Members' Review

Incorporating Summary Financial Statement
for the year ended 31 October 2023

Newbury
Building Society

Our performance **highlights**

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

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

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

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

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

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

Chairman's statement

"I am pleased to report that the Society delivered a strong financial performance and progressed our strategic investment programme which will continue to underpin our success and sustainability for many years to come.

Piers Williamson
Chairman of the Board

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

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

Notwithstanding the challenges, we delivered a strong financial performance and progressed our strategic investment programme which will continue to underpin our success and sustainability for many years to come.

Market conditions

Mortgages

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

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

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

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

Savings

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

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

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

Our pricing for members remains competitive, but we have seen the market 'open up' in recent months with customers being more attuned to the different product offerings available in the market and how they can make their savings work harder for them. We will continue to be alive to customer needs and market changes and respond appropriately. Retaining the right balance between savings and lending is one of the key criteria of managing the Society successfully, and in doing so we have to consider what is best for the membership as a whole.

Customers and communities

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

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

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

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

Board changes

The Board's responsibility is to ensure the Society delivers on long-term value for members. In parallel, we must make sure the Society is sustainable and has strong financial foundations. The Board functions best when it is made up of a diverse group of directors.

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

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

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

Conclusion

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

To end I would like to thank the Board, the senior leadership team and all Society colleagues for making the Society the strong and successful organisation it is today, and for their on-going commitment in ensuring we remain sustainable and successful in the years to come. I would also like to thank you, our members, for your continued support and loyalty.

Piers Williamson, Chairman
21 December 2023

Chief Executive's review

"My colleagues have worked exceptionally hard to provide our members with a level of care and attention you expect and deserve. I sincerely thank each and every one of our people for their contribution to what is another successful year for the Society.

Phillippa Cardno
Chief Executive

Summary

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

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

Business performance

From a business results and development perspective, this has been a successful year for the Society. Given the difficult economic backdrop the progress made is most rewarding in terms of looking after our customers, continuing to develop our digital future to better support member needs and supporting our communities, as well as in terms of delivering the quality of financial results which support the Society's capital base and grow the balance sheet.

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

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

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

Mortgages

The Society's mortgage lending proposition is based on the provision of a competitive range of fixed and discounted mortgages, mainly for owner occupiers but also for buy-to-let landlords. The Society believes its purpose and role as a mutual is to lend to all types of aspiring homeowners and therefore in addition to the traditional core residential market, we also offered loans in areas of the residential market where appropriate returns for risk can be made, such as the first-time buyer products in the Help To Buy Affordable Housing range, to customers with credible repayment plans who require interest only mortgages and to those seeking mortgages beyond normal retirement dates.

Our focus on helping first-time buyers through Affordable Housing schemes, with Shared Ownership through Housing Associations being our particular specialism, whereby our borrower purchases up to 75% of the property and rents the remainder at a below private market rent remained a key strand of our lending strategy, albeit market conditions make it harder to operate in this specialism. This form of tenure is a vital option for first time buyers as the price of full property ownership is simply out of reach for the average first time purchaser.

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

Arrears

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

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

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

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

Savings

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

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

Financial performance

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

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

Further detail on the Society's financial position and year on year performance is contained in the Financial Review on pages 36 to 42.

Strategy and change highlights

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

We are acutely aware that continued investment in both people skills and technology needs to remain a top priority, as both are key enablers to support our strategy going forward. With that said, the Society's strategic plans continue to be underpinned by a digital agenda that is member-centric, service-driven and value-focused. Over the past year we have:

- Worked on a major system upgrade with SOPRA, our core savings and mortgage system provider, moving to a cloud-based infrastructure and improving our online service proposition to savers and mortgage brokers. This was a major project for the Society and was all consuming for our business. The first phase of the upgrade completed in November 2023. Following the upgrade, phase two involves the launch of our mobile app in the not too distant future and we plan to push forward digital activities to provide better services to customers and easier processes for employees in 2024 and beyond.

- Introduced an SMS messaging service to improve customer experience, initially for customers in financial need and those redeeming a mortgage.
- Continued to evolve our use of open banking functionality to digitally capture customers' financial data history, assisting both new lending case assessments and supporting customers in financial difficulty. By reducing the need for paper bank statements, we are becoming both faster and 'greener' in our service offering.
- Implemented The Consumer Duty, a set of regulatory standards that ensure we provide our customers with good outcomes. Whilst we know we do this and feedback from Smart Money People evidences this, these regulations build on our 'customer first' approach so we can better serve you.

Branch investment

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

Members will be able to experience a new and modern environment with the personal face-to-face service we have always offered. Our 'customer first' approach supports the view that our customers want to borrow and save with an organisation that understands their needs. Providing core transactional services remains a key service offering but we want to provide our members with additional services that offer guidance and support to better understand their financial needs. This will be a key requisite as we develop our distribution strategy.

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

People

Without the right people with the right skills, behaviours, and values we cannot succeed.

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

Last year through an independently run employee survey, we achieved an employee net promoter score of +58 (previous survey: +36), based on the question, 'would you recommend the Newbury as a place to work?'. We have continued to build on this strong sentiment and this year we were recognised by Newbury Weekly News as Best Employer in their Best of Business Awards. We are proud of this achievement, and it is a great testament to the values and behaviours of our people and the culture within the organisation, but we are not complacent and continue to drive forward an agenda for our people to be the best they can be.

During the year we launched a Leading for our Future training programme for our senior and middle management team to better equip them to expand their skills and lead highly motived and engaged teams. Providing managers with skills needed to manage today's workforce, growing agile mindsets to drive through improvements and efficiencies in all we do, and providing you, our members, with the service you need and want is a priority for the Society. We also continued to invest in our teams, growing existing talent, and also adding further talent to our branch, data, operational and information and technology teams.

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

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

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

Community

A key component of the Society's purpose is to be socially responsible and to make a positive difference to the local community. We continued throughout the year to support those who live and work in our branch communities. As a member-owned business, community is close to our hearts and we offer support not only through the products and services we provide, but also by donating our time, skills, and resources. Throughout the year we continued to provide further support to our branch communities by giving more donations and offering more of our time. Cost-of-living help, mental health support and financial wellbeing were just a few of the areas we supported.

Pages 22 to 24 will give you further insights into this.

Green Ambition

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

Last year I said – 'like many of you, we continue to navigate our way through the complexities that climate change is having on our world and do not have all the answers, let alone all the questions we need ask'; a year on, I say the same. However, we have continued to increase our knowledge and awareness and know we have a part to play, both as an employer reducing our own footprint and as a mortgage lender helping members improve their homes. We are currently engaged with a charity energy company to help us help our customers understand the benefits of making their homes more comfortable, whether that be through retrofit solutions or better energy bill management.

Pages 15 to 17 share some of the things we have achieved to date together with what is next.

Future

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

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

The growth and profitability of recent years has provided the foundations for the Society to make these investments, not only for the benefit of our current members, but also for those who will be our future members.

Our aspiration is for the Newbury brand to be instantly recognisable in our branch towns and synonymous with what differentiates the Society from banks: being a mutual, member centric, with relevant, attractive products and exceptional customer service.

Your Society has a bright future notwithstanding the economic uncertainty that hovers over us. We have much to accomplish in the years to come and our focus on customer, digital and people remains at the centre in all we do. Together with our financial strength, we are in a strong position to achieve our aspirations, and serve you, our members, with the products and services you need.

Phillippa Cardno, Chief Executive
21 December 2023

Our purpose and strategy

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

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

Our business model

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

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

The Society's lending proposition is based on the provision of a competitive range of fixed and discounted mortgages in the UK offered through a network of approved mortgage brokers and directly from the Society.

The Society does not use credit scoring as all loans are individually underwritten by an experienced team, based in Head Office, who have the authority to exercise some flexibility with our lending criteria in appropriate cases. The UK mortgage market is competitive and so the Society not only operates in the low margin mainstream residential market, but also operates in segments of the residential market where appropriate returns for risk can be made, including shared ownership and buy-to-let.

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

Whilst our products and services are considered to be sustainable, the Society keeps its product offerings and market positioning under constant review and makes changes accordingly. The Board continues to believe that savings members have been well served by our pricing policy and that they receive above average returns, coupled with fair terms and conditions on their investments.

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

Profit is generated through management of the net interest margin, cost efficiency and low risk lending to sustain the Society's strong capital position to allow it to continue to lend and invest with confidence.

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

With retained profits the primary source of capital for the Society, the profitability of recent years has provided the foundations for the Society to confidently make these investments for the benefit of current and future members alike.

Our values

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

Sustainability
Financially secure, operationally strong and environmentally conscious.

Trust
Open and honest; a building society relied on since 1856.

Respect
Value uniqueness and treat everyone as an individual.

Independence
Remain member-owned for your benefit.

Vibrancy
Encourage a happy, healthy culture for our people to be the best they can be.

Excellence
Offer a first-class professional service where you are at the heart of what we do.

Our strategy

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

Customer first

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

Digital transformation

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

Leadership and talent

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

Community conscience

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

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

Continued investment in both people skills and technology remains a top priority, as both are key enablers to support our strategy going forward.

Delivery of the strategy is further supported by a balanced set of financial objectives and clear business objectives.

A sustainable future

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

Environmental

The Society recognises it has a small but important role to play in addressing climate change, from minimising the carbon footprint of our operations to supporting our branch communities lead greener lives. It is also an area of increasing regulatory scrutiny. In addition to detailing the Society's ongoing activities to reduce its environmental impact, the climate-related risk disclosures set out on pages 16 to 17 summarise how climate change impacts the Society and sets out our approach to managing this long-term risk.

Social

We are committed to having a positive impact on the lives of are our Customers, the Communities in which we work and our People. Pages 18 to 24 details some of the ways in which we have set about delivering on this commitment.

Suppliers

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

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

Over the course of the financial year ended 31 October 2023 the Society has purchased goods and services from 284 suppliers (2022: 283) with invoice values ranging from less than £10 to over £347,000 (2022: range from less than £10 to over £137,000).

It is the Society's policy to pay suppliers within agreed terms providing the supplier performs according to the terms of the contract or agreement. The number of creditor days at 31 October 2023 was 18 (2022: 12).

Governance

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

Information on the Board of Directors and the Executive Team, including the Directors' report and Remuneration Committee report, is provided on pages 25 to 32 with full details provided in the Governance section of the Annual Report & Accounts.

Regulators

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

Regulators also expect the Society to be financially strong and maintain adequate levels of capital and liquidity. The information provided in the Summary Financial Statement on pages 36 to 42 demonstrate how this requirement continues to be met.

Anti-bribery and modern slavery

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

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

Climate risks

> The Society's climate change vision is to be a sustainable business which works in a socially responsible and environmentally friendly way.

To deliver against this vision it has structured its activities into three pillars:

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

Progress made

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

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

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

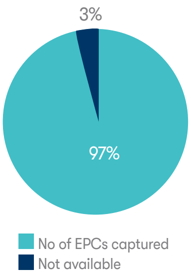
- Further branch refurbishments
- Installing EV charging points at selected branches
- Research and develop scope 3 emissions reporting
- Develop appropriate targets
- Enter into partnership(s) to support the greening of UK homes

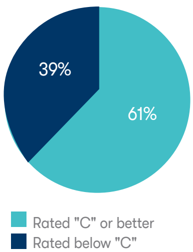
Metrics and targets

The Society uses a suite of metrics to help support the monitoring of climate risks through relevant governance channels.

Energy performance certificates (EPCs)

The Society collects EPC information for new lending as part of the mortgage underwriting process and reports the aggregate EPC position to Credit Committee at each meeting. EPC data as at 31 October 2023 is presented below.





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

Emissions assessment

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

Measurement:

Electricity: Kilowatt hours consumed from meter readings
Gas: Kilowatt hours taken from the utility billing
Travel: Business miles travelled by size of vehicle and fuel type used

Following the market-based methodology scope 1 and 2 emissions would be reduced from 106.3 to 28.4 tCO_2e (2022: reduced from 100.9 to 33.0 tCO_2e).

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

Energy consumption

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

Water and waste consumption

Water

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

	2023	2022
Water consumption (m3)	1,526	974

Waste

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

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

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

Looking after our customers

Cost of living support

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

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

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

The Charter support is on top of what we already provide borrowers through our dedicated and experienced Payment Support Team who are equipped to help those who need it. The earlier contact is made with us, the more likely we can support borrowers through what we all hope will be temporary difficulties.

'Customer First' approach

Our customers are at the heart of everything we do, and we want to keep it that way. We are members of, and are accredited by, the Institute of Customer Service (ICS), an independent, professional body championing service excellence throughout the UK. Last year we were awarded the coveted ServiceMark with Distinction accreditation from The Institute of Customer Service (ICS) for our outstanding commitment to customer service excellence. At the time of writing, we are the only bank or building society to hold this accolade.

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

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

An 'inside out' service culture

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

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

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

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

It's our duty

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

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

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

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

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

Please tell us what you think

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

Our people

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

Inspiring and empowering leadership

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

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

Wellbeing

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

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

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

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

Emma
Head of People

Skills for the future

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

Inclusion and diversity

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

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

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

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

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

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

Over the previous financial year 72 people have used their volunteering hours with over 500 hours spent volunteering across the Society on a wide range of activities. These include supporting local education establishments with careers and employability guidance, environmental projects (tree planting) and supporting our community partners to raise money.

The Marketing team wear green for Mental Health Awareness Day.

Thatcham branch plant bulbs at a local green space.

These initiatives help employees feel connected to our purpose and proud of the Society. You can read more about our community activities on pages 22 to 24.

Our communities

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

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

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

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

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

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

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

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

Financial education

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

Community and volunteering

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

Sponsorships and events

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

These included:

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

The Board of Directors

Executive Directors

PHILLIPPA CARDNO, Chief Executive

Phillippa joined the Society in 1996. She joined the Executive team in 2007 and was appointed to the Board of Directors in February 2015. Phillippa was appointed Chief Executive in March 2022 and is responsible for the Society's strategic development and providing leadership and direction throughout the Society and for setting and maintaining culture and standards. Phillippa has many years of credit risk and housing sector experience, and also contributes to financial services nationally as a member of the UK Finance Mortgage Product and Service Board.

DARREN GARNER, Finance Director

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

Non-Executive Directors

PIERS WILLIAMSON, Non-Executive Director

Piers was appointed to the Board of Directors in January 2018 and appointed Chairman of the Board on 23rd February 2022. He has more than 35 years' financial markets experience specialising in treasury risk management and is Chief Executive of The Housing Finance Corporation, a mutual company that lends funds to Housing Associations. Piers is also Chair of the Nomination Committee, a member of the Remuneration Committee and attends and advises the Executive-led Credit Committee.

DEBBIE BEAVEN, Non-Executive Director

Debbie was appointed to the Board of Directors in February 2022. She is a Fellow of the Institute of Chartered Management Accountants with an extensive career in financial leadership roles across different market sectors, business models and structures, leading change programmes and improving performance outcomes. Debbie is an experienced board director, with her last executive role being Chief Financial Officer at Simplyhealth, a regulated financial services business providing health plans and services to the UK. Debbie is a member of the Audit Committee and attends and advises the Executive-led Assets & Liabilities Committee.

CHRIS BROWN, Non-Executive Director

Chris was appointed to the Board of Directors in June 2019. She is the Group IT Director of Manpower UK. She has 18 years' experience in leading all aspects of technology and digital in commercial organisations, of which 11 have been spent in financial services. Chris is a member of the Audit, Remuneration and Nomination Committees and the Digital Advisory Panel.

NAILESH RAMBHAI, Non-Executive Director

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

WILLIAM ROBERTS, Non-Executive Director

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

ALISTAIR WELHAM, Non-Executive Director

Alistair was appointed to the Board of Directors in February 2020. Alistair has more than 25 years' experience in marketing and digital communications having specialised in financial services, real estate, car retailing industries, and is an Executive member of the Financial Services Forum and programme faculty member of Imperial College Business School on digital transformation. Alistair also holds positions with NOW: Pensions as Director of Marketing and Communications and is a Trustee of the Brighton Student Union. Alistair is a member of the Risk and Nomination Committees and the Digital Advisory Panel. He attends and advises the Executive-led Sales, Marketing & Product Committee.

Executive team

The Executive team comprises the Executive Directors, introduced on page 25, together with the individuals shown below. Meetings of the Executive team are chaired by Phillippa Cardno, Chief Executive.

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

LYNDSEY HAYES, Chief Risk Officer

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

EMMA JONES, Head of People

Emma joined the Society in March 2022 after a number of years in HR leadership roles at Nationwide Building Society and AXA UK. Emma is a Chartered Member of the Institute of Personnel and Development. As Head of People Emma is responsible for shaping and delivering the people strategy, ensuring the Society has the engagement of its people and the skills and talent necessary for the future.

MELANIE MILDENHALL, Head of Customer Service

Melanie joined the Society in 1994 and was appointed an Executive in January 2019. She is responsible for leading, developing and implementing the Society's Customer Service strategy. Melanie also heads the Branch, Mortgage underwriting and Customer Support functions.

ERIKA NEVES, Head of Data and Governance and Company Secretary

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

DEAN SCOTT, Head of Sales and Marketing

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

Directors' attendance record

The attendance record for Board members is shown in the table below. The table shows the actual number of meetings attended with the number of meeting for which the directors were eligible to attend.

Board member	Board	Audit	Risk	Remuneration	Nomination
Non-Executive					
Piers Williamson	11 (11)	1 (1) *A*	4 (4)	4 (4)	4 (4)
Debbie Beaven	10 (11)	6 (6)			
Chris Brown	11 (11)	6 (6)		4 (4)	4 (4)
Nailesh Rambhai	11 (11)	5 (5)	4 (4)		
William Roberts	11 (11)	6 (6)		4 (4)	4 (4)
Alistair Welham	11 (11)		4 (4)	1 (1) *A*	4 (4)
Executive					
Phillippa Cardno	11 (11)	6 (6) *A*	4 (4) *A*	4 (4) *A*	4 (4) *A*
Lee Bambridge	7 (7)	2 (2) *A*	2 (2) *A*	2 (2) *A*	2 (2) *A*
Darren Garner	11 (11)	6 (6) *A*	4 (4) *A*		

A denotes attendee only.

Directors' Remuneration report

This report explains how the Society applies the principles of the UK Corporate Governance Code April 2018 (the Code) relating to remuneration. It also explains how the Society's remuneration policy complies with relevant regulations including the Remuneration Part of the Prudential Regulation Authority's Rulebook and the Financial Conduct Authority's Remuneration Code for dual regulated firms (SYSC 19D). The Remuneration Committee has determined that, at 31 October 2023, all of the Non-Executive Directors and Executive Directors, as well as the other members of the Executive management team, were classified as Material Risk Takers (MRTs) and subject to the Remuneration Code. The Remuneration Committee does not consider that any employees who are not members of the Board or the Executive management team should be classified as MRTs.

The level and components of remuneration

Code Principle:

P. Remuneration policies and practices should be designed to support strategy and promote long term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.

The Society's objective when setting remuneration is to ensure that it is in line with the Society's business strategy, risk appetite and long-term objectives, by being consistent with the interests of the Society's members. Remuneration is set at a level to retain and attract individuals of the calibre necessary to operate and meet the Society's objectives.

Executive Directors emoluments

The remuneration of the individual Directors is provided on page 31. The remuneration reflects the Directors' specific responsibilities and comprises basic salary, annual performance related pay and various benefits detailed below.

Basic salaries

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

Performance related pay schemes

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

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

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

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

Benefits

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

Executive Directors receive other benefits comprising private healthcare, cash health plan, death in service and income protection insurance.

The Society does not provide concessionary home loans to Directors.

Executive Directors contractual terms

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

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

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

Non-Executive Directors

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

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

Other material risk takers

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

The Procedure for Determining Remuneration

Code Principle:

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

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

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

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

Non-Executive Directors

The fees payable to Non-Executive Directors are proposed by the Chief Executive, taking into consideration peer comparison and the views of the other Executive Directors. The proposed fees are then approved or otherwise by the Remuneration Committee with the Chair's fees being considered by the Committee in the absence of the Chair.

Executive Directors

The performance related pay schemes are designed to encourage the achievement of key business objectives relating to a balance of financial performance, customer service and sustainable growth over a multi-year timeframe. In setting variable remuneration targets the Committee considers the balance between the fixed and variable components of remuneration to ensure that the ratio is appropriately balanced and in line with the risk profile of the Society. The Committee believes that the performance related targets set for 2023 were suitably balanced and hence risk adjusted.

The Remuneration Committee assesses whether any performance related payments should be made taking into account reports, where applicable, from the Risk and Compliance functions.

AGM vote

Whilst a binding vote on Remuneration Policy is not considered appropriate for a building society of our size and nature, if more than 25% of the turnout vote against the report, the Remuneration Committee will take steps to ascertain and address the concerns of the Membership.

On behalf of the Committee, I recommend that you endorse our report.

William Roberts, Chair of the Remuneration Committee
21 December 2023

Directors' remuneration and transactions

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

Executive Directors' emoluments

2023	Salary £000	Performance related pay £000 Short Term	Performance related pay £000 Medium Term [2]	Taxable benefits £000	Pension contribution [1] £000	TOTAL £000
Phillippa Cardno	203	22	-	4	43	272
Lee Bambridge (resigned 31/5/23)	97	-	-	5	-	102
Darren Garner	171	19	-	2	36	228
TOTAL	**471**	**41**	**-**	**11**	**79**	**602**
2022						
Roland Gardner (resigned 8/3/22)	100	-	19	2	-	121
Phillippa Cardno	183	16	19	4	39	261
Lee Bambridge	161	12	13	5	-	191
Darren Garner	163	15	16	1	34	229
TOTAL	**607**	**43**	**67**	**12**	**73**	**802**

Notes

1. The Executive Directors have the option to sacrifice part of their salary in exchange for the Society making additional pension contributions on their behalf. During the year Phillippa Cardno and Darren Garner took advantage of this option. Roland Gardner and Lee Bambridge, with agreement from the Society, took their pension contributions as salary.
2. Pro-rata amounts awarded in 2022 following the early closure of the medium term incentive scheme. See Directors' remuneration report on pages 28 to 30 for further details.

Non-Executive Directors' emoluments (comprising fees only)

	2023 £000	2022 £000
Peter Brickley (Chairman) (retired 23/2/22)	-	14
Piers Williamson (Chairman)	49	44
Debbie Beaven (appointed 1/2/22)	31	22
Chris Brown	31	29
Nicola Bruce (appointed 1/11/21) (resigned 31/1/22)	-	7
Fiona Phillips (appointed 1/11/21) (resigned 30/6/22)	-	21
Nailesh Rambhai (appointed 26/9/22)	34	4
William Roberts	36	35
Alistair Welham	31	29
TOTAL	**212**	**205**

Loans to Directors and connected persons

The aggregate outstanding balance at the end of the financial year in respect of loans from the Society to Directors and connected persons was £nil (2022: £nil) representing loans to no persons (2022: no persons). The terms and conditions are in line with standard mortgage ending and the loan is secured on residential property with the nature of any final settlement being on a cash basis. There are no guarantees given or received. A register of loans to and transactions with Directors and connected persons is maintained. It is available for inspection by members at the Society's Head Office for the period of fifteen days prior to the Annual General Meeting and at the Annual General Meeting.

Directors' report

Directors

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

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

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

Biographies of the Directors appear on pages 25 and 26 and their attendance at meetings of the Board and Board Committees is set out on page 28.

None of the Directors had any beneficial interest in any connected undertaking of the Society as at the year end. The Society maintains liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986. There are no Directors' indemnities.

In accordance with the requirements of the new Corporate Governance code, to which the Society has due regard, all the Society's Directors are seeking re-election to the Board at the Annual General Meeting, except for William Roberts who, by virtue of having served on the Board for over 9 years, will resign from the Board from the date of the Annual General Meeting.

Other Matters

Creditor payment policy

Please see page 15.

Charitable donations

During the year charitable donations of £120k were made to a number of organisations (2022: £187k).

Political donations and gifts

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

Events since the year-end

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

Statement of disclosure to auditors

The Directors who held office at the date of approval of this Directors' report confirm that:

- So far as they are each aware, there is no relevant audit information of which the Society's auditor is unaware; and
- Each Director has taken all the steps that should be taken by a director in order to be aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

Auditor

Deloitte LLP are eligible for re-appointment and have offered themselves for re-election. The Board is recommending that Deloitte LLP are re-appointed as external auditors of the Society for the financial year ending 31 October 2024. A resolution for their appointment will be proposed to the forthcoming Annual General Meeting of the Society.

Going concern

The Directors are required to consider whether the Society will continue as a going concern for a period of 12 months from the signing of the accounts. In making the assessment the Directors have reviewed the Society's corporate plan and considered risks that could impact on the Society's capital position, financial position and liquidity over that period.

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

After considering all of this information, together with available market information and the Directors' knowledge and experience of the Society and markets in which it operates, after making the necessary enquiries the Directors are satisfied that the Society has adequate resources to continue in business for at least the twelve-month period from the signing of the accounts. Accordingly, the accounts continue to be prepared on a going concern basis.

Pillar 3 disclosures

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

Piers Williamson, Chairman
21 December 2023

Risk management report

Risk Management Framework

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

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

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

Risk governance arrangements

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

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

Risk culture

The risk culture is normal behaviour exhibited by all employees regarding risk awareness, risk taking, risk management and treating customers fairly. The Board sets the tone from the top with Risk Owners and Risk Champions implementing this tone throughout the Society. The overall tone set by the Board is underpinned by various policies and these policies enable Risk Champions, and their teams, to disseminate the Society's culture and values across all areas of the business. The Risk team conduct a biennial risk culture assessment which is reviewed by the Risk Committee and, where considered necessary, actions are implemented.

Principal risks and uncertainties

Full details on the principal risks to which the Society is exposed, which remain unchanged from the previous year, along with how they are controlled and the associated policies, are provided in the Annual Report and Accounts.

The Society has a cautious risk appetite across all its principal risks except for conduct risk where the appetite is averse. The Risk Committee reviews both the key risk indicators for each principal risk and the output from a range of stress and scenario testing on a regular basis to ensure that risk levels remain within the Society's agreed risk appetite. The Society maintains strong levels of capital and liquidity to provide financial resilience.

Risk outlook

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

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

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

Summary financial statement

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

Darren Garner
Finance Director

This Financial Statement is a summary of the information in the Audited Annual Accounts, the Directors' Report and Annual Business Statement, all of which will be available to members and depositors free of charge on demand from all Newbury Building Society offices from 1 February 2024 or can be downloaded from www.newbury.co.uk from 3 January 2024.

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

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

Overview of income statement

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

Net interest income

Net interest income increased to £27.4m (2022: £22.8m). Interest received increased by £39.3m driven by a £10.3m increase in earnings on the Society's liquid assets and a £18.2m increase in mortgage interest receivable following 11.6% growth in average assets and an increase in the Society's standard variable rate (SVR) from 4.85% at 2 November 2022 to 7.00% at 31 October 2023. The Society also experienced a £10.8m increase in the net receipts from derivatives hedging fixed rate mortgages as the variable rate of interest received from the derivatives increased in line with changes to bank rate.

Interest expense increased by £34.7m to £46.4m (2022: £11.7m) following savings deposit balance growth of £149m and as the Society increased the interest rates paid on savings and deposit balances. There was also an increase in other funding costs as the rate payable on the Society's TFSME borrowings increased in line with bank rate.

Net interest margin

The Society's interest margin increased by 0.23% to 1.83% as the Society's assets and liabilities continued to reprice into a rising interest rate environment. As bank rate increased from 2.25% at 31 October 2022 to 5.25% at 31 October 2023 the Society once again sought at all times to strike an appropriate balance between rewarding savers with fair and sustainable rates whilst insulating borrowing members from the sharpest rises and protecting the Society's competitive positioning. Over the year the Society has increased savings rates by more than the increase in mortgage rates and applied increases to savings rates earlier than any commensurate increase in SVR. This has resulted in an additional £11.5m more interest paid to savings members than received from mortgage members and a 0.83% reduction in the contribution to net interest margin.

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

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

Maintaining margin remains an important element of the Society's financial strategy. The Board anticipates a reduction in margin next year through a continuation of pressure on mortgage pricing and an expectation of intensified competition for retail deposits and its future plans take this into account.

Other income and charges

Other income and charges comprise fees and charges not accounted for within the Effective Interest Rate (EIR) methodology and bank charges. Also included within this heading are fair value losses on derivative financial instruments of £1,944k (2022: fair value gains of £4,661k).

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

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

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

Management expenses

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

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

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

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

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

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

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

Loan impairment

The Society maintains an appropriate provisioning policy designed to protect against difficulties in the housing market and makes provision for any estimated losses resulting from loans that are impaired on either an individual or a collective basis. For the year ended 31 October 2023 there was an impairment charge of £858k (2022: charge of £68k).

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

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

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

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

Mortgage Arrears

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

The Society's arrears and possession statistics remain low both for the building society sector and for the industry as a whole. The Board considers the Society operates with a low risk business model and prudent underwriting approach, always ensuring that customers can afford to meet their mortgage repayments from the outset and throughout the full duration of their mortgage term. It is this approach that has ensured arrears levels have remained below industry average and demonstrates the effectiveness of good quality counselling and the quality of lending decisions over many years. The arrears position at 31 October 2023, whilst an increase in the position at 31 October 2022, continues to reflect the macro-economic environment that has persisted for most of the financial year, with low unemployment continuing to support the servicing of mortgages despite interest rate rises increasing monthly repayments for many borrowers. However it is recognised that the full impact of the rise in interest rates has not fully passed through to borrowers and is yet to materially impact mortgage affordability and therefore may not be reflected in arrears and possession statistics at 31 October 2023. It is likely that the Society may see an increase in borrowers experiencing a squeeze on household incomes.

As a responsible lender, and as demonstrated through the Covid-19 pandemic and the Society's commitment to the Mortgage Charter, the Society remains ready to assist and support members experiencing difficulty servicing their mortgage.

Taxation

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

Overview of statement of financial position

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

As the primary source of capital generation for the Society profits of £7.3m allow the Society to continue to grow sustainably, necessary to protect itself against further cost increases and margin pressures and maintain its capital strength to support planned investment in the business and confidently meet any future capital challenges associated with increased regulatory requirements.

Liquid assets

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

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

As a percentage of shares and deposits liquid assets decreased to 19.9% (2022: 24.3%). The decrease in liquidity arose as growth in retail savings balances was not sufficient to fund mortgage growth of 11.6% and the repayment of £65m of TFSME balances. The Society also returned £3m of cash deposits to counterparties held as collateral in accordance with the terms of derivative contracts.

The two key measures of liquidity introduced under CRD are the Liquidity Coverage Ratio ('LCR') and Net Stable Funding Ratio ('NSFR'). As at 31 October 2023 the Society reported an LCR of 247% (2022: 311%) and a NSFR of 155% at the quarter ended 30 September 2023 (2022: 156%). Both measures have reduced in the year as the Society has managed liquidity back towards more typical operating levels and following the Board decision to accelerate repayments of TFSME balances, but remain significantly in excess of minimum regulatory requirements.

Loans and advances to customers

The Society's portfolio of loans and advances comprise almost entirely of owner-occupied mortgages, including shared ownership mortgages and buy-to-let mortgages. Gross lending of £275m compared with £212m achieved in the year to 31 October 2022. A continued focus on retention activities helped the Society report net lending of £129m (2022: £43m), including the impact of mortgage repayments, voluntary redemptions and other movements. Stated after provisions and fair value adjustments, loans and advances to customers totalled £1,230.8m (2022: £1,094.2m).

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

The Society's book remains very high quality with an average indexed loan to value of 29% (2022: 28%) with less than 0.7% (2022: 0.4%) of the balances in the book more than 80% of the current indexed value of the properties on which their mortgages are secured. The Society's lending continues to be focused on its core operating areas with over 68% of the mortgage assets within the South East and London geographical areas (2021: 71%).

Shares and deposits

Retail savings and deposits continue to be the cornerstone of our funding and it remains a strategic priority of the Society to continue offering a range of good quality savings products paying competitive rates of interest relative to available market rates.

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

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

Wholesale funding

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

Inclusive of amounts refinanced from the previous TFS facility, the Society borrowed £155m under TFSME, with contractual maturities between April 2025 and October 2025. The Society repaid £5m in October 2022 and a further £65m in the year ended 31 October 2023. The Society's growth and funding plans continue to assume a phased repayment of the remaining £85m ahead of contractual maturity dates. The Society has previously accessed funding from other financial institutions and local authorities with typical repayment profiles of up to one year however the Society had no requirement for such funding during the year.

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

Capital

Capital consists of the Society's reserves plus collective provision balances, less any amounts which are required by capital regulations to be deducted from capital. The minimum level of capital required to be held is set by the Prudential Regulation Authority (PRA). The Board is conscious that both members and the Regulator require the Society to be financially secure.

Financial strength protects the Society against its principal risks and uncertainties and safeguards member funds. Given the continuing emphasis on high quality capital by world banking authorities, the Board sets a strategy to ensure that capital is maintained at an appropriate level to cater not only for its day to day business needs but also for significant stresses in the marketplace. The strong financial results reported for the year ended 31 October 2023 have contributed to an improvement in capital and supported balance sheet growth of 6.4%. After regulatory deductions, the Society's regulatory capital stood at £110.1m at 31 October 2023 (2022: £102.2m)

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

A measure of capital strength commonly reported amongst financial institutions is the Common Equity Tier 1 (CET1) ratio. This ratio signifies the relationship between our strongest form of capital (accumulated profits held in reserves) against assets, weighted by the level of risk they are considered to carry. Balance sheet growth of 6.4%, and notably mortgage balance growth of 11.6% resulted in a decrease in the Society's CET1 from 21.7% at 31 October 2022 to 20.5% at 31 October 2023.

Future outlook and uncertainties

The risk management report on pages 33 to 35 set out the principal risks and uncertainties faced by the Society.

Outlook

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

Summary financial statement

	2023 £000	2022 £000
Society results for the year		
Net interest receivable	27,374	22,795
Other income and charges	(145)	(15)
Net (loss)/gain from derivatives	(1,944)	4,661
Administrative expenses	(14,863)	(12,936)
Impairment of loans and advances to customers	(858)	(68)
Profit for the financial year before taxation	9,564	14,437
Taxation	(2,273)	(2,628)
Profit for the year	(7,291)	11,809
Group financial position at the end of year		
Assets		
Liquid assets	280,474	320,862
Derivative financial instruments	21,328	24,183
Loans and advances to customers	1,230,835	1,094,211
Fixed and other assets	13,909	14,150
	1,546,546	1,453,406
Liabilities		
Shares	1,289,644	1,139,837
Borrowings	122,575	183,148
Derivative financial instruments	1,103	189
Other liabilities	25,213	29,457
Reserves	108,011	100,775
Total reserves and liabilities	1,546,546	1,453,406
Key financial ratios	%	%
Gross capital as a percentage of shares and borrowings (note 1)	7.65	7.62
Liquid assets as a percentage of shares and borrowings (note 2)	19.9	24.25
Profit for the year as a percentage of mean total assets (note 3)	0.49	0.83
Management expenses as a percentage of mean total assets (note 4)	0.98	0.90

Piers Williamson
Chairman

Phillippa Cardno
Chief Executive

Darren Garner
Finance Director

21 December 2023

Notes to the Summary Financial Statement

1. The gross capital ratio measures the Society's capital as a proportion of its shares and borrowings. The Society's gross capital consists of general reserves and revaluation reserve which have been accumulated over many years.

2. The liquid assets ratio represents the total of cash, deposits and government securities held by the Society as a proportion of the Society's shares and borrowings. Liquid assets are held by the Society for prudential purposes in order to meet investor withdrawals from their accounts, make mortgage advances to borrowers and to fund general business activities.

3. Profit for the year as a percentage of mean total assets represents the Society's profit for the year (after tax) as a proportion of the average total assets held during the year.

4. The ratio of management expenses to mean total assets is one of a range of ratios, widely used in the industry, to measure administrative efficiency.

5. An Audit Report is included in the Annual Report & Accounts.

Independent auditor's statement to the members and depositors of Newbury Building Society

We have examined the Summary Financial Statement of Newbury Building Society for the year ended 31 October 2023 which comprises the summary Income Statement and Statement of Financial Position together with the summary Directors' Report.

Respective responsibilities of directors and auditor

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

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

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

Basis of opinion

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

Opinion on Summary Financial Statement

In our opinion, the Summary Financial Statement is consistent with the full financial statements, the Annual Business Statement and the Directors' Report of Newbury Building Society for the year ended 31 October 2023 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986 and regulations made thereunder.

Use of our report

This report is made solely to the Society's members, as a body, in accordance with Section 76(5) of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society and the Society's members as a body, for our audit work, for this report, for our audit report, or for the opinions we have formed.

Deloitte LLP

Statutory Auditor

Birmingham, United Kingdom
21 December 2023

Notice of the 167th Annual General Meeting

Date: Thursday 22 February 2024
Time: 11:00am
Place: Donnington Valley Hotel, RG14 3AG

Members need to pre-register their attendance at the AGM by visiting https://www.newbury.co.uk/aboutus/ corporate-governance/ or by contacting their local branch. The deadline for registration is 3pm on Tuesday 20 February 2024. The meeting will commence at 11.00am on Thursday 22 February 2024 for the following purposes:

1. To receive the Auditor's Report, the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 October 2023.

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

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

4. To consider and if thought fit pass an Ordinary Resolution to approve the Directors' Remuneration Report for the year ended 31 October 2023 (see f below).

Voting conditions (forming part of the notice of the meeting):

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

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

c) To qualify as a voting shareholding Member, you must be an individual of at least 18 years of age on 22 February 2024; have held at least £100 in any Society share account on 31 October 2023; continue to hold shares at all times up to and including the voting date; and be first named on the account in the records of the Society.

d) To qualify as a voting borrowing Member, you must be an individual of at least 18 years of age on 22 February 2024; have held a mortgage with the Society to the value of at least £100 on 31 October 2023; hold a mortgage with the Society to the value of at least £100 on the voting date; and be first named on the account in the records of the Society.

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

f) Resolution 4 in this Notice of Meeting relates to a resolution for Members to vote on the Directors' Remuneration Report for 2023 set out on pages 28 to 30 of this booklet. As a building society, we are not obliged to ask Members to vote on this, but in accordance with best practice we are asking for an advisory vote and the Board will consider the result and decide what action if any is appropriate.

g) The deadline for postal or online votes is 3pm on 20 February 2024.

By Order of the Board
Erika Neves – Society Secretary
22 January 2024

Notes: The Board considers that all Directors continue to have the required skills, knowledge and experience and demonstrate the necessary commitment to their roles. Biographical details of the Directors standing for election or re-election are included on pages 25 to 26 of this booklet.

Abingdon
34 Bury Street Abingdon,
Oxfordshire
OX14 3QY
01235 527750
abingdon@newbury.co.uk

Alton
47 High Street
Alton
Hampshire GU34 1AW
01420 84275
alton@newbury.co.uk

Andover
35 High Street
Andover
Hampshire SP10 1LJ
01264 361455
andover@newbury.co.uk

Basingstoke
5-6 Chelsea House
Festival Place, Basingstoke
Hampshire RG21 7JR
01256 816813
basingstoke@newbury.co.uk

Didcot
136 The Broadway
Didcot
Oxfordshire OX11 8RJ
01235 813431
didcot@newbury.co.uk

Hungerford
127 High Street
Hungerford
Berkshire RG17 0DL
01488 684705
hungerford@newbury.co.uk

Newbury
105b Northbrook Street
Newbury
Berkshire RG14 1AA
01635 522588
newbury@newbury.co.uk

Thatcham
4 High Street
Thatcham
Berkshire RG19 3JD
01635 864996
thatcham@newbury.co.uk

Winchester
143 High Street
Winchester
Hampshire SO23 9AY
01962 852716
winchester@newbury.co.uk

Wokingham
19 Broad Street
Wokingham
Berkshire RG40 1AU
0118 978 5945
wokingham@newbury.co.uk

Head Office
90 Bartholomew Street
Newbury
Berkshire RG14 5EE
01635 555700
enquiries@newbury.co.uk