates are to be provided to the Board on status and progress whilst working toward the final regulatory deadline for implementation of 31 July 2024.

Base Rate change	Our SVR
15 December 2022 +50bps to 3.50%	1 February 2023 +50bps to 7.44%
2 February 2023 +50bps to 4.00%	No change
23 March 2023 +25bps to 4.25%	1 May 2023 +50bps to 7.94%
11 May 2023 +25bps to 4.50%	1 June 2023 +25bps to 8.19%
22 June 2023 +50bps to 5.00%	1 August 2023 +50bps to 8.69%
3 August 2023 +25bps to 5.25%	No change
21 September 2023 – maintained at 5.25%	No change
2 November 2023 - maintained at 5.25%	No change
Total rate change +225bps	**Total rate change +175bps**

Management expenses

Management expenses primarily consist of administrative expenses and depreciation. In 2023 management expenses were £14.2m (2022: £11.9m). The Society has been impacted by the high level of inflation seen in the wider economy, resulting in increased staff, IT and other running costs. Additionally, in the current year a £0.7m charge is reflected owing to the impairment of intangible fixed assets driven by delays to the build of the Society's new mortgage origination system. Continued focus and Management attention on costs is vital, particularly as the Society continues its digital journey.

Capital

The Society's total regulatory capital is £45m, an increase of £3m 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 15.9% at 30 November 2023 (2022: 14.6%). 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.

Strategic Report continued.

Profit Before Tax for the year ending 30 November 2023.

A healthy profit ensures sustainability of the Society because it enables us to add to our 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 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. The Society will continue to invest to stay relevant for the future.

The significant investments in digital transformations will appear as costs for the next few years. These 'big ticket' items are not purchased as one-offs; instead the cost is spread over a number of years. Therefore lower profits are to be expected in the coming years.

The Society achieved a profit before tax of £4.1m (2022: £5.9m). In 2023, this included a hedging loss of £0.2m (2022: £0.7m gain). Also reflected in the profit before tax is an impairment charge of £0.7m in relation to intangible fixed assets, driven by delays to the new mortgage origination system being built. The profit before tax before these items was £5.0m, which is broadly in line with the 2022 'pre-hedging' profit of £5.2m.

Net interest income has increased year on year due to balance growth, whilst the Society's Net Interest Margin (NIM) has increased slightly.

The Society's profit this year has benefitted 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 Officer's Report, the increases in the Bank of England interest rate have been largely matched in terms of increases in interest rates for 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 £117m in Bank of England balances and Debt Securities which largely 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 £65m, 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 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.

Our People and Wellbeing Review.

The Society's People Strategy has seen continued momentum this year. New initiatives have been launched, accreditations achieved, and diversity and inclusion champions are driving positive change.

A key test of the engagement and motivation of the Society's staff cohort is the twice-yearly Engagement Multiplier survey. The year-on-year score continues to rise, from 74.6% in 2021 to 76.6% in 2022. This year, the score is 77.9%, taking the Society even further into the engaged zone (which begins at 75.1%). From the first survey, the Society's score has risen eight percentage points.

Changes that have resulted from feedback in the survey continue to be made. The staff development days which were re-introduced in 2022 have continued, with 46 members of staff taking part in one in 2023. Staff development days involve spending a day or half day with another team, shadowing and learning from them.

The 2022 survey showed that staff wanted more opportunities for social interaction outside of work, perhaps as a response to the Covid-19 pandemic isolation and increased working from home. A social committee was launched and it has become stronger in 2023, organising several events across the county this year.

The Society has an ongoing welfare programme for all colleagues, helping them through difficult times in their lives, and supporting them to return to work. In February the Society signed up as a Mindful Employer, with our acceptance to the Charter for Employers Positive about Mental Health.

We also received accreditation for being a Menopause Friendly Employer this year. A policy has been put in place to help support colleagues affected by symptoms of the menopause. We also offer support and advice to our male colleagues to help them understand the menopause so they can support family members outside of work.

In March, two members of staff attended Coping with Death in Service training, and another two attended The Impact of Domestic Abuse in the Workplace training.

The Society nurtures a diverse and inclusive working culture in which everyone is valued and treated equally. D&I 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. When we refer to D&I within the Society, we mean having people with a wide range of different backgrounds, ways of thinking, life experiences and upbringing, all feeling valued and supported by the organisation for who they are and what they bring to the workplace.

D&I champions continue to work with our teams to promote our agenda in this area. They surveyed colleagues during the year to find out how they feel we are supporting D&I in the workplace, and what more could be done.

The Society wants to ensure that our D&I agenda covers more than just the 'protected characteristics' as identified in the Equality Act 2010. We will take a broader view to include areas such as socio-economic and educational background, carers and single parents.

We will be actively reviewing our recruitment processes to not only ensure they are as inclusive as possible, but that they are available and attractive to as wide a range of people as possible, and clearly state the benefits we offer as a Society and as an employer to appeal to people from all backgrounds.

A team of ESG Champions has been established to ensure the successful implementation and embedding of the D&I agenda throughout the Society.

The staff volunteering programme, which launched in 2022, has resulted in over 400 hours of volunteering being completed by 36 staff members.

Continuous Professional Development extends to professional qualifications too. This year 17 members of the Society (2022: 8) achieved an external qualification. Two members of staff are taking part in a 'Future Leaders Programme', working with Cambridge Building Society.

Employee recognition is aligned with our values through our 'Living the Values' Awards.

Our 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 people are central to achieving our aspirations. We will soon be looking at current operational structures, competencies, grading scheme and learning and development frameworks to ensure we are fit for the future. We need a Society where all colleagues have the skills and tools needed to undertake their roles effectively.

Our core behaviours:

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

Membership Review.

Suffolk Building Society

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.

We have a clear strategic direction. We set ourselves apart from banks and online savings platforms and attract members that share our values. We place an emphasis on personal customer service and our articulation of mutuality.

Listening to the views of members, learning what they want from us, is fundamental to our long term success.

This goes beyond products and services and extends to what we put back into our local communities.

Previously, the Society's charitable support was spread across multiple organisations. The Society believes it can make a more positive impact in the community by focusing on four strategic charitable partners. For this reason, we have made the decision to close two Affinity Accounts, WeCare and Mutual Advantage.

We increased our annual donation from £25,000 to £45,000, to be shared across our four charity partners.

We invited our members to have their say in how we distributed £10,000 of this fund among these four charities. £5,000 was earmarked for the charity with the most votes, with the remainder being divided equally across the other three charities. Members engaged well with the strategy, with 1,557 members voting. Lighthouse Women's Aid received the most votes.

The remaining £35,000 included £25,000 split between the four charities under the Saving Suffolk and Safe Homes Campaigns, and a further £10,000 split equally between the four charities following the closure of the Mutual Advantage and WeCare accounts.

As we grow, we continue to modernise for the benefit of our members. During 2023, we created a new team, based in Freehold House, called the Member Support Centre. This team is responsible for managing phone calls, post and emails and is now the first point of contact to manage queries relating to online savings.

We supported members with tips on avoiding scams for Safer Internet Day and shared advice on having healthy conversations around finance for Talk Money Week.

We also shared budgeting tips, ran a series of Savings Basics guides and continued to be a thought leader on mortgage criteria and our niche lending areas.

Member events have been part of the Society's DNA for many years. This year, these were centred around running a series of exclusive tours to Suffolk Wildlife Trust's new nature reserve, Martlesham Wilds. These were oversubscribed and proved extremely popular.

Our heritage resonates strongly with our members, and our participation in Heritage Open Day is always well received. For 2023 our guided walks by our archivist Margaret Hancock focused on the buildings around Ipswich that the Society used either as staff offices or for member meetings. Tours of flagship branch Mutual House were well attended.

Community Review.

The Society continues to bring its value of 'community' to life. This extended to a diverse audience, from celebrating the Windrush Anniversary and Suffolk Pride, to local library support and a celebration of the King's Coronation.

With a library close to all of our branches, and a shared commitment to serving local communities, we supported the charity Suffolk Libraries with two initiatives. We donated 1,000 refillable water bottes – made from reclaimed plastic milk bottles – to the libraries closest to our branches. The Society also gave a home to a colourful dog sculpture from Suffolk Libraries' PAWS-itivity fundraising campaign. Our Library Labrador, 'Readador' is now in the window of our Woodbridge branch.

Our branches also supported events at a local level. Staff spent a day meeting members and potential members at the ever-popular Hadleigh Show. We supported The Woodbridge Festival of Art & Music with artwork in branch. The festival marked the 75th anniversary of Windrush and the branch was decorated to celebrate the incredible contribution Caribbean communities have made to Britain.

The Society has supported Suffolk Community Foundation's Surviving Winter campaign since its inception 13 years ago. By engaging members, using branches to raise awareness and collecting monetary donations in branch we are able to make a significant contribution to the campaign.

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.

As part of our volunteering programme, 36 staff members have carried out 402 volunteering hours across 12 Suffolk organisations.

Staff have contributed their time to activities such as event organising for Suffolk Pride, financial education at local high schools and supporting a grassroots climate group.

To celebrate the Coronation of King Charles III on 6 May, children aged four to 11 were invited to enter our colouring and design competition. Entrants could complete their designs in branch, or download a template from our website. Once the 171 entries were judged, two worthy winners received family tickets to Jimmy's Farm in Suffolk.

Charitable Donations

£45,000	Strategic charity partners – Suffolk Wildlife Trust, Emmaus Suffolk, Ipswich Housing Action Group (ihAg) and Lighthouse Women's Aid
£5,000	Suffolk Giving Fund – administered by Suffolk Community Foundation
£9,158	Donated to other causes
£59,158	**Total (2022: £61,387)**

36 staff carried out 402 volunteering hours

768 new reviews on Smart Money People

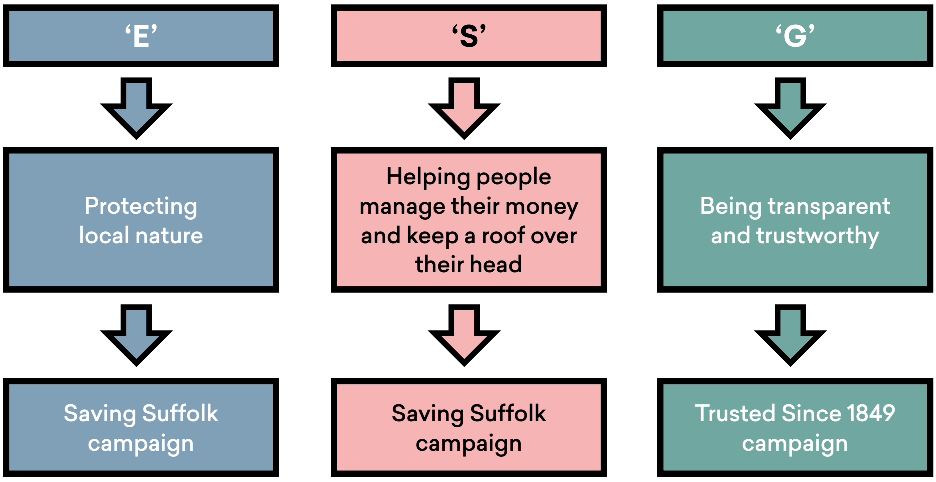
£59,158 Total Charitable Donations

Our Sustainable Society.

The Society believes that economic growth is closely connected with the wellbeing of our society and the protection of our planet.

Articulating our ESG strategy

To make our ESG strategy clear to our audience, we have continued the approach, started in 2022, of articulating it through three pillars:



Much work has been done to build on the ESG framework, which we started to embed in 2022. Last year we launched strategic partnerships with four charities under the umbrella of two campaigns – Saving Suffolk and Safe Homes for Suffolk.

Establishing a strategic partnership is more effective for both sides; the aim is that everyone involved benefits equally.

We have created films to articulate the purpose of each charity and how the Society's support benefits them. We will continue to put advertising spend behind these films to provide a reach for this message. The first of these films – for Suffolk Wildlife Trust – was shown at our 2023 Annual General Meeting (AGM). Three films promoting our Safe Homes for Suffolk charities were released in Q1 2024.

The ESG Champions recruited, trained and mobilised in 2022 have made progress in the areas of staff benefits, D&I and environmental change.

Saving Suffolk

Through our partnership work with the Suffolk Wildlife Trust, we support projects that aim to decarbonise Suffolk and provide a safe home for nature.

We began 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 film highlighting the project, viewed over 10,000 times on YouTube, has aided the Trust in reaching its ambitious fundraising target of £1m.

Highly popular member events and supplier team-building days have been arranged at Martlesham Wilds. These will continue in 2024.

Safe Homes for Suffolk campaign

Through our partnership work with Emmaus Suffolk, Ipswich Housing Action Group and Lighthouse women's aid, we are supporting 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 and children under threat of domestic abuse.

We have provided funds that help the charities with core costs. 'Keeping the lights on' is a vital support to small charities; often grant funding is only provided for project work. Our funding has also gone towards basics, such as food, belongings and shelter. In addition, two members of our Senior Leadership team have used their volunteering hours to undertake trustee roles with two of these charities. The proceeds of the staff Christmas Jumper day were gifted to Ipswich Housing Action Group, and a fundraising triathlon further supported the charity.

We continue to develop our Financial Education offering both online and in schools.

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 runs through our brand messaging in our advertising, our corporate and operational communications, and our AGM.

The Society's own carbon footprint

We've received the Silver Award from Suffolk Carbon Charter every year since 2019 for our efforts at our Head Office. In 2023 we received this award for our operations across the Society for the first time. This Silver Award is granted to organisations in the county that are making significant and measurable progress on carbon reduction.

The awarding panel was very impressed with the increased measuring scope of emissions (covering all sites, business mileage, staff commuting and home working). The panel also noted our published 'Net Zero by 2030' pledge and our 'Saving Suffolk' partnership.

We've continued towards our goal of being carbon neutral in our own operations by 2030 with several outcomes and initiatives:

- We continue to use solar photovoltaic panels in our Head Office. During the financial year 2023, the solar panels produced 22,620 kwh (2022: 24,190 kwh). This is enough electricity to power over eight homes for a year (based on Ofgem UK average house data).
- Window film has been implemented internally and externally at Head Office to reduce heat loss/gain and increase the efficiency of our air conditioning units.
- We have sourced an electric van for use alongside our electric pool car for business travel.
- Insulation has been installed in all branches and Head Office, where ceiling cavity space is available.
- We have installed low energy LED lighting across all of our branches and are planning to make further lighting upgrades to increase efficiency at Head Office. (Branch upgrades completed in 2023).
- We continue to purchase 100% renewable electricity tariffs for all branches and Head Office.
- Two electric vehicle charging points have been installed at Head Office, that feed directly from our solar panels.
- In addition to paper and certain plastics, we recycle our printer cartridges, uniforms, crisp packets and batteries.
- We have taken steps to make processes paperless where possible and are strongly discouraging any unnecessary printing.
- We have changed two of our business development managers' cars to hybrid vehicles. (New in 2023).
- We have completed upgrade work to improve the efficiency of our air conditioning system at Mutual House. (New in 2023).

The data capture for measuring the management of our carbon emissions is a continuing journey. In 2024 we will continue to work with Groundwork East to calculate our carbon footprint and include measurement of carbon in relation to different waste streams and to support us in identifying further actions we can undertake to work towards our carbon neutrality goal.

Carbon in our mortgage book

We've also launched products – green additional borrowing and eco self build – for homeowners and self-builders to fund projects that can help to make their homes more energy efficient. This helps keep bills down and contributes to a greener housing stock.

In 2023-24, we will focus on promoting these products and will explore how we can help homeowners to develop action plans to improve their EPCs.

Risk Review.

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 on page 21. 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 the Board Risk and Compliance Committee. The 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 and within risk appetite during 2023.

Throughout 2023 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.

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 ICAAP. To assist the Board in determining the level of capital required, stress testing and scenario analyses are performed on key business risks to assess whether the Society could survive a severe economic downturn and other severe business shocks. This process enables the Board to ensure 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 2023 we had a total of £119.2m held as liquid assets. £94.8m was available on-call with the Bank of England and the remainder sat in cash, CDs, FRNs and gilts.

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 Treasury 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 that there is 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 good customer outcomes. The Society performs an annual self-assessment of

Risk Review continued.

its operational resilience to ensure it can deliver important business 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 Consumer Duty and 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.

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

Corporate Governance.

Our Board of Directors

Peter Elcock
Chair

Non-Executive Director 2014-2020 and since 2022. Chair of the Board since December 2022 (independent on appointment). Committees: Nominations Chair, 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, Nominations, Remuneration Chair

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 Chair, Board Risk and Compliance, 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 Limited

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. Committees: Nominations

Skills and experience
Richard has extensive leadership experience in the financial services sector, in a career spanning over three decades. He spent sixteen 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 Chair

Non-Executive Director since 2016. Committees: Nominations, Board Risk and Compliance Chair, 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).

Previous positions include
CEO, Allied Irish Bank (UK)

Fiona Ryder
Non-Executive Director,
Senior Independent Director,
Whistleblowing Champion,
Consumer Duty 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 and is a Parish Councillor for Bramfield and Thorrington P.C. She is also a Treasurer for Bramfield Village Hall.

Current material external positions
Fiona is an Executive Director at Bonza Music Ltd and TCD Media Limited

Previous positions include
Managing Director,
Mustard TV Limited

CEO, Cube Music Limited

Corporate Governance continued.

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 2023 the Board of Directors met 10 times with an additional day 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.

In 2023 an external Board effectiveness review was conducted by an independent third party, FinWell Coaching & Consulting Limited. The review highlighted that the Board was an effective board, with a proportionate corporate governance framework that facilitates good quality decision making. The review noted several recommendations which the Board is in the process of implementing and will continue to do so into 2024.

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 assessment of the Society's Governance, Risk and Control Framework.

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 Audit Committee which meet at least quarterly, and Remuneration Committee 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 ICAAP and Internal Liquidity Adequacy Assessment Process (ILAAP). The Committee is responsible for ensuring the Society complies with the Board's risk appetite and also 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

Corporate Governance continued.

where appropriate. Minutes of the meetings are circulated to the Board of Directors, along with a verbal report from the Chair of the Audit Committee highlighting key issues for Board review.

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.

- Financial Reporting, including:
    - 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 2023 were £0.9m. The effect of climate change in relation to impairment was considered and tested as apart of the ICAAP and was not considered to be significant.

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 2023 includes the recognition of a net EIR adjustment of £1.3m.

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 2023.

<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, price inflation, discount rates, pension increases and earnings growth. The pension scheme liability recorded at 30 November 2023 was £164k. The Committee considered the assumptions used by reference to advice received from our Actuaries and independent challenge from our External Auditors. The Committee is satisfied that the assumptions used are reasonable.

<u>Property Revaluation:</u>

The Society's accounting policy requires a full valuation of its freehold properties every 5 years with an interim valuation after 3 years. The Directors also have to satisfy themselves that the freehold properties are valued appropriately on the years where there is no formal valuation. 2023 was the fifth year since the last valuation and, as such, the Society instructed Fenn Wright to prepare a formal valuation of the five freehold properties the Society owns. This valuation has been carried out and resulted in a downward valuation of £111k across the entire portfolio.

<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 2027 in detail with regard to 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.

Corporate Governance continued.

2023 Annual Report:

The Committee considered whether the 2023 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 performance, business model and strategy. The Committee was satisfied that the 2023 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 February 2024, the Committee recommended the approval of the final 2023 Annual Report to the Board.

External audit:

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, and assessing the effectiveness of the annual audit process.
- Considering the appointment, removal, performance and remuneration of the External Audit firm.
- Making recommendations to the Board in relation to the appointment of the External Auditor.
- Considering the planning, scope and findings of the annual External Audit, and the receipt of and responses to the Auditor's management letter.

During the year, the Committee reviewed the audit plan presented by BDO, and in January 2024 received the auditors' review memorandum prepared at the end of the 2023 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.

The 2021 audit of the Society was selected by the Financial Reporting Council's Audit Quality Review team as one of the files included in their annual inspection of BDO LLP. Their report was issued during this financial year and the Audit Committee discussed the findings with BDO following which improvements were made to their 2023 audit approach.

Internal Controls and Risk Management, including:

- 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 were satisfied that arrangements are in place to enable individual employees to raise concerns about possible improprieties on a confidential basis.

Internal Audit

This includes:

- Considering and approving the annual audit plan.
- 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.

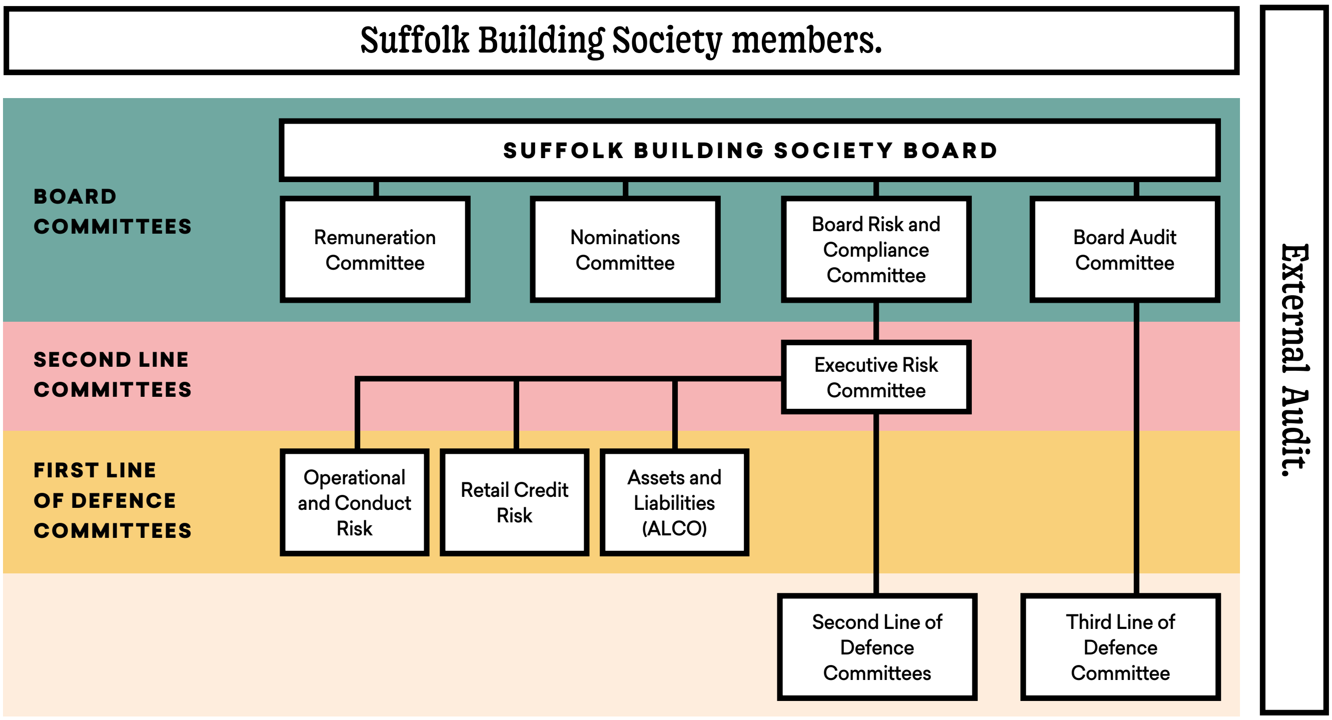
Internal Audit is outsourced to Deloitte LLP. In the year ended 30 November 2023, Internal Audit carried out eight audits of varying size and complexity. The findings from each individual review are presented to the Audit Committee including management responses. The Audit Committee considers the adequacy of management responses and the implications of significant findings on the effectiveness of the overall internal control system and the risk management framework.

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's annual appraisal. The Committee monitors the Society's compliance with the Board D&I 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 D&I 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 Chair meet annually to review Non-Executive Director fees, including those of the Deputy Chair, Senior Independent Director, Chair of the Audit Committee and Chair of the Board Risk and Compliance Committee. The Remuneration Committee ensures that any remuneration paid to directors is relevant to the Society's progress in relation to its sustainability and D&I aims.



The Directors' Remuneration Report can be found on page 33.

Management Committees

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 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. The Society has continued its hybrid approach to attendance adopted at the 2022 AGM, so that members can attend and ask questions remotely.

The Society actively seeks member feedback through its use of Smart Money

Corporate Governance continued.

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, and member feedback has been instrumental in the Society's strategic direction.

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 also at least once a year holds an all-staff meeting where the Society strategic direction and objectives are communicated to staff.

We are actively engaged with our communities, particularly through our strategic partnership with 5 local organisations. Society employees are encouraged 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 define regulatory publications both from the regulators and wider stakeholder groups and take action 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 is 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 Chair and Chief Executive 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 Chair is appointed by the Board annually.

Below is a summary of each role:

Chair

- **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 Chair.

Role of the Deputy Chair

Steve Reid is the Society's Deputy Chair. The Deputy Chair acts as a sounding board for the Chair and undertakes the Chair's annual appraisal with the Senior Independent Director. They also stand in for the Chair 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 Chair, Chief Executive 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 Chair in performing

the Chair's appraisal. Fiona Ryder is also the Society's Whistleblowing Champion, providing an independent point of contact for members of staff who may wish to raise issues. In 2022 Fiona Ryder also took on the role of Consumer Duty Champion, supporting the Chair and CEO in ensuring the Duty is raised in all relevant Board discussions and challenging management on how the Society continues to focus on consumer outcomes.

Chief Executive

- **Implementation of the Board 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 Chair 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 CEO.

Role of the Executive Team

The Executive Team works with the Chief Executive 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 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 Chair is evaluated by the Deputy Chair with assistance from the Senior Independent Director. The Chief Executive evaluates the Chief Financial Officer and the Chief Operating Officer as a member of the Executive Team. The performance of the Chief Executive is assessed by the Chair and

Corporate Governance continued.

the Deputy Chair and discussed at the Nominations Committee.

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,

Directors attendance 2022/23

Name/Title	Board Meetings	Audit Committee	Board Risk and Compliance Committee	Remuneration Committee	Nominations Committee
Peter Elcock Chair (w/e 22 December 2022)	9(9)*	5(7) ∆	5(5) ∆	3(3)	2(2)*
Sian Hill Non-Executive Director	9(9)	7(7)	5(5)	2(3)	–
Steve Reid Non-Executive Director	9(9)	–	5(5)*	2(3)	2(2)
Steve Liddell Non-Executive Director	9(9)	7(7)*	5(5)	3(3)	2(2)
Fiona Ryder Non-Executive Director	8(9)	6(7)	4(5)	–	–
Elaine Lenc Non-Executive Director	9(9)	–	5(5)	3(3)*	2(2)
Alan Harris Chair (stood down 22 December 2022)	1(1)	–	–	1(1)	–
Richard Norrington Chief Executive Officer	9(9)	–	–	–	2(2)
Paul Johnson Chief Financial Officer	9(9)	–	–	–	–
Rebecca Newman Chief Operating Officer	9(9)	–	–	–	–

– not a member of the Committee.

* Denotes Chair of the Committee.

∆ The Chair 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 have been invited on occasion to attend Committees of which they are not members.

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 internal briefings, online 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 Nominations Committee meets as necessary to oversee the Board succession plan. The Society has appointed an independent executive search agency to identify and shortlist candidates for positions on the Board. This agency follows a methodical process for searching and shortlisting candidates to conduct a broad search of the marketplace. The Nominations Committee leads the recruitment process, although the Board as a whole makes the final decision. There were no appointments to the Board during 2023.

All Directors must meet the tests of fitness and propriety designed by the Financial Conduct Authority and the 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% (2022: 40%) 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 2023 the Board consisted of six Non-Executive Directors (including the Chair) 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 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 and in line with good governance, from the 2024 AGM onwards, all Directors will be put forward for annual re-election.

Corporate Governance continued.

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 Chair. The Chair's performance appraisal is facilitated through the Deputy Chair and Senior Independent Director, taking into account the views of all the Directors. The Non-Executive Directors and Chair give feedback to the Board on general issues of performance. An external Board effectiveness review took place in 2023, conducted by FinWell Coaching & Consulting Limited. The review noted the progress made since the last external review in 2018 and included some recommendations to support further enhancements to good governance in the context of the Society's strategic ambitions, which the Board is in the process of implementing and will continue to do so into 2024.

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

The Audit Committee comprises three independent Non-Executive Directors. The Executive Directors, the Chief Risk Officer, 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.

The Audit Committee meets at least four 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 Directors' Report on page 36 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. The 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' Remuneration Report on page 33 explains how the Society complies with the Code Principles relating to remuneration.

Peter Elcock
Chair of the Board

13 February 2024

Directors' 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 56. All members who are eligible to vote at the Society's AGM will have the opportunity to approve the Remuneration Report, through an ordinary resolution (non-binding). The 2022 report received a 94.3% 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 its people strategy and governance. Decisions relating to basic pay and performance-related pay (PRP) 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 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 Operating 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 Chair 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 D&I and compliance with Consumer Duty. 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 economic pressures due to rising home energy bills, fuel and food costs. The Board recognises the significance of these factors when making pay decisions.

2023 – Pay Decision

When determining the approach to remuneration throughout 2023, 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 10:1 (2022: 9.4:1).

In June 2023, the Executive recommended that salaries for all employees should be increased by 6% with effect from 1 June 2023. 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, with the exception of the CEO's salary where some amounts that were previously paid as allowances are now included in base salary.

Results at the end of the year indicate that the Society achieved a strong financial performance together with positive customer experience scores. The Strategic Report provides more information on the performance of the Society during 2023. The Society will pay a bonus for grades A–D employees. The amount is based on their individual performance throughout the year which is measured via the Society's performance appraisal process.

Directors' Remuneration Report. continued.

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

Health and Wellbeing Support

The emotional and physical health and wellbeing of our employees is vitally important to us. Full details of how the Society supports employees is set out in the People and Wellbeing section of the Strategic Report.

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 Chair of a Committee, Deputy Chair, Senior Independent Director or other additional responsibility. 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 Chair are responsible for setting the Non-Executive Directors' fees. The Board, with the exception of the Chair, agrees the Chair'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 PRP 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, any connected undertaking 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. In 2023, the Society undertook an external benchmarking exercise on Executive pay, which informs the level at which basic salary is set. Consideration is given to 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

Directors' Remuneration Report. continued.

appropriate people for any particular role at a rate of remuneration consistent with the Society's financial, business and member objectives.

PRP

A PRP 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 2023 were mortgage asset growth, profit target, cost management, capital, member and broker satisfaction metrics and delivery of the strategic change agenda, all of which are subject to meeting defined financial performance and risk management criteria. The Committee is also responsible for overseeing the Society's progress in relation to D&I and its development in this area is a key consideration when deciding on PRP. At least one third of the PRP is deferred for up to a three-year period to ensure consistent performance is delivered over the longer term.

As part of the process, the Remuneration Committee sets targets and assesses whether any payment should be made prior to recommendation for Board approval.

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
Chair of the Remuneration Committee
13 February 2024

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

- Peter Elcock – Chair
- 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
- Richard Norrington – Chief Executive Officer
- Steve Reid – Non-Executive Director, Deputy Chair
- Fiona Ryder – Non-Executive Director, Senior Independent Director, Whistleblowing Champion and Consumer Duty Champion

From the 2024 AGM onwards, in line with the Society's Rules and good governance, all Directors will retire 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 £59,158 (2022: £61,387) 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 2023 we had an average of 21 days' purchases outstanding in trade creditors (2022: 17 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 for the year ended 30 November 2023 continue to be prepared on a going concern basis, being 12 months from the signing date of the financial statements.

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 AGM.

On behalf of the Board of Directors

Peter Elcock
Chair

13 February 2024

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.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 30 November 2023 and of its profit for the year then ended;
- 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 2023 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 financial statements, 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 including retenders and reappointments is 4 years, covering the years ended 30 November 2020 to 30 November 2023. 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 net assets, capital and liquidity for significant deterioration, indicating issues related to going concern;
- With the assistance of our regulatory experts, reviewing the Society's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) to assess whether it is consistent with the Directors' going concern assessment;
- Holding discussions with the Directors on whether events or conditions exist that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern. We corroborated those discussions by agreeing information acquired to supporting documents such evidence of cash flow forecasts and minutes of meetings of Board of Directors;
- Challenging the Directors' assumptions and judgements made with regards to their base forecast and reverse stress testing. 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; and
- Assessing how the Directors have factored in key external factors expected to impact the Society such as rise in interest rates, falling house prices, climate change and cyber-attacks 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 the Society's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Overview

Key audit matters	2023 Revenue Recognition Impairment losses on loans and advances	2022 Revenue Recognition Impairment losses on loans and advances
Materiality	£472,000 (2022: £435,000) based on 1% (2022: 1%) of net assets.	

An overview of the scope of our audit

Our audit approach was developed by obtaining an understanding of the Society's activities and the overall control environment. Based on this understanding, we assessed those aspects of the Society's transactions and balances which were most likely to give risk to a material misstatement.

Climate change

The disclosure of the Director's consideration of the impact of climate change on the operations of the Society is included in the Strategic Report and forms part of the Statutory other information. Our procedures on these unaudited disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities as set out in the "Other information" section of our audit report below.

In note 1, the Directors have explained how they have reflected the impact of climate change in their financial statements, and the significant judgements and estimates relating to climate change. These disclosures also explain the uncertainty regarding effects arising from climate change including the limited impact on accounting judgments and estimates for the current period under the requirements of accounting standards. We have performed our own quantitative and qualitative risk assessment of the impact of climate change on the Society, taking into consideration the sector in which the Society operates and how climate change affects this particular sector. We reviewed of the minutes of Board and Audit Committee meeting and other papers related to climate change and performed a risk assessment as to how the impact of the Society's commitment as set out in note 1 may affect the financial statements and our audit. Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

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.

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

<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>The Society's mortgage interest income is recognised using an effective interest rate ("EIR") method in accordance with the requirements of the applicable accounting standards.

This method involves adjusting fee and interest income to ensure it complies with the EIR method. The models used to achieve this are complex and reliant on the completeness and accuracy of input data.

Significant management judgement is also required to determine the expected cash flows for the Society's loans and advances within these models. The key assumptions in the EIR models are the directly attributable fees and costs and the expected behavioural life and redemption profiles of the mortgages due to the impact on timing and quantum of expected future cash flows.

Errors within the EIR models themselves or bias in key assumptions applied could result in the material misstatement of revenue.

Early repayment charges (ERC) are an integral part of the EIR model which are subject to management judgement and bias.

We therefore considered the behaviour life assumptions and ERC within revenue recognition to be a significant risk area.</td><td>Our testing included but was not limited to:
• We understood and tested the design and operating effectiveness of the Society's controls over revenue recognition, including key reconciliations and processes to ensure complete and accurate capture of fees, interest charges, customer payments and balances;
• We assessed whether the revenue recognition policies adopted by the Society are in accordance with requirements of the applicable 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;
• We identified the key data elements of the model and on a sample basis, we tested the completeness and accuracy of key data inputs being loan terms, repayment terms and upfront fees, by agreeing them back to underlying source data such as loan contracts;
• We tested the functionality of the model including the consistency of the calculations with the accounting policy. We verified the arithmetic accuracy of the EIR model by performing a detailed review of the logic, consistency and integrity of the formulae throughout the EIR model and recalculated the model output for a sample of months;
• We assessed the reasonableness of the loan behavioural life assumptions used by management by considering recent historical experience of loan behavioural lives based on customer behaviour, product type, market factors (such as current inflationary and interest rate pressures present in the economy) and performance where applicable;
• We verified the arithmetic accuracy of the ERC model by performing a detailed review of the logic, consistency and integrity of the formulae throughout the ERC model and recalculated the model output; and
• We critically evaluated and challenged management's expected repayment profile assumptions, against recent historical experience of loan profile, including peer comparison and whether any adjustments to recent historical redemption profiles used in the EIR model were necessary to reflect expected changes in future redemption profiles including the impact of rise in interest rate in the current economic and inflationary environment.

Key observations:
We have not identified any indicators that the assumptions included in the EIR models are unreasonable in consideration of the Society's mortgage portfolio, historic behaviours and current economic and market conditions.</td></tr>
</table>

Impairment losses on loans and advances As disclosed in Note 16 and explained in Note 1.14 (critical estimates and judgements), the Society holds £934K of impairment provisions at year-end (2022: £774K).	The Society accounts for the impairment of loans and advances to customers using an incurred loss model. Estimating the collective loan loss provision requires significant management judgement and estimate in determining the value and timing of expected future cash flows. In accordance with the recognition and measurement criteria of applicable accounting standards, management has calculated two types of provisions. (i) A specific provision is calculated for loans where there is an observable loss event. (ii)A collective provision is recognised for loans which are impaired as at the year-end date and, whilst not specifically identified as such, are known from experience to be present in any portfolio of loans. 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. Due to the sensitivity to key inputs judgements, 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. We considered the judgements made in determining the collective provision and management overlay as part of the Impairment losses on loans and advances to be a significant risk and key audit matter.	We understood and tested the design and operating effectiveness of the Society's controls across the process relevant for impairment loss on loans and advances. Our testing included but was not limited to: • With the involvement of IT specialists, we tested the operating effectiveness of the loan management system control that identifies and reports loans in arrears; • We assessed the collective provision methodology compared to the requirements of the applicable financial reporting standard; • We challenged the appropriateness of the key assumptions within the model such as impairment triggers, house pricing index, equity hair cut 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 model through agreeing them on a sample basis to underlying source data; • We challenged management on the appropriateness of use of probability of default (PD) sourced by management from an external party, its relevance, reliability and compliance with the incurred loss model; • We tested the appropriateness of the model and its logical application and then independently recalculated the results for the entire portfolio to test the integrity and mathematical accuracy of the model calculations; • For the specific and collective impairment provision, we evaluated and challenged management key assumptions in the model. The assumptions challenged included forced sales discount, discount applied on the House Price Index(HPI), other sales costs, probability of default and the management overlay for macroeconomic factors not identified in the model. These were challenged with reference to historic Society experience, the reasonableness of external data points used, and the level of the overall collective impairment provision to comparable peer organisations.; • We assessed the appropriateness of management's overlay through assessing the rationale for the post model provision, compared to our industry knowledge and available information. We recalculated management's overlay, based on assumptions (decline in house prices and uptick in arrears), as well as developed our own scenarios based on our industry knowledge by segmenting the portfolio based on phenomena linked to the current economic uncertainty (i.e. affordability, vulnerability). We applied these scenarios for increased arrears and reduction of HPI and assessed the impact on the loan loss provision. We also undertook sensitivity analysis over the key assumptions to determine whether the overall adjustment is reasonable; • We challenged the adequacy of the provision by challenging the completeness of the adjustments applied by management and whether the adjustment applied was addressing the model limitation identified by management in light of the current inflationary and interest rate pressures present in the economy. We performed a stand-back assessment of the overall provision and coverage to determine if provision levels were reasonable and internally consistent; and • 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:** 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.

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

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:

	2023 £	2022 £
Materiality	472,000	435,000
Basis for determining materiality	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.	
Performance materiality	354,000	326,000
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.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £24,000 (2022: £22,000). 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 this 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 by the Society; 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 2023 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 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Society and the industry in which it operates;

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

- Discussion with management and those charged with governance;
- Obtaining and understanding of the Society's policies and procedures regarding compliance with laws and regulations; and
- we considered the significant laws and regulations to be the Building Societies Act 1986, pension legislation, tax legislation.

The Society is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA).

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of legal correspondence and correspondence with regulatory authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;

Irregularities including fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Society's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and in relation to accounting estimates such as the EIR and loan loss provisioning.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Assessing significant estimates made by management for bias (refer to the key audit matters section for procedures performed).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, 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.

David Gonnelli
(Senior Statutory Auditor)
For and on behalf of BDO LLP,
Statutory Auditor
London, UK
13 February 2024

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 2023

	Notes	2023 £000	2022 £000
Interest receivable and similar income	2	**42,290**	23,797
Interest payable and similar charges	3	**(23,571)**	(6,796)
Net interest income		**18,719**	17,001
Defined benefit pension (expense)/income	9	**(6)**	3
Fees and commissions receivable		**192**	191
Fees and commissions payable		**(196)**	(146)
Net (expense)/income from other financial instruments at fair value through profit and loss	4	**(159)**	749
Other operating income		**43**	74
Total income		**18,593**	17,872
Administrative expenses	5	**(13,814)**	(11,538)
Depreciation and amortisation	17, 18	**(359)**	(382)
Other operating charges		**(38)**	(32)
Operating profit before impairment allowance and provisions		**4,382**	5,920
Impairment losses on loans and advances to customers	16	**(274)**	(45)
Operating profit and profit before tax		**4,108**	5,875
Tax on profit on ordinary activities	10	**(843)**	(1,204)
Profit for the financial year		**3,265**	4,671

Other Comprehensive Income			
	9	**(125)**	(552)
Actuarial loss recognised in the pension scheme		**31**	138
- Movement in related deferred tax	13	**209**	(123)
Movement in fair value of debt securities		**(52)**	30
- Movement in related deferred tax	17	**(111)**	144
Revaluation (loss)/gain on freehold property		**38**	(27)
- Movement in related deferred tax			
Total comprehensive income for the year		**3,255**	4,281

The Notes to these Accounts are contained on pages 49 to 79.

Statement of Financial Position.

AS AT 30 NOVEMBER 2023

	Notes	**2023 £000**	2022 £000
Assets			
Liquid assets			
Cash in hand and balances with Bank of England	11	**95,517**	97,131
Loans and advances to credit institutions	12	**2,282**	2,258
Debt securities	13	**21,383**	22,188
Total liquid assets		**119,182**	121,577
Derivative financial instruments	14	**12,030**	15,484
Loans and advances to customers			
Loans fully secured on residential property	15	**726,704**	654,074
Loans fully secured on land	15	**628**	645
Total loans and advances to customers	15	**727,332**	654,719
Tangible fixed assets	17	**4,334**	4,476
Intangible fixed assets	18	**2,693**	2,011
Other assets	19	**339**	159
Deferred tax	10	**113**	134
Prepayments and accrued income	20	**515**	797
Total assets		**866,538**	799,357
Liabilities			
Shares	21	**703,344**	637,932
Amounts owed to credit institutions	22	**65,742**	55,240
Amounts owed to other customers	23	**34,366**	43,418
Derivative financial instruments	14	**895**	1,217
Other liabilities	24	**12,314**	15,289
Accruals and deferred income	25	**1,632**	1,221
Deferred tax	10	**1,272**	1,252
Net pension liability	9	**163**	233
		819,728	755,802
Reserves			
General reserve		**45,804**	42,602
Revaluation reserve		**922**	1,026
Available-for-sale reserve		**84**	(73)
Total liabilities and reserves		**866,538**	799,357

The accounting policies and notes on pages 49 to 79 form part of these Accounts.

Approved by the Board of Directors on 13 February 2024.

Peter Elcock, Chair

Richard Norrington, Chief Executive Officer

Paul Johnson, Chief Financial Officer

Statement of Changes in Members' Interests.

FOR THE YEAR ENDED 30 NOVEMBER 2023

	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
Movement in related deferred tax	–	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

	General reserves 2023 £000	**Revaluation reserve 2023 £000**	**Available-for-sale reserve 2023 £000**	**Total reserves 2023 £000**
Balance at 1 December 2022	**42,602**	**1,026**	**(73)**	**43,555**
Total comprehensive income for the year				
Profit for the year	**3,265**	**–**	**–**	**3,265**
Valuation losses on freehold property	**–**	**(73)**	**–**	**(73)**
Other comprehensive income	**(94)**	**–**	**157**	**63**
Transfer between reserves	**31**	**(31)**	**–**	**–**
	3,202	**(104)**	**157**	**3,255**
Balance at 30 November 2023	**45,804**	**922**	**84**	**46,810**

The Notes to these Accounts are contained on pages 49 to 79.

Statement of Cash Flows.

FOR THE YEAR ENDED 30 NOVEMBER 2023

	Notes	**2023 £000**	2022 £000
Cash flows from operating activities			
Profit before tax		**4,108**	5,875
Adjustments for:			
Depreciation and amortisation of fixed assets	17, 18	**359**	382
Impairment losses on loans and advances to customers	16	**160**	45
Loss on disposal of tangible fixed assets		**7**	–
Impairment loss on intangible fixed assets		**718**	–
Changes in fair values of financial instruments at fair value through the Statement of Comprehensive Income	4	**159**	(749)
Net cash generated by operating activities		**5,511**	5,553
Changes in operating assets and liabilities			
Increase in prepayments and accrued income	13, 20	**(794)**	(668)
Increase/(Decrease) in accruals and deferred income	25	**411**	(182)
Increase in other assets	19	**(180)**	(81)
Decrease in other liabilities	24	**(2,810)**	12,132
Net pension scheme payment	9	**(193)**	(203)
Increase in loans and advances to customers	15	**(69,060)**	(50,576)
Taxation paid	10	**(950)**	(200)
Movement in Shares	21	**65,540**	29,871
Amounts owed to credit institutions and other customers	22, 23	**1,451**	3,921
Net cash used by operating activities		**(6,585)**	(5,986)
Cash flows from investing activities			
Purchase of debt securities	13	**(15,826)**	(10,000)
Proceeds on maturity of debt securities	13	**17,045**	15,047
Purchase of tangible fixed assets	17	**(155)**	(127)
Purchase of intangible fixed assets	18	**(1,580)**	(628)
Net (used)/generated by investing activities		**(516)**	4,292
Net (decrease)/increase in cash and cash equivalents		**(1,590)**	3,859
Cash and cash equivalents			
At 1 December	11, 12	**99,389**	95,530
Movement in the year		**(1,590)**	3,859
At 30 November	11, 12	**97,799**	99,389

The Notes to these Accounts are contained on pages 49 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 (including reverse stress testing) of the impact of potential stress scenarios to the Society's liquidity and capital position and its 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 Note 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 Note 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 Note 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 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

Notes to the Financial Statements. continued.

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. The Society writes off the value of any loss if and when a loss is realised. 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.

The purpose of forbearance is to support customers who have temporary financial difficulties and help them get back on track. A range of forbearance options is available to support customers who are in financial difficulty. 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. Where a loan is not expected to be fully recoverable, a specific provision for the shortfall is made.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables, of which the majority is a collective provision overlay in the form of a post model adjustment to reflect any potential exposure arising from increased interest rates, rising inflation, and falling house prices seen in the current economic climate. The collective provision overlay carried forward from the prior year has been reviewed and adjusted to reflect potential decreases in the house price index and increases in arrears driven by uncertainty in the current economic environment. 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 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.

Notes to the Financial Statements. continued.

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, including the use of post model adjustments to the impairment provision model (see Note 16). 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 £216k. The combined effect of adverse stresses resulted in a decrease in profit for the year of £400k. The impairment provision would decrease or increase accordingly. The impact on the impairment overlay to an increase in arrears of 50% and a fall in the house price index of 1% would be a decrease in profit of £305k, whilst a decrease in the total arrears of 50% and an increase in the house price index of 1% would be an increase in profit of £500k.

- 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 £313k. 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 and demographic 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 0.50% per annum would increase liabilities by £228k, an increase in inflation of 0.10% would increase inflation-linked liabilities by 1%, or £19k, and a one-year increase in life expectancy would increase liabilities by 3%, or £57k. Each of these sensitivities considers that change in isolation.

1.15 The impact of Climate risk on the accounting judgments and estimates

The Society makes use of reasonable and supportable information to make accounting judgments and estimates relating to its balance sheet, including loans and freehold properties. This includes information about the observable effects of the physical and transition risks of climate change on the current creditworthiness of borrowers, asset values and market indicators, where relevant. Many of the effects arising from climate change will be longer term in nature, with an inherent level of uncertainty, and have limited effect on accounting judgments and estimates for the current period. Some physical and transition risks can manifest in the shorter term.

The following items represent the most significant assumptions:

- The use of market indicators as inputs to fair value is assumed to include current information and knowledge regarding the effect of climate risk.
- The measurement of loan loss provision with regards to the valuation of collateral that is assumed to include current information and knowledge regarding the effect of climate risk.

02 Interest receivable and similar income

	2023 £000	2022 £000
On loans fully secured on residential property	**30,463**	21,326
On other loans	**25**	25
On debt securities		
Interest and other income	**1,029**	277
On other liquid assets		
Interest and other income	**3,653**	1,173
Total interest income calculated using the effective interest method for financial instruments not measured at fair value through profit or loss	**35,170**	22,801
Net income on asset derivatives	**7,120**	996
	42,290	23,797

Interest income on loans includes an amount relating to the effective interest rate adjustment of £432k (2022: £817k).

03 Interest payable and similar charges

	2023 £000	2022 £000
On shares held by individuals	**20,050**	6,167
Term Funding Scheme Interest	**2,256**	605
Indexed Long Term Repo Interest	**562**	24
Total interest expense calculated using the effective interest method for financial instruments not measured at fair value through profit or loss	**22,868**	6,796
Net expense on liability derivatives	**87**	–
On cash collateral received relating to asset derivatives	**616**	–
	23,571	6,796

04 Net (expense)/income from other financial instruments at fair value through profit and loss

	2023 £000	2022 £000
Derivatives in designated fair value hedge relationships	**(4,515)**	12,441
Adjustments to hedged items in fair value hedge relationships	**3,843**	(11,218)
Derivatives not in designated fair value hedge relationships	**513**	(474)
	(159)	749

05 Administrative expenses

	2023 £000	2022 £000
Staff costs		
Wages and salaries	**5,798**	5,445
Social security costs	**620**	609
Other pension costs	**503**	475
	6,921	6,529
Other administrative expenses	**6,893**	5,009
	13,814	11,538

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

	2023 £000	2022 £000
Audit of these financial statements	**250**	172
Other services	**45**	–
	295	172

These fees are shown exclusive of VAT.

06 Remuneration of Directors

	2023 fees £000	2022 fees £000
Non-Executive Directors		
P Elcock (appointed Chair, 22nd December 2022)	**48.1**	11.3
A Harris (resigned 22nd December 2022)	**3.0**	48.5
S J Reid (Deputy Chair)	**35.0**	34.0
E Lenc	**32.5**	31.5
S Liddell	**32.5**	31.5
F Ryder	**30.5**	29.5
S Hill	**30.5**	29.5
	212.1	215.8

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.

	Salary	Performance-Related Pay Payable now	Deferred	Benefits	Sub Total	Pension Entitlements	Total
Executive Directors	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
2023							
R Norrington (Chief Executive Officer)	**202.9**	**29.3**	**14.7**	**18.5**	**265.4**	**40.6**	**306.0**
P Johnson (Chief Financial Officer)	**159.8**	**21.9**	**11.0**	**16.2**	**208.9**	**28.0**	**236.9**
R Newman (Chief Operating Officer)	**128.8**	**17.7**	**8.8**	**13.1**	**168.4**	**23.1**	**191.5**
	491.5	**68.9**	**34.5**	**47.8**	**642.7**	**91.7**	**734.4**

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 £946.5k (2022: £907.8k)

	Salary	Performance-Related Pay Payable now	Deferred	Benefits	Sub Total	Pension Entitlements	Total
	£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

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

07 Employees

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

	2023 Full time	2023 Part time	2022 Full time	2022 Part time
Head Office	**76**	**35**	78	32
Branch Offices	**18**	**35**	15	35
	94	**70**	93	67

The average number of persons, including Executive Directors, employed during the year on a full time equivalent basis was 136 (2022: 133).

08 Country by Country Reporting

	2023 £000	2022 £000

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.

	2023 £000	2022 £000
Turnover	**18,593**	17,872
Profit before tax	**4,108**	5,875
Corporation tax paid	**950**	200
Number of employees on a full time equivalent basis	**136**	133

Turnover is defined as total income.

During the year the Society has participated in the Bank of England Term Funding Scheme.

Corporation tax paid in 2023 is in respect of the results for the year ended 30 November 2022.
Details of Bank of England Funding are in Note 22.

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 scheme is closed to new members and further accruals.

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.

(a) Defined benefit pension scheme

Present values of defined benefit obligation, fair value of assets and defined benefit liability

	2023 £000	2022 £000
Fair value of plan assets	**3,577**	3,958
Present value of defined benefit scheme obligation	**(3,740)**	(4,191)
Deficit in the plan	**(163)**	(233)
Defined benefit scheme liability to be recognised	**(163)**	(233)
Deferred tax	**41**	58
Net defined benefit liability to be recognised	**(122)**	(175)

09 Pension arrangements (continued)

	2023 £000	2022 £000
Reconciliation of opening and closing balances of the defined benefit obligation		
Defined benefit obligation at the start of the period	**4,191**	6,097
Interest expense	**181**	96
Return on scheme assets (excluding amounts included in net interest cost) - (loss)	**(435)**	(1,805)
Benefits paid	**(197)**	(197)
Defined benefit scheme obligation at the end of the period	**3,740**	4,191

	2023 £000	2022 £000
Reconciliation of opening and closing balances of the fair value of the plan assets		
Fair value of plan assets at start of period	**3,958**	6,214
Interest income	**176**	99
Actuarial losses	**(560)**	(2,358)
Contributions by the Society	**200**	200
Benefits paid	**(197)**	(197)
Fair value of plan assets at end of period	**3,577**	3,958

The actual return on the scheme assets over the period ending 30 November 2023 was a loss of £384k (2022: loss of £2,259k).

	2023 £000	2022 £000
Defined benefit scheme income/(expense) recognised in profit or loss		
Net interest (cost)/benefit	**(6)**	3
Defined benefit scheme costs recognised in profit or loss	**(6)**	3

	2023 £000	2022 £000
Defined benefit scheme costs recognised in other comprehensive income		
Return on scheme assets (excluding amounts included in net interest cost) - (loss)	**(560)**	(2,358)
Experience gains/(losses) arising on the plan liabilities	**2**	(284)
Gains due to effects of changes in the demographic and financial assumptions underlying the present value of the plan liabilities	**433**	2,090
Total loss recognised in other comprehensive income	**(125)**	(552)

09 Pension arrangements (continued)

	2023 £000	2022 £000	2021 £000
Assets			
Growth assets	**1,873**	1,844	3,570
Bonds	**126**	227	265
Cash	**275**	228	129
Liability driven investments	**1,303**	1,659	2,250
Total assets	**3,577**	3,958	6,214

The Scheme's investment strategy is to invest in a mixture of growth assets, which are designed to produce a target level of return to help reduce the Scheme's funding deficit, and liability driven investments, which are designed to hedge risk caused by interest rate and inflation on the Scheme's liabilities, and protect the Scheme's funding position. 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.

	2023 % per annum	2022 % per annum	2021 % per annum
Assumptions			
Rate of discount	**5.30**	4.45	1.60
Long Term Inflation (RPI)	**3.20**	3.10	3.50
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**3.20**	3.10	3.50
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.00**	2.90	3.30
Allowance for pension in payment increases of RPI or 2.5% p.a. if less	**2.00**	2.00	2.10
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 2023 imply the following life expectancies:

	2023 Years	2022 Years
Male retiring in current year	**23.0**	23.5
Female retiring in current year	**24.6**	25.0
Male retiring in 2048 (2022: 2047)	**24.7**	25.2
Female retiring in 2048 (2022: 2047)	**26.4**	26.8

A decrease in discount rate of 0.50% per annum would increase liabilities by £228k, an increase in inflation of 0.10% would increase inflation-linked liabilities by 1%, or £19k, and a one-year increase in life expectancy would increase liabilities by 3%, or £57k. Each of these sensitivities considers that change in isolation.

The best estimate of contributions to be paid by the Society to the scheme for the period commencing 1 December 2023 is £100,000.

(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:	2023 £000	2022 £000
Defined contribution scheme	**503**	475

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

	2023 £000	2022 £000
UK corporation tax at 23% (2022: 19%)	**883**	1,044
Adjustment for previous periods	**(98)**	–
Current tax charge for the year	**785**	1,044
Deferred tax:		
Origination/reversal of timing differences	**58**	160
Change in rate	**–**	–
Total deferred tax	**58**	160
Tax on profit on ordinary activities	**843**	1,204

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:

	2023 £000	2022 £000
Profit before tax	**4,108**	5,875
Theoretical tax charge at the standard rate of 23% (2022: 19%)	**945**	1,116
Effects of:		
Expenses not deductible for tax purposes	**(7)**	76
Utilisation of deferred tax items at differing rates	**3**	12
Deferred tax rate changes	**–**	–
Adjustments in respect of prior years	**(98)**	–
Current tax charge for the year	**843**	1,204

	2023 £000	2022 £000
Deferred tax assets and liabilities		
Deferred tax assets		
Capital losses	**20**	–
Retirement benefit obligations	**41**	58
Employee benefits	**52**	51
Available-for-sale assets	**–**	25
	113	134
Deferred tax liabilities		
Accelerated capital allowances	**(899)**	(865)
Property revaluation	**(297)**	(335)
Business asset rollover relief	**(44)**	(44)
Retirement benefit obligations	**-**	–
Available-for-sale assets	**(28)**	–
Other	**(4)**	(8)
	(1,272)	(1,252)
Net deferred tax liability	**(1,159)**	(1,118)

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 a decrease of £38k for the year. The decrease related to the impact of timing differences.

11 Cash in hand and balances with Bank of England

	2023 £000	2022 £000
Balances held with the Bank of England	**94,837**	96,584
Cash in hand	**680**	547
	95,517	97,131

12 Loans and advances to credit institutions

	2023 £000	2022 £000
Repayable on demand	**2,282**	2,258

13 Debt securities

	2023 £000	2022 £000
Certificates of deposit	**5,210**	10,058
Floating rate notes	**10,191**	12,130
Gilts	**5,982**	–
	21,383	22,188

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

Accrued interest	**373**	167
In not more than three months	**4,998**	–
In not more than one year	**–**	11,949
In more than one year	**16,012**	10,072
	21,383	22,188

All debt securities are marketable, tradable instruments. These instruments were assessed for impairment, and at 30 November 2023, no such impairment had been identified.

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:	2023 £000	2022 £000
At 1 December	**22,024**	27,194
Additions	**15,826**	10,000
Disposals	**(17,045)**	(15,047)
Fair value changes through other comprehensive income	**209**	(123)
At 30 November	**21,014**	22,024

14 Derivative financial instruments

	2023 Fair value – assets £000	2023 Fair value – liabilities £000	2022 Fair value – assets £000	2022 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	**12,005**	**895**	15,399	645
Derivatives not designated as fair value hedges				
Interest rate swaps	**25**	**–**	85	572
	12,030	**895**	15,484	1,217

Included in the fair value of derivative assets is £870k (2022: £Nil) relating to interest accrued.

At 30 November 2023 the Society held £11,255k cash collateral with derivative swap counterparties (2022: £14,130k collateral held).

15 Loans and advances to customers

	2023 £000	2022 £000
Loans fully secured on residential property	**737,447**	668,370
Loans fully secured on land	**628**	645
Fair value adjustment for hedged risk	**(9,809)**	(13,522)
	728,266	655,493
Less: allowance for impairment (Note 16)	**(934)**	(774)
	727,332	654,719
The maturity of loans and advances to customers from the date of the Statement of Financial Position is as follows:		
In not more than three months	**2,220**	3,915
In more than three months but not more than one year	**3,169**	2,874
In more than one year but not more than five years	**40,752**	37,412
In more than five years	**691,934**	624,814
	738,075	669,015
Less: fair value adjustment for hedged risk	**(9,809)**	(13,522)
Less: allowance for impairment (Note 16)	**(934)**	(774)
	727,332	654,719

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 period of thirty six months' 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 £1,271k (2022: asset of £835k).

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 2022	103	103
Amounts written off during the year, net of recoveries	(114)	(114)
Charge for the year	38	38
At 30 November 2023	**27**	**27**
Collective impairment allowance		
At 1 December 2022	671	671
Charge for the year	236	236
At 30 November 2023	**907**	**907**
Individual impairment allowance		
At 1 December 2021	164	164
Reversal for the year	(61)	(61)
At 30 November 2022	103	103
Collective impairment allowance		
At 1 December 2021	565	565
Charge for the year	106	106
At 30 November 2022	671	671

The total balance outstanding for all accounts in arrears at 30 November 2023 was £7,007k (2022: £6,831k).

The current economic climate continues to be uncertain due to the impact of the continuing conflict in Ukraine, the ongoing conflict in Gaza, and the persistent high levels of inflation and interest rates. Management is mindful of forecasts of falling house prices and rising unemployment and have, therefore, increased the size of the collective provision in the form of a post model adjustment.

In determining the adequacy of the credit provision, management has considered and evaluated: the credit risk and threats to borrowers' ability to service their loans in this economic environment based on their reduced disposable income; the value of collateral held; and the quantum of any forced sale discount that could be incurred.

As the credit risk model used by the Society is based on backward looking events (previous defaults), this limitation results in the model not always capturing impairment triggers timely in times of uncertainty thereby justifying the use of an overlay. In light of the Society's past experience indicating a higher number of arrears with potential forced sales during times of macro-economic uncertainty, management's overlay has been modelled on a 5% fall of house prices and 100% uptick in arrears since the reporting date over a loss emergence period of up to 12 months in line with the Society's provision incurred loss model. This has resulted in an overlay of £630,000. For sensitivity related to provision overlay refer to Note 1.14.

17 Tangible fixed assets

	Freehold buildings £000	Short leasehold buildings £000	Equipment, fixtures, vehicles £000	Computer equipment £000	**Total £000**
Cost or Revalued amount					
At 1 December 2022	4,447	843	660	717	6,667
Additions during year	–	–	114	41	155
Disposals during year	–	–	(54)	–	(54)
Revaluation	(111)	–	–	–	(111)
At 30 November 2023	**4,336**	**843**	**720**	**758**	**6,657**
Depreciation					
At 1 December 2022	311	708	515	657	2,191
Charged in year	89	17	31	42	179
Disposals during year	–	–	(47)	–	(47)
Revaluation	–	–	–	–	–
At 30 November 2023	**400**	**725**	**499**	**699**	**2,323**
Net book value					
At 30 November 2023	**3,936**	**118**	**221**	**59**	**4,334**
At 30 November 2022	4,136	135	145	60	4,476

The net book value of land and buildings occupied by the Society for its own activities comprises:	**2023 £000**	2022 £000
Freehold	**3,936**	4,136
Short leasehold	**118**	135
	4,054	4,271

Freehold land and buildings were professionally valued by Fenn Wright Surveyors on an existing use basis as at November 2023. This valuation was £3,936k compared to a previous net book value of £4,047k. The Directors considered this valuation amount appropriate and the Society revalued its assets accordingly.

In accordance with the Society's accounting policy, the carrying value of £3,936k has been reviewed by the Directors as at 30 November 2023 and is considered to be appropriate. Under the historical cost basis the carrying amount of Freehold land and buildings would have been £2,655k (2022: £2,713k).

The amount of depreciation charged in the year to 30 November 2023 based on the revalued amount was £89k 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 2022	3,748
Additions during year	1,580
Disposals during year	–
Impairment	(718)
At 30 November 2023	**4,610**
Amortisation	
At 1 December 2022	1,737
Charged in year	180
At 30 November 2023	**1,917**
Net book value	
At 30 November 2023	**2,693**
At 30 November 2022	2,011

Intangible assets at 30 November 2023 comprise the costs of investment in the Society's IT infrastructure and costs incurred to date in respect of the new mortgage origination and internet savings platforms. Included in the net book value are £2,536k (2022: £1,674k) 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.

In order to better serve our new mortgage customers, a new mortgage origination platform has been under development. As a result of delays to the build and implementation of the platform and in line with the requirements of FRS 102, previously capitalised costs of £718k have been written off to the income statement.

19 Other assets

	2023 £000	2022 £000
Other	**339**	159
Corporation tax	**–**	–
	339	159

20 Prepayments and accrued income

	2023 £000	2022 £000
Prepayments	**515**	405
Accrued income relating to derivatives	**–**	392
	515	797

For the year ended 30 November 2023, accrued income relating to derivatives is reflected within derivative financial instruments. Details for these are shown in Note 14.

21 Shares

	2023 £000	2022 £000
Held by individuals	**703,472**	637,932
Fair value adjustment for hedged risk	**(128)**	–
	703,344	637,932

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

	2023 £000	2022 £000
Accrued interest	**4,856**	1,445
Fair value adjustment for hedged risk	**(128)**	–
Repayable on demand	**578,376**	559,213
In not more than three months	**21,065**	9,299
In more than three months but not more than one year	**47,710**	26,507
In more than one year but no more than five years	**51,465**	40,997
In more than five years	**–**	471
	703,344	637,932

22 Amounts owed to credit institutions

	2023 £000	2022 £000
Accrued interest	**742**	240
Bank of England Term Funding Scheme	**50,000**	50,000
Bank of England Index Long Term Repo	**15,000**	5,000
	65,742	55,240

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

	2023 £000	2022 £000
Accrued interest	**742**	240
In not more than three months	**10,000**	–
In more than three months but not more than one year	**5,000**	5,000
In more than one year but not more than five years	**50,000**	50,000
	65,742	55,240

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.

At 30 November 2023 the Society had £89m of mortgages pledged as collateral within this scheme.

23 Amounts owed to other customers

	2023 £000	2022 £000

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:

	2023 £000	2022 £000
Accrued interest	**118**	54
On demand	**34,248**	43,364
	34,366	43,418

24 Other liabilities

	2023 £000	2022 £000
Other taxation and social security costs	**166**	167
Other creditors*	**11,564**	14,374
Corporation tax	**584**	748
	12,314	15,289

* Included within other creditors is cash collateral held from counterparties in respect of interest rate swaps of £11,255k (2022: £14,130k).

25 Accruals and deferred income

	2023 £000	2022 £000
Accruals relating to administrative expenses	**1,556**	1,155
Other	**76**	66
	1,632	1,221

26 Contingent liabilities and commitments

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

	Vehicles 2023 £000	Equipment 2023 £000	Land and buildings 2023 £000	Vehicles 2022 £000	Equipment 2022 £000	Land and buildings 2022 £000
Leases which expire:						
In not more than one year	**14**	**2**	**152**	–	2	160
In more than one but not more than five years	**22**	**2**	**462**	–	4	392
After five years	**–**	**–**	**506**	–	–	588
	36	**4**	**1,120**	–	6	1,140

Operating lease payments which were included within administrative expenses during the year ended 30 November 2023 were £174k (2022: £173k).

Mortgage commitments at 30 November 2023 were £19,602k (2022: £60,814k).

27 Directors' loans and related party transactions

At 30 November 2023 the Society had savings balances from Directors and close family members of £251,846 with associated interest paid to Directors totaling £4,834 on terms on offer to members.

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 AGM.

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 2023

	Loans and receivables £000	Available-for-sale £000	Fair value through profit or loss £000	Total £000
Financial assets				
Cash in hand & balances with Bank of England	95,517	–	–	95,517
Loans and advances to credit institutions	2,282	–	–	2,282
Debt securities	–	21,383	–	21,383
Derivative financial instruments	–	–	12,030	12,030
Loans and advances to customers	737,141	–	(9,809)	727,332
Other assets	339	–	–	339
Total financial assets	835,279	21,383	2,221	858,883
Non-financial assets				7,655
Total assets				866,538

	Other financial liabilities £000	Fair value through profit and loss £000	Total £000
Financial liabilities			
Shares	703,472	(128)	703,344
Amounts owed to credit institutions	65,742	–	65,742
Amounts owed to other customers	34,366	–	34,366
Pension liability	163	–	163
Derivative financial instruments	–	895	895
Accruals	1,632	–	1,632
Other liabilities	11,564	–	11,564
Total financial liabilities	816,939	767	817,706
Non-financial liabilities and reserves			48,832
Total liabilities and reserves			866,538

28 Financial instruments (continued)

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 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

	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
Total financial liabilities	752,420	1,217	753,637
Non-financial liabilities and reserves			45,720
Total liabilities and reserves			799,357

The prior year amount pertaining to corporation tax liability has been reclassified from financial liabilities to non-financial liabilities.

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 2023	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Financial assets				
Available-for-sale				
Debt securities (excluding accrued interest)	**21,010**	**–**	**–**	**21,010**
Fair value through profit or loss				
Interest rate swaps	**–**	**12,030**	**–**	**12,030**
	21,010	**12,030**	**–**	**33,040**
Financial liabilities				
Fair value through profit or loss	**–**	**895**	**–**	**895**
Interest rate swaps	**–**	**895**	**–**	**895**

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

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:

	2023 £000	2022 £000
Loans and advances to customers	**89,557**	99,353

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:	**2023 £000**	2022 £000
Balance held with the Bank of England	**94,837**	96,584
Loans and advances to credit institutions	**2,282**	2,258
Debt securities	**21,383**	22,188
Derivative financial instruments	**12,030**	15,484
Loans and advances to customers	**737,141**	668,241
Fair value adjustment for hedged risk	**(9,809)**	(13,522)
Prepayments and accrued income	**–**	392
Total Statement of Financial Position exposure	**857,864**	791,625
Off-balance sheet exposure – mortgage commitments	**19,602**	60,814
	877,466	852,439

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 throughout the life of the loan. Additionally, the Society employs underwriting and fraud detection policies to minimise losses as part of the approval process, 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

	2023		2022	
	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	**728,047**	**628**	659,787	645
Past due but not impaired				
Up to 1 month	**3,142**	**–**	2,233	–
More than 1 month but less than 3 months	**913**	**–**	736	–
	4,055	**–**	2,969	–
Individually impaired				
Not past due	**2,479**	**–**	1,748	–
Up to 1 month	**331**	**–**	153	–
More than 1 month but less than 3 months	**384**	**–**	271	–
More than 3 months but less than 6 months	**325**	**–**	36	–
More than 6 months but less than 12 months	**1,103**	**–**	1,498	–
More than 12 months	**578**	**–**	1,874	–
In possession	**145**	**–**	34	–
	5,345	**–**	5,614	–
	737,447	**628**	668,370	645
Allowance for impairment				
Individual	**27**	**–**	103	–
Collective	**907**	**–**	671	–
Total allowance for impairment	**934**	**–**	774	–

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.

	2023 £000	2022 £000
Property	**481**	689

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).	**2023 £000**	2022 £000
Estimated full value of collateral held	**2,039,628**	1,939,695
Value of collateral limited to the amount of debt outstanding	**736,803**	668,181
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% (2022: 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.

	2023 £000	2022 £000
LTV ratio		
Up to 50%	**306,445**	315,010
More than 50% and up to 70%	**187,912**	172,772
More than 70% and up to 90%	**198,242**	171,245
More than 90% and up to 100%	**42,157**	9,988
More than 100%	**3,319**	–
	738,075	669,015

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. At 30 November 2023, an individual impairment of £21k was made for loans in forbearance, and no adjustment was considered necessary to the effective interest rate calculation.

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

	Number of accounts	**2023 £000**	Number of accounts	2022 £000
Account restructured and arrears capitalised	**2**	**68**	2	71
Temporary transfer to interest only	**10**	**1,366**	6	576
Term extension	**2**	**484**	3	543
Payment arrangement in place	**16**	**2,081**	14	1,602
Multiple forbearance actions	**8**	**373**	13	1,001
	38	**4,372**	38	3,793

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 risk management 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, gilts 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 13.0% (2022: 14.8%). 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 14.8% (2022: 16.5%).

The total drawings under the Term Funding Scheme remained at £50m (2022: £50m). The Society continued to use the Bank of England's Indexed Long Term Funding facility for the second financial year in a row with total drawing increasing to £15m (2022: £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 2023	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	95,517	–	–	–	–	–	95,517
Loans and advances to credit institutions	2,282	–	–	–	–	–	2,282
Debt securities	–	4,998	–	16,012	–	373	21,383
Derivative financial instruments	–	46	1,246	9,868	–	870	12,030
Loans and advances to customers	–	2,220	3,169	40,752	691,934	(10,743)	727,332
Other financial assets	–	339	–	–	–	–	339
Total financial assets	97,799	7,603	4,415	66,632	691,934	(9,500)	858,883
Non-financial assets	–	–	–	–	–	7,655	7,655
Total assets	97,799	7,603	4,415	66,632	691,934	(1,845)	866,538
Financial liabilities							
Shares	578,376	21,065	47,710	51,465	–	4,728	703,344
Amounts owed to credit institutions	–	10,000	5,000	50,000	–	742	65,742
Amounts owed to other customers	34,248	–	–	–	–	118	34,366
Pension liability	–	163	–	–	–	–	163
Derivative financial instruments	–	6	–	889	–	–	895
Accruals	–	1,632	–	–	–	–	1,632
Other liabilities	11,564	–	–	–	–	–	11,564
Total financial liabilities	624,188	32,866	52,710	102,354	–	5,588	817,706
Non-financial liabilities and reserves	–	–	584	–	–	48,248	48,832
Total liabilities and reserves	624,188	32,866	53,294	102,354	–	53,836	866,538

28 Financial instruments (continued)

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 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
Total financial liabilities	693,507	1,454	5,720	50,832	385	1,739	753,637
Non-financial liabilities and reserves	-	-	748	-	-	44,972	45,720
Total liabilities and reserves	693,507	1,454	6,468	50,832	385	46,711	799,357

The prior year amount pertaining to corporation tax liability has been reclassified from financial liabilities to non-financial liabilities.

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 2023

	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	**578,376**	**25,100**	**62,095**	**61,587**	**–**	**4,728**	**731,886**
Amounts owed to credit institutions	**–**	**10,724**	**6,991**	**51,841**	**–**	**742**	**70,298**
Amounts owed to other customers	**34,248**	**299**	**914**	**–**	**–**	**118**	**35,579**
Pension liability	**–**	**163**	**–**	**–**	**–**	**–**	**163**
Derivative financial instruments	**–**	**17**	**(105)**	**(504)**	**–**	**–**	**(592)**
Accruals	**–**	**1,632**	**–**	**–**	**–**	**–**	**1,632**
Other liabilities	**11,564**	**–**	**–**	**–**	**–**	**–**	**11,564**
Total financial liabilities	**624,188**	**37,935**	**69,895**	**112,924**	**–**	**5,588**	**850,530**

28 Financial instruments (continued)

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
Total financial liabilities	693,507	8,987	13,035	58,278	17	1,739	775,563

The prior year amount pertaining to corporation tax liability has been reclassified from financial liabilities to non-financial liabilities.

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 base percentage points parallel shift 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 2023

	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	95,142	–	–	–	375	95,517
Loans and advances to credit institutions	2,282	–	–	–	–	2,282
Debt securities	4,998	–	16,012	–	373	21,383
Derivative financial instruments	–	–	–	–	12,030	12,030
Loans and advances to customers	342,908	108,215	286,952	–	(10,743)	727,332
Other assets	–	–	–	–	7,994	7,994
Total assets before derivatives	445,330	108,215	302,964	–	10,029	866,538
Derivatives - interest rate swaps	238,000	6,000	40,000	–	–	284,000
Exposure to interest rate risk after notional amounts of derivatives	683,330	114,215	342,964	–	10,029	1,150,538
Liabilities and reserves						
Shares	457,242	107,558	133,816	–	4,728	703,344
Amounts owed to credit institutions	65,000	–	–	–	742	65,742
Amounts owed to other customers	34,248	–	–	–	118	34,366
Derivative financial instruments	–	–	–	–	895	895
Other liabilities	11,255	–	–	–	4,126	15,381
Reserves	–	–	–	–	46,810	46,810
Total liabilities before derivatives	567,745	107,558	133,816	–	57,419	866,538
Derivatives - interest rate swaps	57,000	47,000	180,000	–	–	284,000
Exposure to interest rate risk after notional amounts of derivatives	624,745	154,558	313,816	–	57,419	1,150,538
Interest rate sensitivity gap	58,585	(40,343)	29,148	–	(47,390)	–
Off-balance sheet exposures	(4,361)	187	4,174	–	–	–
Total interest rate sensitivity gap	54,224	(40,156)	33,322	–	(47,390)	–
Sensitivity to general reserves						
Parallel shift of +2%	(56)	229	184	–	–	357
Parallel shift of -2%	56	(229)	(184)	–	–	(357)

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
Exposure to interest rate risk after notional amounts of 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
Exposure to interest rate risk after notional amounts of 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)

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.

	2023		2022	
	Assets £000	**Liabilities £000**	Assets £000	Liabilities £000
	12,030	**895**	15,484	1,217

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.

Interest rate swaps are recognised on the balance sheet at the date they are taken out. Hedged assets and liabilities are recognised at their fair value from the date they are recorded on the balance sheet. For mortgages this will be the completion date when funds are advanced; for savings it will be the date that funds are received.

Where swaps are added to hedge the mortgage pipeline, the swap will be recognised on the balance sheet before the hedged mortgages are recognised, and movements in the value of these swaps will be recognised in the Statement of Comprehensive Income in full with no offsetting movement in the value of the hedged items. Where both the swaps and the hedged items are recognised on the balance sheet, the Statement of Comprehensive Income will only be impacted to the extent that the hedges are not 100% efficient. The Society aims to achieve a hedging offset of between 80% and 125% to qualify for hedge accounting in accordance with FRS 102 with the adoption of IAS 39.

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

	2023 £000	2022 £000
Notional value of SONIA swap contracts used in hedges	**284,000**	280,000
Total notional value of swap contracts used in hedges held at 30 November	**284,000**	280,000

29 Post balance sheet events

After 30 November 2023, the Society repaid £5m of TFSME. Other than this, the Board are not aware of any subsequent events arising after the year ended 30 November 2023 that require disclosure in the Society annual accounts.

Annual Business Statement

FOR THE YEAR ENDED 30 NOVEMBER 2023

01 Statutory percentages

	2023 %	Statutory limit %
Lending limit	**2.0**	25.0
Funding limit	**12.5**	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

	2023 %	2022 %
As a percentage of shares and borrowings:		
Gross capital	**5.83**	5.91
Free capital	**5.06**	5.12
Liquid assets	**14.83**	16.51
As a percentage of mean total assets:		
Profit after tax for the financial year	**0.40**	0.60
Management expenses	**1.70**	1.54

“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 2023 and 30 November 2022.

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

The Notes to these Accounts are contained on pages 49 to 79.

03 Information relating to Directors at 30 November 2023

Name	Occupation	Date of birth	Date of appointment	Other Directorships
P Elcock	Non-Executive Director	08/63	30/06/22	Advanced Payment Solutions 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 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 2023 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 2023

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

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 174 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. 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

	2023	2022
Common equity tier 1 capital	**£000**	£000
General reserve	**45,804**	42,602
Revaluation reserve	**922**	1,026
AFS reserve	**84**	(73)
Intangible assets	**(2,693)**	(2,011)
Total common equity tier 1 capital	**44,117**	41,544
Tier 2 capital		
Collective impairment allowance	**907**	671
Total tier 2 capital	**907**	671
Total capital	**45,024**	42,215

Suffolk
Building Society

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INVL21 (02/24)