



**ANNUAL REPORT
AND ACCOUNTS**
Year ended 31 December 2021

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Chair's Statement



In the second year dominated by COVID-19 pandemic, some sectors of the economy recovered from the depths plumbed in 2020, back up to pre-pandemic levels whilst other sectors continued to struggle in the face of changed consumer demand and government-driven restrictions.

Against this patchy economic backdrop, 2021 has been a good year for

Buckinghamshire Building Society, in which the Society has seen strong growth in both our savings and mortgages. Moreover, the Society has continued to invest in people and processes which place us in a position where we can continue to build on our success in the coming years.

For your Society, it was a particularly good year for mortgage lending, benefiting from a strong pipeline of applications built up in the closing months of 2020, and favourable stamp duty breaks offered by government to support the housing market and particularly first-time buyers. The combination of these factors, along with a general improvement in the economy helped the Society to achieve a strong level of mortgage completions. After 2020, the 1st year of COVID-19, when mortgage new business barely matched redemptions, it was very pleasing to revert to substantial net mortgage growth in 2021.

2021 has been another disappointing year for savers with the Bank of England base rate at an all-time low for much of the year. Despite low rates across the entire market, the Society has increased its balance from savers over the year and this, of course, has helped to fund mortgage lending by the Society. A rise in bank base rate at the end of the year as a result of sharply rising inflation has been passed on to our savers, but inflationary pressures in the wider economy will remain a concern to many.

The Society has achieved strong profit growth in 2021 following the subdued trading and profit levels in 2020. The level of profit achieved through the trading activities of the Society has been augmented by the write-back of sums that the Society prudently set aside as provisions for loan losses in 2020; this has been possible because the level of arrears in the Society's mortgage book have stayed low through active and sympathetic support for customers who have faced difficulties throughout the pandemic.

Healthy annual profits accumulate over the years to create a strong capital position for the Society and relative to the Society's size, we are one of the best capitalised building societies in Britain. This gives the Society a level of resilience against future shocks and allows us to invest in making our business better to meet borrowers' and savers' needs.

Our Building Society works to a very straightforward, tried-and-trusted business model. This model seeks to balance the interests of borrowers and savers to create an increasingly sound business that our customers can rely on for some of their most important financial needs. However straightforward our business might seem, increased regulation, advanced technology and competitive pressure in recent years have meant that the Society must continually invest in its systems and processes to meet its customers' evolving expectations. In 2021 we made significant progress in streamlining our mortgage processes to enable us to take on new mortgage customers more efficiently. For savers we have introduced an online facility which allows funds to be safely transferred directly to their nominated bank accounts. The Society continuously looks for ways to enhance the experience for customers without losing sight of the fact that it's our people that make the difference in the products and service we offer. Hence, we recognise the need to continually invest in our people and this remains a key strand of our strategy.

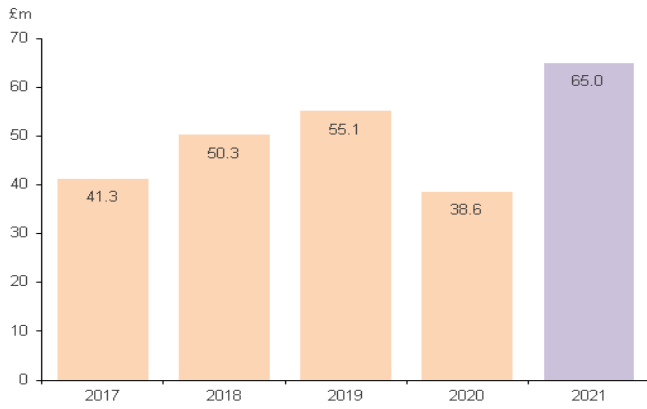
Whilst it appears - at least for the time being - that the worst of the pandemic might be behind us, it is clear that there are many challenges, economic and social, which remain to be addressed. The legacy of the pandemic will be with us for many years to come, and there are many uncertainties about the timing and the extent of the recovery, for the nation and for many of us individually. In an uncertain world, your Building Society recognises the need to stay true to its core values in which we combine financial soundness with the wish to put members' interests first. As a mutual Building Society we see these as balanced rather than conflicting objectives and continually strive to perfect this balance.

I would like to conclude by thanking the staff and the Board of the Society for their excellent contribution in 2021. I would particularly like to highlight the excellent and dedicated work of Christine Higgins on our Board who has chaired the Society's Audit Committee over the last six years and is stepping down at the end of this year's AGM.

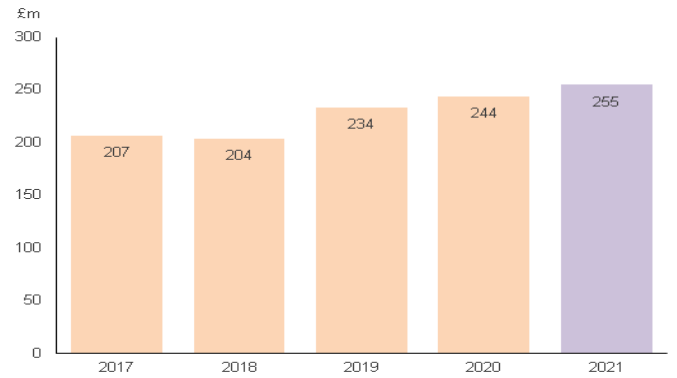
Dick Jenkins
Chair

4 March 2022

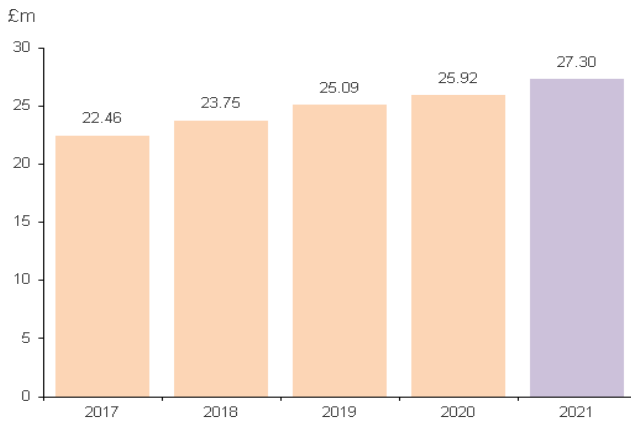
Gross lending



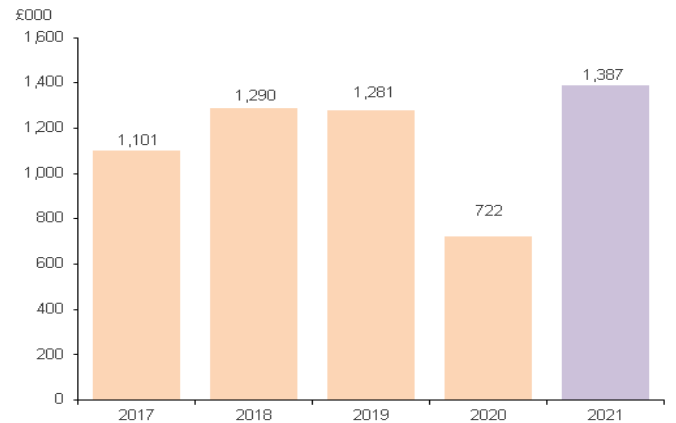
Share and deposit balances



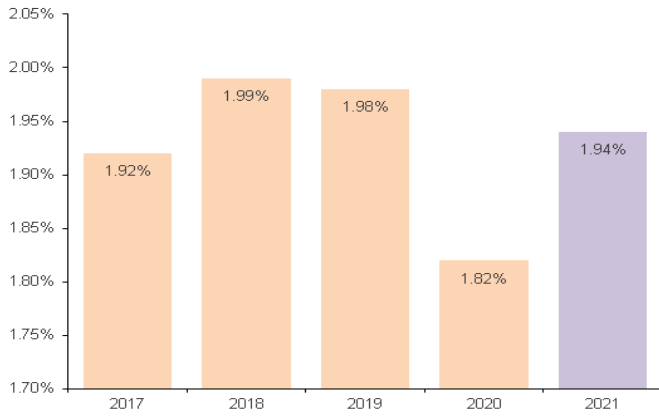
Reserves



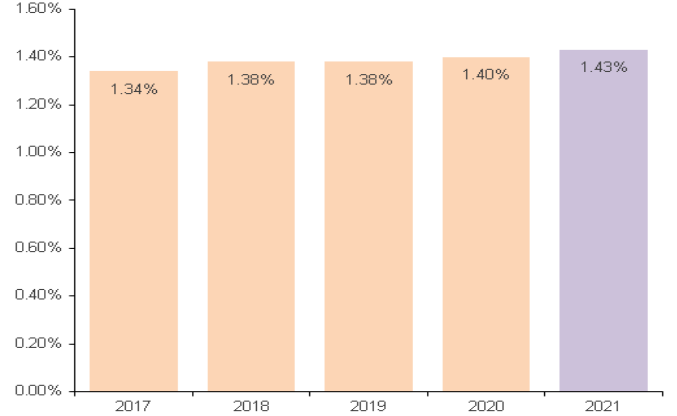
Profit after tax



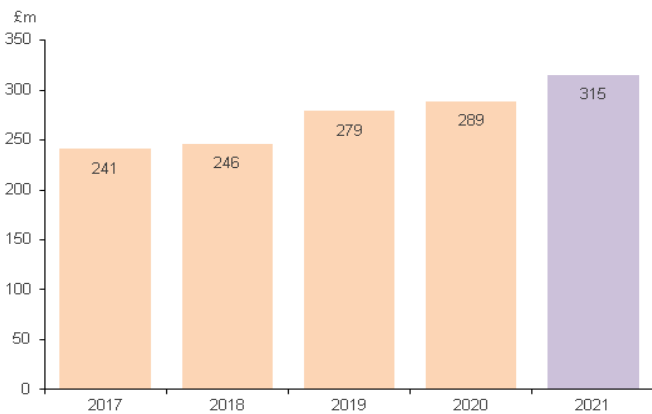
Net interest margin



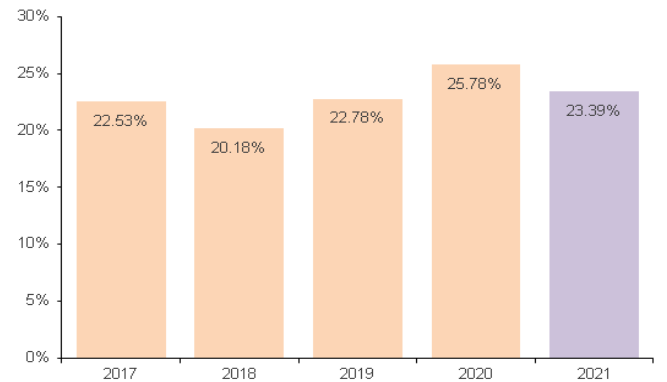
Management expense ratio



Total assets



Liquid assets ratio



Please refer to the Glossary of Terms on page 76 for a definition of what these terms mean

Chief Executive Officer's Statement



2021 was a highly positive year for Buckinghamshire Building Society. The Society performed strongly and many of the investments we have made in the last 12 months to increase our capacity are coming to fruition. We end the year in a very strong position financially, operationally and with substantially increased capability to deliver

excellent products and services to our members – whether as savers, mortgage borrowers, or both – and to contribute more and more to our local community.

Buckinghamshire Building Society has been providing home loans and savings accounts as a mutual society for 115 years. In that time, there have been many challenging periods and the COVID-19 pandemic is the latest to be added to that list. In 2021, there were clear signs of emergence from the depths of this crisis, though as the year ended it was clear that challenges still remain. We have grown strongly in 2021 and we have planned to grow even more in the next few years. Growth is our aim because that is how we can make the impact of the Society more meaningful. We are a mutual society, which means our aim is only to make as much profit as is necessary to provide safety for our depositors and to invest in our sustainability as a financial provider for future generations. All of our income is therefore essentially re-invested in the Society for the long term, so that we can continue to be relevant and attractive in the products and services we offer to savers and to those wishing to own their own home.

Of course, we need to generate sufficient return for the business to be a safe and sustainable home for our members' savings, to be able to withstand difficult times and to meet the considerable requirements of being a regulated financial services provider. We have always ensured that this is the case, even in the toughest of times, by taking a prudent and conservative approach in our financial management. This has now given us a degree of financial strength to be more ambitious in seeking to grow and to focus on the value we give back to our members.

The last few years have been hard on savers. Rates have been at historically low levels and have stayed there for longer than anyone expected. In addition, the pandemic reduced economic activity, so the mortgage market was subdued for long periods. We only lend home mortgages, so we need that mortgage business, to invest our members' savings in order to give them the best return. As we end 2021, growth in our mortgage business is utilising more savings funds and the first interest rate increase in many years has improved the outlook for savers. We will continue to seek to offer rates that compare very favourably with the market to the maximum extent that we can do so. We also continue to offer a very wide range of mortgage lending

products to the market based on expert human underwriters examining each application without reliance on automated credit decisions, often to help people who might otherwise struggle to meet the approval criteria of more automated lenders. In this way, even though we offer our mortgage products through an intermediary network across the country, we differentiate ourselves and get exceptional service ratings*.

**We received a five star rating from the Smart Money People in H2 2021 mortgage lender benchmark survey, which collects feedback from brokers who have used the Society.*

We will increasingly offer special rates to Buckinghamshire residents and existing members (and their families) wherever they live in England and Wales. We will also continue to give back meaningfully to our local community in our charitable support programme, and we really stepped this up in 2021 (see details below).

Performance overview

Key indicators

- Gross new mortgage lending of £65m (2020: £39m)
- Mortgage book: £244.8m (2020: £218.3m)
- Total savings balances increased by £11.3m (2020: £10.2m)
- Profit before tax: £1.8m (2020: £0.9m)
- Costs: £4.2m (2020: £3.9m)
- Management Expense Ratio: 1.43% (2020: 1.40%)
- Total capital ratio: 25% (2020: 25%)
- Liquidity ratio: 23.39% (2020: 25.78%)

After the subdued activity of 2020 in the initial phases of the pandemic, mortgage market activity returned strongly in 2021 and Buckinghamshire Building Society was ready for the challenge. Our mortgage new business of £65m was a 67% increase on 2020. Overall, despite the most intense competition, our mortgage book grew by 12%, well ahead of plan and we end 2021 with less than £6m short of a quarter of a billion pounds of mortgages. We retained over 70% of our maturing mortgage business which was a great testament to the competitiveness of our products and the loyalty of our existing members based on the service they get from us. In Q4, following the expiration of the final stamp duty incentives, new mortgage activity fell considerably across the market, although our pipeline was starting to build momentum again as the year ended.

Despite the pandemic special measures, including the 256 mortgage payment holidays we granted to our members who needed them, our impairment levels are extremely low (as demonstrated by the requirement of our audit to transfer a considerable portion of our credit loss provisions back into our general reserves).

Although mortgage margins were under pressure from intense competition in the market, our overall net margin (NIM) was partially protected by the reduced overall cost of funds. Increased business volumes and strong cost control combined to increase our Profit before Tax to £1.8m, an increase of 95% over 2020. Continuing to increase levels of profit is not our primary aim, but strong profitability is an

essential key to a safe and sustainable business in regulated financial services.

Our capital and liquidity, the ultimate measures of safety for a financial institution, remain very strong. Tier 1 Capital remains at 25% (25% last year) representing well over double our regulatory requirement and, our liquidity ratio has reduced slightly, as we signalled last year that it would, to a more efficient 23.39%, which is still very strong despite the significant increases in mortgage business. There remains some scope for our cash liquidity to reduce slightly further as we have created guaranteed contingent liquidity facilities based on additional assets pledged to the Bank of England this year.

Strategic outlook

Our strategy during 2021 had a number of key aspects to it:

- Grow our mortgage book safely and efficiently relative to our costs, enabling us to maintain the competitiveness of our rates for our savers as much as possible in the low rate environment.
- Invest in our products and services, ensuring they are relevant in an intensely competitive market.
- Invest in our people capability and operational processes to enable us to meet our ambitious growth plans over the next few years.
- Meaningfully share the fruits of our success with charitable contributions to our local communities.

Having made excellent progress to date, we now feel that we are positioned to harvest the benefits of the foundational work done in the last two years. Our aim is to build further on the mortgage growth, develop our savings proposition further to fund this growth and give additional returns to our savings members and use our financial success to create a platform for future development and a larger charitable impact for our local community.

Part of the community

As the Buckinghamshire Building Society, we are unique as a financial services provider headquartered in Buckinghamshire and located exclusively in this county. Through our intermediary network, we write mortgages for borrowers spread across England and Wales. We are a mutually owned Society, so giving back to our local community is at the heart of what we do. Our branch is based in the picturesque village of Chalfont St Giles and we continue to support our local community and beyond by offering special rates on our products to demonstrate our support for Buckinghamshire residents, existing members and their families.

Our charitable foundation has for many years tangibly supported local causes and in 2021, in addition to our usual giving to the chosen charity of the year at AGM as well as supporting local events and community initiatives. This year, we were able to give back to the local community at an unprecedented level, through the inception of our 'Here To Help Fund' – a total of £75,000 awarded to local charities and non-profit organisations.

In total, 30 eligible applications were received for the Fund, which was administered by Heart of Bucks, and an

independent panel, held on 18th January 2022, considered each application and voted for those they felt would benefit most from this generous fund.

The Large Award will go to Youth Concern, an independent charity based in Aylesbury, which provides support to vulnerable young people aged between 13 and 25. This financial support will enable Youth Concern to expand the reach of their drop in centre and to ensure more teenagers and young adults in need will receive help when they need it most. The use of early intervention helps to ensure the long term health and wellbeing of the youths that visit.

In addition to the Large Award, the Smaller Grants Programme will also provide much needed support to the following nine charities, all of which are very worthwhile causes: Adoption UK, Child Bereavement UK, Children Heard and Seen, Chiltern Music Academy, Great Brickhill Parish Hall Committee, Mediation Buckinghamshire, Parkinson's Disease Society Amersham and HW, Theatre Shed and finally, Wycombe Talking Newspaper.

In the past, our Charitable Foundation has donated to Rennie Grove Hospice, Macmillan Cancer Support, Medical Detection Dogs and Pace Children's Charity and most recently in 2021, to Lindengate.

In 2022, the charity chosen by our members through the votes cast last year is Restore Hope, a Chesham based non-profit organisation that helps families facing challenging times – a truly deserving cause after what has been a difficult time for many.

As a team, we are committed to giving back to our community, through staff volunteering days as well as supporting local charities, including most recently, a significant donation to the Chiltern Foodbank.

Serving our members

We are a mutual society, and that gives us our purpose. Serving our members and being a meaningful contributor to our community is not a means to an end (of making more money or having a better brand reputation), it is what we are fundamentally here for. In many cases, we provide mortgage finance to people who might not otherwise easily access it. We are careful and prudent with our lending but we also take well-managed risks to achieve our objectives. We seek a fair return to ensure our resilience and in order to reward our savers consistently and over the long term.

In 2021, we have invested in improving our digital functionality, enabling internet funds transfer, internet mortgage product transfers and improving our website functionality. We are currently preparing to expand our product offerings to make it easier for members to obtain further advances on their existing mortgages, for example if they wish to make investments in their home to improve its environmental efficiency. Supporting green initiatives as part of the world-wide response to climate change and sustainability in the broadest sense is very important to us as a 115 year old Building Society, our staff and our members. We intend to say more to you about this in the coming year.

Behind all of this is a Society that reflects its community involvement in its service ethos and charitable activities. I am convinced from my experience to date that the more that our members know about what we do and how we do it, the more they will be proud of their membership of the Society, and support us as a differentiated and positive contributor to the financial services marketplace and even advocate for us. We will be seeking to engage with you, our members, much more into the future and we hope you will welcome this.

Listening to our members

Following our member survey in 2021, and in keeping with previous years, we are delighted to share that overall satisfaction with our service is considered to be excellent by the majority of respondents. Overall, 91.2% of members were satisfied with the customer service they had received. We received 13 complaints in 2021 equating to 0.12% of members (18 in 2020, 0.17% of members). One of these members found it necessary to refer their complaint to The Financial Ombudsman Service ("FOS") and the decision on this is still outstanding.

Strategic investment

As a regulated financial services firm, we need to continually invest heavily in our operational resilience. This includes continuous development of our IT infrastructure, data protection, cyber resilience and in the capabilities and development of our people. During 2021, despite the challenges of remote working for many of our staff, we continued to focus on developing these capabilities ambitiously for the future. We hired a number of new people to our team, bringing exciting new capability and positioning us to achieve our ambitions to become stronger and more relevant into the future in a rapidly evolving market. We continued with ongoing investment in our core systems to improve functionality, customer experience, efficiency and resilience.

Our people

The commitment, togetherness and professionalism of our team are what makes this Society special. The Society has been determined to support our staff with choice of flexibility and this has been rewarded with many examples of going the extra mile and discretionary effort to maintain and improve our service to our members. To succeed in the modern financial services market, we need to combine wide ranging experience and capability with a deep affinity with the objectives of the Society and "*Doing the Right Thing*".

This mix of capabilities and values forms the basis of our recruitment strategy and of the team ethos we strive to maintain. We have augmented our team with a new generation of managers over the last two years and I am confident and excited by their capability to bring the Society forward to a new level and their alignment with the core values of the Society. In the staff survey conducted by the Building Society Association in 2021, the Society scored higher or in line with the sector average in putting members first, being ethical and how proud the employees are to work here and how aligned they feel to the values of the Society

Conclusion and outlook

At Buckinghamshire Building Society, the Board and management team have a stewardship role to nurture and develop this mutual society that has served generations of members for well over a century. We know that we can't afford to stand still or be complacent, we must move forward and make this business even better for the current and the next generation. We are in a great position to do just that as a mutual Building Society that our members can be proud of. I wish to thank all of my colleagues for their hard work and commitment and you, our members, for your loyalty and support.

Gerard O'Keeffe
Chief Executive Officer

4 March 2022

Strategic Report

The Strategic Report seeks to provide a fair and balanced review of the Society's business model and strategy, the environment in which it operates and its performance in the year.

Purpose

The fundamental purpose of the Society is to help people achieve financial security by providing a safe home for their savings and helping them to buy a home of their own, at whatever stage of their life, particularly where the complexity of their circumstances requires a bespoke approach.

Our vision

Our vision is to maintain and build a members' society, fit for purpose to valuably serve our members (present and future) and thereby prosper in a challenging future.

Culture

The culture of the Society can be summarised as "*Doing the Right Thing*". Linked to our purpose and our vision, our culture has a direct impact on our ability to attract, retain, and engage high quality staff whose values resonate with our vision.

Our culture and engagement of our staff can increasingly differentiate the Society in ways that are very powerful, authentic and difficult to replicate.

Strategy

Our strategy is to grow the Society in a financially sustainable way so that we can continue to meet our fundamental purpose to provide valuable and relevant mortgages and savings products for our members and future generations. We aim to build on its very solid foundations of capital and funding, with a purposeful and capable staff, management and Board.

The strategy was reviewed in 2021, concluding that the core aspects of the strategy remained the same and could be developed further to create an innovative and exceptional building society, delivering on its vision and purpose. In pursuing this strategy, we seek to balance maintaining and improving the financial strength of the Society to ensure long-term sustainability with the needs of our members by providing them with competitive value for products and services.

The Society navigated the challenges of the last two years conservatively and prudently. The strong performance in 2021 on financial and non-financial indicators demonstrate this. The progress made in 2021 has increased the capability and capacity of the Society, which along with the optimal usage of the capital strength will help the Society's business model evolve towards a sustainable future. Sound risk management and the operational resilience of the Society, as evidenced in our response to the COVID-19 over the last two years, is a bedrock of our stability and therefore always under review and continuous improvement.

The strategy of the Society continues to be to grow our mortgage book enabling us to maintain the competitiveness of our rates for our savers as much as possible in the low

rate environment, develop and maintain high quality products for the evolving mortgage and savings markets, supported by an exceptional service ethic. Our business products and pricing have developed considerably over the last 2 years and we expect this to continue. The pricing of the products balances the requirements of the market with the need to make a sustainable financial return. We continue to be successful in achieving this balance, and aim to continue to navigate through the interest rate challenges in 2022. We will continue to seek to offer rates that compare very favourably with the market to the maximum extent that we can do so. Over time, our sustainability goal requires us to grow our business significantly faster than the rate of increase in the costs of the Society. In 2021, we focussed on operational transformation, bringing in efficiencies in our processes and systems. In 2021, we have invested in improving our digital functionality, enabling internet funds transfer, internet mortgage product transfers and improving our website functionality. Supporting green initiatives as part of the world-wide response to climate change and sustainability in the broadest sense is very important to us, our staff and our members.

Also part of our core strategy is to invest in our people capability and operational processes to enable us to meet our ambitious growth plans over the next few years. We have materially increased our key person resilience and our overall capability during 2020 and 2021. We will continue to focus on investing in our staff through training and development and engagement to create an exceptional place to work.

We continue to listen to our members and look at enhancing our engagement with our members and local community. We intend to further deepen our engagement with our local community, so that we are increasingly seen to make a real difference in Buckinghamshire, in our charitable support, financial education programmes and volunteering. The success of the "2021 Here To Help Fund" in particular is a statement of how we can make a meaningful impact in the local community.

Our strategy is reviewed annually to ensure that it remains appropriate.

Our business model

Buckinghamshire Building Society is a strong, independent, regional building society focused on providing residential mortgages and is funded primarily by members' savings accounts. We do not provide current accounts, consumer lending, insurance products or any advice. Our business model is aligned with our strategic priorities, as evidenced by the metrics presented below:

- **Funds are raised from (Total £315m):**
 1. Customer deposits – 81%
 2. Wholesale funding – 10%
 3. Reserves – 9%

- **These funds are used to provide (Total £245m):**
 1. Mortgages for owner occupiers – 84%
 2. Mortgages for buy-to-let investors – 15%
 3. Mortgages for commercial properties – 1%
- **We generate income from (Total £5.8m):**
 1. Net Interest Income – the difference between the interest and fees charged for mortgages and the interest paid on member deposits and other funding
- **What we incur costs on (Total £4.2m):**
 1. Paying our people
 2. Systems and technology
 3. Property and other operating costs
 4. Regulatory costs
 5. Professional services
- **What we use our profits for (Total £1.8m):**
 1. Maintain our capital strength
 2. Invest in delivering improved products and services for members
 3. Support future growth
 4. Support the local community
 5. Pay taxes

Performance overview

Key Performance Indicators	2017	2018	2019	2020	2021
Member satisfaction	98%	97%	97%	93%	91.2%
Number of members	10,708	10,113	10,273	10,382	10,590
Capital – Common Equity Tier 1	24%	25%	24%	25%	25%
Reserves	£22m	£24m	£25m	£26m	£27m
Interest margin*	1.92%	1.99%	1.98%	1.82%	1.94%
Profit before tax (PBT)	£1.3m	£1.6m	£1.6m	£0.9m	£1.8m
Management expense ratio*	1.34%	1.38%	1.38%	1.40%	1.43%
Profit after tax (PAT)	£1.1m	£1.3m	£1.3m	£0.8m	£1.4m
Profit (PAT) as a % of total assets	0.47%	0.53%	0.49%	0.25%	0.46%
Gross mortgage lending	£41m	£50m	£55m	£39m	£65m
Growth in mortgage assets	6%	5%	10%	0%	12%
Total loans	£189m	£199m	£219m	£219m	£245m
Mortgage arrears*	0.77%	0.83%	0.77%	0.58%	0.43%
Retail shares and deposits*	£207m	£204m	£234m	£244m	£255m
Liquidity ratio*	22.53%	20.18%	22.78%	25.78%	23.39%
Total assets	£241m	£246m	£279m	£289m	£315m

* refer to the Glossary of Terms on page 76 for a definition of these terms

Each of the following sections represents key performance indicators which have been identified in the Society's strategy and are measured against actual performance on a regular basis. The Society's principal risks and uncertainties are set out on pages 11 to 13; these can impact certain key performance indicators and therefore the strategy of the Society.

Capital

This is an important measure of financial strength – the ability to absorb financial stresses and hence protect members' interests. Over 99% of the Society's capital consists of retained earnings accumulated over many years. This capital is described as Tier 1 Capital and is considered to be the highest quality of capital by our regulators. The Society also holds capital in the form of a revaluation reserve and collective loan loss provisions. The Society's gross capital ratio is 9.5% (9.9% in 2020). Our gross capital is expected to remain one of the strongest in the mutual sector. Free capital (see Glossary of Terms on page 76) is 9.0% (9.4% in 2020).

The Society's Core Equity Tier 1 ratio (CET1) which is calculated as Core Tier 1 Capital divided by Risk Weighted Assets was 25% as at 31 December 2021 (25% in 2020). This has remained in line with the last year. The CET 1 ratio has remained ahead of current regulatory requirements throughout the financial reporting period and is expected to remain ahead of regulatory requirements for the foreseeable future. The Society's CET1 ratio is expected to compare favourably to the rest of the mutual sector.

The Society's latest Pillar 3 disclosures can be obtained from the Society Secretary or the Society's website www.bucksbs.co.uk.

Total income

Total Income increased by 15% in 2021 compared to 2020. The increase has been driven by mortgage balances increasing at a greater rate than savings balances throughout the year, and the average margin achieved has increased. The Society increased its focus on competitive retention products during the year, which contributed significantly to increasing the mortgage book.

Costs

Management expenses increased to 1.43% (1.40% in 2020) as we continued to build our people capability by adding experienced hires to add resilience and minimise key person risk.

The cost income ratio decreased to 73.9% from 78.1% in 2021 due to a combination of the increased net income levels as well as expenses being controlled within plan.

Both our management expense ratio and our cost/income ratio (see Glossary of Terms on page 76) compare favourably with the mutual sector.

Profit

The Society achieved a profit before tax of £1.8m in 2021. The Board is pleased with this performance. The performance continues to be in line with the agreed strategy to balance the objectives of generating sufficient profits to maintain our financial strength and operational resilience, whilst also delivering value to our members by providing competitive mortgages and savings products.

Mortgage lending (loans to members)

Gross lending for 2021 was £65m, up 67% from the £39m the previous year. Our lending was spread over a number of different sectors of the market but included first time buyers, self-build, shared ownership, lending into and in retirement, lending to those with non-standard income or some minor adverse credit history and borrowers investing in buy-to-let properties.

Repayments and redemptions remained at £39m (£39m in 2020), which delivered a net lending increase of £26m (£Nil in 2020). This resulted in a mortgage book growing to £244.8m at the year-end (£218.3m in 2020). Redemptions remained flat in 2021, however, the level of retentions from expiring mortgage products was higher as the Society has proactively focussed on retention of mortgage customers. The mortgage book comprises of 84% residential owner occupied mortgages, 15% buy-to-let mortgages and 1% commercial lending. The mortgage book continues to remain of high quality, with an overall indexed loan-to-value of 50% and around 9% of balances with an indexed loan to value of 80% or more.

Forbearance and arrears

The Society's arrears statistics continue to remain low and compare favourably to the financial services industry.

As at 31 December 2021, the Society had 2 (2020: 2) mortgage loans that were 12 months or more in arrears. The total balance outstanding on these loans was £789k (2020: £782k) and the total arrears outstanding were £52k (2020: £45k). The Society holds individual allowances for impairment of £Nil (2020: £Nil) against these loans as both loans have low loan-to-value ratios (below 50%). Loan balances of 3 or more months in arrears represent 0.4% of the overall mortgage book (0.6% in 2020). The actual number of customers remains low at 7 (6 in 2020). UK Finance publishes data based on the number of cases where the arrears balance represents 2.5% or more of the mortgage debt. The Society had 0.43% cases in this

category (0.58% in 2020) compared to a UK Finance average of 0.78% (0.76% in 2020).

The Society had no properties in possession as at 31 December 2021 (nil in 2020).

The Board understands that the personal and financial circumstances of our borrowers can change over time. When this happens, our borrowers benefit from our policy to exercise as much forbearance as reasonably possible and to ensure their fair treatment at all times. These measures can include payment arrangements, temporary switch to interest only and term extensions. As at 31 December 2021, the Society had offered forbearance measures to 13 customers (34 in 2020). The Society granted payment holidays of up to 6 months to borrowers impacted by COVID-19. At the end of 2020 the Government extended the scheme to allow anyone in financial difficulties due to COVID-19 to apply for a further 3 month payment holiday even if their original holiday had ended or was still active. All new payment holiday requests had to be made before 31 March 2021 and end by 31 July 2021. A further 9 accounts took a payment holiday for the first time during this period along with 17 of the 247 accounts that had a payment holiday granted during 2020. There were no payment holidays active at the end of 2021 (15 in 2020). These were not classed as a forbearance measure during the active payment holiday period (see Impairment section in Note 1 – Accounting policies).

All loans are individually underwritten by a team of experienced underwriters, who adhere to a lending policy agreed by the Board. Responsible lending and affordability are the key criteria when making a lending decision. This approach has proved successful in the past and underpins the low arrears and default position experienced.

To reflect the current levels of credit risk in the mortgage book, loan impairment provisions have decreased in 2021 to 0.11% of the mortgage book (0.23% in 2020) as a result of the improvement in the macro-economic indicators, together with the favourable performance of our arrears. The percentage of provision to the overall mortgage book remains low compared to our peers and the industry average.

Savings

Personal savers' balances increased by 5.1% during the year and corporate deposit balances increased by 1.9%. Overall the combined total of personal and corporate balances increased by 4.6% (compared to an increase of 4.4% in 2020) to a total of £255m (£244m in 2020). The increase in 2021 was in line with that of 2020, as the Society was holding surplus liquidity and there was less need to actively seek significant levels of inflows.

The Board has sought to maintain rates above the market for as long as possible for existing members and this strategy continued throughout 2021. Providing value to members remains at the core of our savings strategy. Starting from late 2021 and continuing in early 2022 we have started increasing rates on selected products in response to the general market conditions and base rate increases.

Funding

Our balance sheet is predominantly funded by retail savings and deposits. In addition, the Society has access to wholesale funding when required. In addition, we rolled our £18m of funding from the Bank of England's (BoE) Term Funding Scheme (TFS) into Term Funding Scheme with Additional Incentives for Small to Mid-size Enterprises (TFSME), and increased it by a further £13m in October, taking the total funding to £31m (£18m in 2020); this provides funding to the Society at base rate.

Liquidity

Our liquidity ratio measures liquid assets held in the form of cash and investments as a percentage of shares and borrowings. It is a key measure of the Society's ability to meet its financial commitments as they fall due. These commitments include withdrawal requests from savers and investors, new mortgage lending and the funding of general business activities. Our liquidity ratio at the end of the year was 23.39% (25.78% in 2020), which will be used to grow the mortgage assets as part of the 2022 strategy and continues to remain well ahead of the regulatory requirements.

Outlook/future developments

2021 has been another challenging year in the extended shadow of COVID-19. However, the Society has continued to make good progress in 2021 in highly competitive mortgage and savings markets, achieving a commendable level of growth in the mortgage and savings books, ending the year with a healthy mortgage new business pipeline. We have committed additional investment in the business, to support future growth and build resilience throughout all departments within the Society. The Society continues to maintain the strength of its capital position providing resilience and giving confidence to members.

As we enter 2022, the challenges in the macro environment appear to be changing considerably in comparison to recent years. The interest rate cycle has definitively reversed and the expectation is for a period of increasing rates at least through 2022. Inflation has increased significantly and the impact on the cost of living (and on business costs generally) is likely to extend further than just the short term. The impact on mortgage and savings market activity is unclear and potentially significant.

Whilst there is intense competition in both the mortgage and savings markets, and the economic backdrop shows signs of significant potential challenges, the Board remains confident in its strategy and plans to continue to grow its mortgage book funded predominantly by members' funds, so that we can provide a safe home and good return for those savings.

The Board continues to face the future with optimism and confidence. If we offer members products and services that meet their needs, delivered efficiently but with the values and ethos of a traditional member owned business – living by our fundamental value of *"Doing the Right Thing"*, the Society will continue to prosper.

Principal risks and uncertainties

The Board has overall responsibility for risk management and ensure that the Society's policies, procedures and conduct are consistent with its risk appetite, business strategy and objectives. The various Board Committees (see Corporate Governance Report on pages 18 to 24) have Terms of Reference setting out specific responsibilities and report to the full Board. The Risk Committee establishes the risk management framework, oversees risk management across the business and ensures a strong culture of risk awareness and ownership.

Further details of the Society's approach to risk management and its risk exposures are set out in the Pillar 3 Disclosures, which can be obtained from the Society Secretary at our Head Office or from our website www.bucksbs.co.uk.

The principal categories of risk to which the Society's business is exposed, together with how they are controlled are set out below:

- **Business risk** – the risk of the Society failing to achieve sufficient long-term profitability to maintain sustainable capital adequacy.

The Board regularly discusses strategic issues and make decisions aimed at delivering long-term sustainability, capital and liquidity strength, financial and operational resilience. External macroeconomic, regulatory and political matters are carefully considered, together with a range of key risk indicators designed to optimise the position of the business.

During 2021, the market was still disrupted by COVID-19 and we responded to market pressures and opportunities, delivering for underserved markets and optimising the mix and volume of business on both sides of the balance sheet. We maintained our focus on service and delivery of good outcomes to our members and supported staff through new, flexible ways of working. During 2022 we expect macroeconomic pressures around inflation and interest rates will impact affordability and market sentiment but we will continue to strive to deliver housing and savings solutions to underserved markets.

- **Credit risk** – the risk that losses arise as a result of the Society's borrowers or treasury counterparties failing to meet their obligations to repay.

All mortgage applications are individually underwritten under the Lending Policy, which is reviewed by the Risk Committee and approved by the Board. Underwriting mandates are controlled to ensure that only those with suitable expertise are able to commit the Society to lend. All cases are reviewed by Credit Committee, chaired by the Chief Risk Officer. During 2021, we have enhanced our portfolio management information to improve forward looking risks in the context of the expected macroeconomic environment to enable better decision making. In the event that the personal circumstances of borrowers change, the Society applies Arrears and Forbearance Policy to work proactively with borrowers to

seek arrangements to enable them to resolve their difficulties. This led to reductions in the arrears during 2021 despite the pressures faced by some families during the pandemic. The Board has set a Risk Appetite designed to avoid losses by targeting a balanced portfolio of assets that match expertise and experience of underwriters.

The Financial Risk Management Policy is a key policy with regard to managing credit risk of treasury assets. It is overseen by the Assets & Liabilities Committee (ALCO) and approved by the Board. The Board has set conservative counterparty limits based on credit ratings and other indicators of financial strength.

- **Capital risk** – the risk that the Society has insufficient capital to cover stressed losses or to meet regulatory requirements.

The Society conducts an assessment of capital adequacy covering all risks to determine the level of capital required to support current and future risks in the business, including any changes in business volumes, mix of assets and multiple stress scenarios. This assessment is approved by the Board and monitored monthly. The assessment is utilised by the regulators to set the Society's total capital requirements (TCR). At the present time and over the planning horizon the Society has capital that significantly exceeds the regulatory requirements.

- **Liquidity and funding risk** – the risk that the Society either does not have sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost.

The Financial Risk Management Policy sets out how the Society maintains liquid assets at all times that are adequate both in terms of quality and quantity, both in business as usual and reasonably foreseeable stressed scenarios, in order to mitigate this risk and maintain public confidence. The Society has a Liquidity Contingency Plan to support other extreme scenarios. The Society conducts an assessment of liquidity adequacy covering all risks to determine the level of High Quality Liquid Assets required to support current and future risks in the business. Specific limits are monitored daily by the Finance Team and reported to ALCO. At the present time and over the planning horizon the Society has liquidity that significantly exceeds the regulatory requirements.

- **Market risk (including interest rate risk)** – the risk that assets and liabilities re-price at different times and/or on different bases, adversely affecting the net interest margin.

This risk is managed through approved limits within the Financial Risk Management Policy, by matching the re-pricing dates of assets and liabilities and by using derivative financial instruments to hedge. Specific limits are monitored daily by the Finance Team and reported to the ALCO.

This risk is managed through approved limits within the Financial Risk Management Policy, by matching the re-pricing dates of assets and liabilities and by using derivative financial instruments to hedge. Specific limits are monitored daily by the Finance Team and reported to the ALCO.

- **Operational risk (including conduct risk)** – the risk of loss or negative impact to the Society or adverse outcomes to our Members; resulting from inadequate or failed processes, systems or controls; from external events; or human error.

The principal operational risks at the current time relate to cyber security, financial crime and how our staff interact with customers throughout the product lifecycle. The Risk Committee considers a range of metrics and reports from management to ensure that the Society continues to operate within a robust control framework that maintains operational resilience and protects members and staff. During 2021, we have tested a range of Business Continuity and Contingency Plans, invested in development and cross-training of staff and better use of systems, introduced a range of efficiencies in our end to end mortgage process and enhanced our self-assessment of operational resilience.

- **Climate change risk** – the risk cuts across a number of different risk categories:
 - credit risk relating to the value and saleability of properties taken as security for mortgages;
 - reputational risks primarily relating to how we compare with other similar firms (e.g. Members selecting firms that match their values and ethos and Government incentivizing or penalizing certain behaviours); and
 - operational risks primarily relating to our own security, resilience, continuity, costs and impact on the environment.

Our Climate Change Strategy is a key document owned by the Chief Risk Officer (CRO) and approved by the Board. This sets out our approach to managing this systemic risk. Rising global temperatures are expected to create more extreme weather conditions, causing damage to property, through floods, coastal erosion and subsidence. Transition risks may arise from changing regulatory and borrower behaviour and expectations around energy efficiency, for example. We operate a simple business model, providing residential mortgages, funded by retail savings, all based in the UK, operating from a single office. The financial implications for the Society are likely to manifest primarily in the impact on value of houses taken as security for mortgage loans. We have therefore embedded climate change risk management within the way we work.

Governance:

In 2019, we appointed the CRO as the Senior Manager responsible for climate related financial risk under the Senior Managers Regime.

He is a member of the Risk Committee and attendee at the full Board. The Board has overall responsibility for managing climate risk with the support of Risk Committee, which receives quarterly reports from the CRO in relation to climate change, including trend analysis in relation to our risk appetite and advisory indicators. Climate Change responsibilities are reflected in Committee terms of reference and individual job descriptions. We have also established an Environment, Social and Governance (“ESG”) Forum, the purpose of which is to support the Society in delivering its Climate Change Strategy and enable us to be a good corporate citizen through maintaining focus on initiatives in the local community, volunteering and education; and meet regulatory expectations in areas such as working conditions and diversity. The Committee has representatives from all key areas across the business, to drive proactive coordinated engagement and deliver meaningful results.

Risk management and scenario analysis:

We have partnered with Landmark to provide data in relation to physical and transitional risks in our mortgage book. The data focusses on flood, subsidence, coastal erosion and energy efficiency. The analysis considers the impact on the Society in the range of Climate Biennial Exploratory Scenarios (CBES). These scenarios consider Representative Concentration Pathways (RCP) of changes in atmospheric concentration of greenhouse gasses and consequent changes in temperature leading to severe and chronic climate events. We use the most severe RCP8.5 scenario, over a range of time horizons from 10 years to 40 years. We carried out our own analysis of climate change risk in our Internal Capital Adequacy Assessment Process (ICAAP), utilising the granular property risk data and our own Probabilities of Default and severe stress tests. This concluded that an additional £251k capital allocation for climate change risk not already accounted for under other capital risk assessments was required.

Our climate change strategy is focussed on delivering support for the changing needs of our Members to adapt to the requirements of climate change and we see great potential here. We are using our ongoing management information to monitor the Energy Performance rating of properties in our mortgage book and are adapting our new lending requirements in line with the mortgage lending market to mitigate the risks associated with new lending. We intend to provide specific support via further advances to help existing borrowers to improve the energy efficiency of their properties and install more environmentally friendly heating solutions for example. To support this initiative, the Board have agreed a project for 2022 to restart direct mortgage advice on a limited basis.

Environmental Impact:

We are a very small business operating out of a single office. Our Board and staff feel passionately about climate change and are keen to do our bit to reduce our impact on the environment. During 2021, we started to monitor our energy usage, worked to reduce the amount of paper we use, the printing we produce and the waste we produce. We are looking to increasingly use electronic communication with Members rather than paper. We have introduced and encouraged wider recycling. We are investigating more environmentally friendly lighting, heating and air conditioning options. We also encouraged brokers to participate in our latest survey by planting trees as an incentive to participate. The hybrid model of working being adopted by the Society will also result in reducing the carbon footprint from commuting. Longer term we expect to plan our path to net carbon neutrality.

On behalf of the Board

Dick Jenkins
Chair

4 March 2022

Directors and Officers

Non-Executive Directors



Board Chair – Richard David Jenkins

Dick Jenkins joined the Board of the Buckinghamshire Building Society in April 2018 as a non-executive director and was appointed as Chair of the Board in October 2019. He also sits on the Society's Assets & Liabilities Committee, and its Nominations and Remuneration Committees. Until recently he served on the Society's Risk Committee.

Following an early career in market research Dick has spent much of his career in the Building Society sector with the Bristol and West Building Society and from 2013 to 2018 as Chief Executive of the Bath Building Society, a society of a similar size and profile to the Buckinghamshire Building Society.

Dick studied geography at Cambridge University and is an enthusiastic gardener, golfer and musician.



Audit Committee Chair – Christine Anne Higgins

Christine Higgins joined our Board as a non-executive director and Chair of the Audit Committee in March 2016 and she holds Senior Management Function 11 with the regulator. She has over 25 years' experience in financial services, working for UK and international banks. Christine will be stepping down from her role as the Audit Committee Chair and Board member at the end of the 2022 AGM

Over the past 12 years she has served as a non-executive director on boards in the health, housing, charity and finance sectors. Currently, in addition to the Buckinghamshire Building Society, Christine is a non-executive director at PCF Bank and Macquarie Capital Europe Ltd – and she chairs their audit committees.

Christine is a chartered accountant and she is a keen horse rider and tennis player.



Vice Chair and Risk Committee Chair – Eric John Leenders

Eric Leenders was appointed to the Board as a non-executive director in April 2014 and elected Chair of the Risk Committee in May 2017. He is currently Vice Chair, Senior Independent Director and Chair of the Risk Committee, holding Senior Management Functions 10 and 14 with the regulator. He also sits on the Audit Committee and Nomination Committee of the Board.

Eric is a career banker with over thirty years' experience in retail banking, and is currently the Managing Director, Personal Finance and Financial and Risk Policy at UK Finance. He is also a non-executive director and Chair of the HR and Remuneration Committee at Registry Trust Limited, having stepped down as a director of BBA (Enterprises) Limited and the Lending Standards Board in 2017.

He is professionally qualified as a chartered banker, holding an MSc in Banking Practice and Management and is a fellow of the London Institute of Banking and Finance and the Chartered Banker Institute. He is also a member of the Institute of Credit Management and the Worshipful Company of International Bankers and holds a post-graduate diploma in public relations.



Non-Executive Director - Andrew Spencer Lucas

Andy Lucas joined the Board as a non-executive director in May 2021 and is a member of the Risk, Assets & Liabilities and Nomination Committees.

He started his career in marketing and sales and much of his experience has been centred on financial services, particularly savings and investments, mortgages and insurance. He has managed eCommerce developments for over 20 years and led product, customer service, change management and technology operations. After senior roles at Prudential and ACE Insurance Group, he was Director and Chief Operating Officer at The Cambridge Building Society, where he worked for over 9 years.

Andy is a non-executive director of Cirencester Friendly Society, a Trustee of YMCA Trinity Group and Vice-Chair of The Christian Conference Trust, as well as a member of The Chartered Institute of Marketing. Away from work he likes to travel, being a keen walker and photographer, or relax in the kitchen tackling a new recipe!



Non-Executive Director – Rebecca McBride

Rebecca McBride joined the Board as a non-executive director on 1 May 2020 and is a member of the Risk, Assets and Liabilities, Nomination and Remuneration Committees.

Rebecca has nearly 30 years of experience in financial services from both a regulatory and business perspective. She is currently Head of Regulatory Developments for Lloyds Bank Corporate Markets where she is responsible for identifying changes to new and existing regulations. Prior to joining Lloyds in 2018, Rebecca spent 17 years as a regulator at the Financial Services Authority, Prudential Regulation Authority and most recently the Bank of England. Over her career in regulation she supervised a range of institutions including UK Banks, Building Societies, Life Assurers, Asset Managers and Central Counterparties.

Rebecca is married with two daughters and lives in Wimbledon.



Remuneration Committee Chair – Nigel William James Montgomery

Nigel Montgomery joined the Board as a non-executive director on 1 May 2020. He is Chair of the Remuneration Committee, and is also a member of the Audit and Nomination Committees.

After university, Nigel followed a career as a solicitor, becoming a partner in Sidley Austin until his retirement from full-time practice. He specialised in the financial services sector advising both banks and insurers on corporate transactions and structuring issues.

Nigel has also been a non-executive director in an insurance broking group and a consultant to a number of businesses. Additionally, he is involved with a charity working on historical conservation and education.



Non-Executive Director – Christopher William Potter

Chris Potter joined the Board as a non-executive director in January 2022. He is currently a member of the Audit Committee, Risk Committee and Nomination Committee of the Board.

Chris spent 35 years working for PwC, since 1999 as a partner in the UK audit practice, where his clients included major financial services providers. He specialises in managing technology risk and cyber security, audit of internal control, and digital transformation.

Chris is a qualified accountant, CISA and member of the Chartered Institute of Information Security Professionals. Since 2019 he has been a trustee and the Chair of the Audit & Risk Committee for the Royal Institution of Great Britain. He is a visiting senior lecturer on the information security management MSc course at Royal Holloway, University of London. He is also strategic advisor for Inflo, the audit technology provider. Chris is interested in history and learning from the past, and also in how science and technology can help us meet the challenges in the future.

Executive Directors



Chief Executive Officer – Gerard Mortimer O'Keeffe

Gerard O'Keeffe joined the Society in November 2018 as Chief Executive Officer and was appointed to the Board on 31 January 2019 upon receipt of the regulatory approval for Senior Management Function 1. He chairs the Assets & Liabilities Committee and is a member of the Nomination and Risk Committees, as well as being a regular attendee at the Audit and Remuneration Committees.

Gerard has many years' of experience in financial services including as Head of Allied Irish Banks (GB), which included the retail, commercial and corporate banks, where he was an executive director of the UK regulated bank since 2009. Prior to that, Gerard was the Chief Risk Officer of AIB Group UK plc, which included First Trust Bank in Northern Ireland. Gerard has held senior positions in various companies including in structured finance and management consultancy.

He lives with his family in Buckinghamshire and is a governor of the Royal Grammar School in High Wycombe.



Finance Director – Darrin Narendra Ramdeen

Darrin Ramdeen joined the Society as Finance Director in July 2019 and was appointed to the Board in September 2019, holding the Senior Management Function 2 with the regulator. Darrin is a member of the Assets & Liabilities, Nomination and Risk Committees, and is also a regular attendee at the Audit and Remuneration Committees.

Darrin is a Chartered Accountant with almost 20 years of experience in the financial services sector, having held senior positions in banking, insurance and reinsurance, both in the UK and overseas. Over the past 13 years Darrin's main focus has been on corporate strategy and performance improvement, transformational change and mergers and acquisitions. He has extensive experience in enterprise software for banks and financial services, having led a number of major system implementation projects over the years.

Darrin was appointed to the Board of the Building Societies Trust Limited in December 2020.

Officers



Chief Risk Officer – Phil Relf

Phil Relf joined the Society in March 2016 as Chief Risk Officer. Phil chairs the Credit Committee, is a member of Risk and the Assets & Liabilities Committees and is a regular attendee of Audit Committee.

Phil is a Chartered Secretary and holds a Post Graduate Certificate in Strategic Leadership. He has almost 25 years' experience within the building society sector and chairs the Building Societies Association Risk Forum. As an experienced risk specialist, Phil's role is to offer long-term solutions that help the Society achieve its strategic plan, whilst looking after the interests of our members. Phil offers constructive challenge, support and insight to ensure effectiveness of the Board.

Phil lives with his family in Berkshire. In his spare time, he volunteers as a leader with the local scouts and helps at a local vineyard.

Directors' Report for the year ended 31 December 2021

The Directors have pleasure in presenting their Directors' report for the year ended 31 December 2021.

A review of the Society's activities and performance in 2021, its plans for the future as well as the principal risks and uncertainties are provided in the Strategic Report on pages 8 to 13.

Directors

The following persons served as directors of the Society during the year and to the date of this report:-

- Dick Jenkins - *Chair*
- Eric Leenders - *Vice Chair*
- Stephen Nichols (*Resigned w.e.f. 21.04.2021*)
- Christine Higgins
- Rebecca McBride
- Nigel Montgomery
- Andy Lucas (*Appointed w.e.f. 1 May 2021*)
- Chris Potter (*Appointed w.e.f. 4 Jan 2022*)
- Gerard O'Keeffe
- Darrin Ramdeen

In accordance with the Society Rules, directors must periodically stand for re-election. The directors retiring by rotation this year are Gerard O'Keeffe and Darrin Ramdeen, who being eligible, offer themselves for re-election at the AGM in April 2022.

Andy Lucas and Chris Potter, being Non-Executive Directors, having been appointed to the Board on 1 May 2021 and 4 January 2022 respectively, will, in accordance with the Society Rules and as recommended by the Board of Directors, offer themselves for election at the AGM in April 2022.

Going concern statement

As at the end of 2021 the Society met its liquidity requirements and held a liquidity buffer. The overall level of capital is considered adequate. Both the liquidity and capital positions have been stress tested against a significant worsening of economic conditions. The stress tests were performed as part of the internal assessment of adequacy of capital and liquidity. The key elements assessed by the Directors in the stress testing include material decline in house prices, rising arrears and default rates, availability and cost of funding sources and declining margins from interest rates at continuing low levels. These scenarios show the Society maintains a capital surplus above regulatory requirements over a five-year planning horizon, and maintains sufficient liquidity to manage a stress scenario over a twelve-month period.

Having considered the above, the Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future and that there are no material uncertainties that lead to doubt on the Society's ability to continue in business. For this reason, the accounts continue to be prepared on the going concern basis.

Post-balance sheet events

The Directors do not consider that any event since the year end has had a material effect on the position of the Society.

Land and buildings

The Directors consider that the overall recoverable amount of the land and buildings held by the Society is in excess of the book value recognised within the Society's Balance Sheet.

Supplier statement policy

The Society's policy concerning the payment of its trade creditors for the next financial year is to pay in accordance with agreed terms where invoices are submitted for products or services which have conformed to requirements specified by the Society.

Charitable and Political Donations

Charitable donations during the year amounted to £2k (2020: £12k).

The incentive of charitable contribution from member votes at the Annual General Meeting in April 2021, rounded off by the Society to £500 (2020:£500) was donated to the Chiltern Foodbank.

The Directors confirm that no activities have been carried on during the year, which are outside the powers of the Society.

No political donations have been made during 2020 (2019: £Nil) which require disclosure under the Act.

Regulation

The Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Auditor

At the Annual General Meeting held on 21 April 2021, a resolution to appoint Mazars LLP as External Auditor to the Society was approved. Mazars LLP has expressed its willingness to continue in office in accordance with Section 77 of the Building Societies Act 1986. A resolution for re-appointment of Mazars LLP as Auditor is to be proposed at the AGM on 20 April 2022.

Each of the persons who is a Director at the date of approval of this report confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Society's Auditor is unaware;
- And the 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.

On behalf of the Board

Dick Jenkins
Chair

4 March 2022

Corporate Governance Report

The Financial Reporting Council published a revised UK Corporate Governance Code (the "Code") in July 2018 which applies in respect of accounting periods commencing or after 1 January 2019. Whilst the Society is not required to comply with the Code, as it is not a listed company, the Prudential Regulation Authority (PRA) requires the Society to have regard to the Code in establishing and reviewing corporate governance arrangements.

Board Leadership & Company Purpose

Code Principle A:

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

Board Comment:

The Board provided strategic guidance and support to the Society, helping it to deliver a strong performance in 2021 and at the same time remain invested in the future of the business and supporting our members. Navigating through the unprecedented challenges around COVID-19, the Board provided objective leadership and support to the management and staff in steering through the new challenges that 2021 brought. The progress made in 2021 has increased the capability and capacity of the Society, which along with the optimal usage of the capital strength and continued engagement with our members and local community, will help the Society move towards a sustainable future.

The Board strongly believes in the long term strategy of the Society to deliver afresh and sustainably for the 21st Century on its fundamental purpose of generating value for shareholders and contributing to wider society by helping people to buy their own homes and find a safe and rewarding home for their savings. The Board continues to focus on long term sustainable success of the Society and risk management, by continuing to invest in the present, through development of its people and technology and improving operational efficiencies. The Board continues to listen to our members' voice and look at enhancing our engagement with our members and local community.

The Board met nine times in 2021. In compliance with the Public Health Guidance and restrictions, the Board met using videoconference or in person when possible. In addition, they continued to engage with the management through a number of pre-meetings and training sessions during the year. Long term strategy and direction remains a key priority for the Board. The Board set aside a separate day to focus exclusively on the Society's future Strategy. There is a Schedule of matters reserved for the Board including, but not limited to, approval of the Society's Strategic Plan, Risk Appetite and Annual Report and Accounts. To ensure a strong governance framework, the Board is well supported by the following Committees:

Audit Committee

The Committee is responsible for assessing the effectiveness of systems and controls; assessing the accuracy and completeness of financial information; reviewing accounting policies; and ensuring the existence of effective whistleblowing arrangements. It reviews the fairness of disclosures and recommends the approval of the Annual Report and Accounts to the Board. It negotiates and agrees audit fees and monitors the scope of work undertaken by both the internal audit and external audit functions. The Committee also monitors the performance, independence, objectivity, competence and effectiveness of both the internal and external audit functions. The Committee is responsible for recommending the appointment, re-appointment or removal of external auditors and internal auditors. It also oversees and assesses the adequacy of the Society's independent compliance assurance function. The Audit Committee is comprised of four Non-Executive Directors at present. The Chief Executive Officer, the Finance Director, the Chief Risk Officer, and representatives from the internal and external audit functions attend Committee meetings by invitation. Christine Higgins, the Chair of the Committee has strong financial and audit experience. The Board has identified Chris Potter as a successor to Christine Higgins, when she steps down at the end of the 2022 AGM as the Chair of the Audit Committee, subject to regulatory permissions.

The Audit Committee's report can be found on page 25.

Risk Committee

The Committee is responsible for ensuring the approach to risk management, identification and monitoring is sufficiently robust, forward looking and integrated across the Society. It reviews and recommends the approval of the Risk Appetite Statement and Management Framework, Internal Capital Adequacy Assessment Process (ICAAP) and Operational Resilience Self-Assessment to the Board. On an ongoing basis, the Committee reviews the emerging risks including but not limited to market risk, credit risk, conduct risk, operational and cyber risks as well as climate change risks and monitors the Society's performance against its risk appetite. The Risk Committee is comprised of five Non-Executive Directors, the Chief Executive Officer, Finance Director and the Chief Risk Officer.

The Risk Committee's report can be found on page 27.

Assets & Liabilities Committee

The Committee is responsible for monitoring the structure of the Society's assets and liabilities, controlling financial risk and reviewing control procedures including limits, reporting lines and mandates. The Committee focuses on balance sheet management and treasury activities, including liquidity, interest rate risk, and basis risk and refinancing risk. The Committee is responsible for reviewing and recommending the approval of the Recovery Plan, Internal Liquidity Adequacy Assessment Process (ILAAP) and Treasury Strategy. The Assets & Liabilities Committee is comprised of three Non-Executive Directors, the Chief

Executive Officer, the Finance Director and the Chief Risk Officer. The Committee is supported by the Management ALCO ("MALCO"), comprised of members of the management which meets fortnightly to review treasury and balance sheet management.

The Assets & Liabilities Committee's report can be found on page 29.

Nomination Committee

The Committee is responsible for succession planning for both Executive and Non-Executive Director positions on the Board. It also keeps under review the structure, size and composition of the Board and its Committees and reviews the wider organisation structure and succession plans for the Society. It leads the process for the recruitment of Board appointments, making sure that they are made on merit and are assessed against objective criteria, prior to making recommendations to the Board. It considers the balance and diversity of skills, background, knowledge and experience of the Board along with gender, ethnicity and background. It also oversees the requirements for the appraisal of Non-Executive Directors. The Committee is responsible for reviewing the skills matrix of the Board as well as the Management Responsibility Map in compliance with the Senior Managers and Certificate Regime. The Nomination Committee comprises of all Board Members and reviews and recommends the Corporate Governance Report to the Board for approval.

The Nomination Committee's report can be found on page 31.

Remuneration Committee

The Committee is responsible for the Remuneration Policy across the Society, including any incentive schemes. Under advice, it determines the terms and conditions of employment of the Executive Directors and also recommends Non-Executive Director remuneration to the Board. The Remuneration Committee is comprised of three Non-Executive Directors who may require others to attend by invitation. Principles P, Q and R on the following pages elaborate on the work of this Committee. Details of the remuneration policy can be found in the Directors' Remuneration Report on page 35.

The Remuneration Committee's report can be found on page 33.

Terms of Reference

Each of the Board committees have their terms of reference that are closely aligned to the strategic objective of the Society and approved by the Board. They are available from the Society Secretary on request. Minutes of the Committee meetings are presented to the Board.

Division of Responsibilities

Code Principle B:

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

Board Comment:

The Board has defined the Society's purpose and values and set out the strategy which is reviewed every year to ensure it remains fit for purpose. More detail is set out in the CEO's Business Review beginning on page 5. The fundamental purpose of the Society is to help people achieve financial security by providing a safe home for their savings and helping them to buy a home of their own, at whatever stage of their life they find themselves and particularly where the complexity of their circumstances requires a bespoke approach. The Society, abides by the over-arching intention of "Doing the Right Thing", in whatever it does. This culture, led by effective leadership and engagement with our members and our local community is the core of our sustainability. The culture of the Society, linked to the purpose, has a direct impact on our ability to attract, retain, and engage high quality staff whose values resonate with our mission. The Directors act with integrity, and uphold the cultural ethos and desired behaviours identified by our staff. This is a people business and the Board is committed to promote a culture of excellence and facilitate the creation of an exceptional working environment. The Board is determined to invest in the staff through training and development and engagement all of which will contribute towards making the Society an exceptional place to work.

Code Principle C:

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

Board Comment:

Board reporting and management information provide the Board with information on the performance of each area of the business on a regular basis. The key strategic goals are reviewed on an ongoing basis and the progress reported to the Board. This is overlaid with an assessment of the board's approach to risk. The Board and Committees sit above the three lines of defence and provide oversight. The Board is the governing body, accountable for the strategic plan and how it links with our Risk Appetite. The Board reviewed and approved the ICAAP, ILAAP, Recovery Plan, Liquidity Contingency Plan, Financial Risk Management Policy Risk Management Framework & Appetite Statement and the Operational Resilience Self-Assessment. These documents took into account the external environment, the challenges faced by the industry due to the pandemic and a wide range of stress and scenario analyses. One of the key priorities for the Board has been to oversee the development and better use of Management Information and Analytics tools in risk management and decision making. Further information on the Society's risk management framework is set out under Principle O below.

Code Principle D:

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

Board Comment:

As a mutual organisation the Society's membership consists entirely of individuals who are also the Society's customers. The Board recognises the importance of effective engagement with them, being the key stakeholders. The Society communicates with its members through periodic newsletters as well as on social media platforms and through our website, all of which encourage engagement and feedback. The Annual Business Review Document is accompanied by a customer feedback form, to encourage the members to express their opinion and suggest areas of improvement for the Society. Members are invited to attend the AGM, where they can ask questions and voice their opinions. All members of the Board are present at the AGM each year unless there are exceptional circumstances and the Chairs of the Board and of its committees are available to answer questions. The purpose of this dialogue is to improve understanding of our members' expectations, and gain their views upon the organisation, so that the Society can better serve their needs. Although the pandemic prevented us from hosting any public events in 2020 and 2021, we are hopeful that our members will be able to attend our AGM in 2022 in person. The Board has been focussing on improving the marketing & engagement with our members and with the local community in 2021. The 2021 Here To Help Fund was launched as a novel way of supporting the local business and make a meaningful difference in the local community. We believe this is consistent with our mission, as well as gives us competitive traction to make us more resilient and sustainable.

Code Principle E:

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

Board Comment:

The remit of the Remuneration Committee includes oversight of people matters at all levels of the organisation, to ensure that the Society's operating model underpins the Society's strategy and that its people are adequately engaged and skilled to deliver it. All workforce policies and practices are aligned to the long term strategic deliverables. They are reviewed on a periodic basis to ensure they remain relevant to the business needs and in compliance with regulatory changes. Eric Leenders as the Vice Chair and Senior Independent Director has been appointed as the Whistleblowing champion and designated non-executive director for workforce engagement. The Society's policies encourage all staff to escalate or bring to his attention or any of the other Board members, any matters of concern. Workforce engagement is facilitated utilising a variety of forums, including staff meetings, staff workshops, weekly news letters and employee engagement groups. The Board has also started meeting a cross section of staff over lunch once every quarter and this exercise has received very positive feedback from the staff and the Board for promoting a culture of openness and transparency. Recognising the challenges of the pandemic and the fact that most of our staff were working remotely for at least some period of 2021, the Board is keen to express their support to align the processes

and practices in order to facilitate an efficient and agile hybrid work environment. The Board reviewed the workplace risk assessments carried out during the year to make sure the Society was fulfilling its obligations to offer a safe working environment in compliance with the government guidelines.

Code Principle F:

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

Board Comment:

The Chair sets the direction of the Board and promotes a culture of openness and debate by facilitating the effective contribution of Non-Executive Directors and maintaining constructive relations between Executive and Non-Executive Directors. The Chair leads the effectiveness reviews of the Board and Committees, taking into account the areas of improvement and identifying the actions for enhancement of the governance framework. The Nomination Committee which is also chaired by the Chair of the Board took the decision of engaging an external firm for facilitation of Board effectiveness review this year. The review is now in progress and we hope the findings will help in improving the effectiveness of the governance structure of the Society. The Chair is instrumental in encouraging the Board members to share their thoughts on promoting a culture of constructive challenge and support for the management and the importance of communication in developing a culture of openness. The Chair ensures sufficient time is spent on setting and reviewing the key strategic matters. To do this the Chair guides the management to make sure the Directors receive accurate, timely and clear management information to allow robust discussions and decision making. During the last two years, the Chair also made sure that the Board is able to prioritise discussions and decisions around the impacts of the pandemic on the Society and its customers.

Code Principle G:

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

Board Comment:

The Board is comprised of seven Non-Executive Directors and two Executive Directors, thus providing a balance of skills and experience appropriate for the requirements of the business. The Board skills matrix and Committee membership are reviewed at least annually to ensure there is appropriate expertise in each Committee to discharge its duties in accordance with its terms of reference. All Non-Executive Directors are considered by the Board to be independent in character and judgement and there are no

relationships which affect this. The Board culture is collaborative and includes regular discussion of strategic matters within a framework of risk management controls and monitoring of performance and resources. The annual Strategy discussion provides an opportunity to consider options, balance constructive challenge and support, to develop a robust plan that is in the long-term interests of the members. Eric Leenders, the Vice Chair is also the Senior Independent Director, providing support for the Chair, and acts as an alternative route for communication from members and staff. The responsibilities of the Vice Chair include carrying out the appraisal of the Chair and also to chair Board and other meetings in the event of the Chair being unavailable.

The roles of the Chair and CEO are held by different individuals with a clear division of responsibilities. Dick Jenkins as an independent Non-Executive Director is the Chair and responsible for leading the Board and ensuring it acts effectively. Gerard O'Keeffe as the CEO has responsibility for managing the Society and for the implementation of the strategies and policies agreed by the Board.

Code Principle H:

Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

Board Comment:

The Nomination Committee evaluates the ability of Directors to commit the time required for their role, prior to appointment. The Non-Executive Directors are informed of the time commitment in their letter of appointment and this is reviewed on an annual basis as part of formal appraisal process carried out by the Chair each year. The Non-Executive Directors with their experience and knowledge of evolving environment and the industry have helped by offering advice and strategic guidance on a range of matters as well as offer constructive challenge and support to the management. The management benefits from depth of knowledge and experience among the Board members in member engagement, industry knowledge, operational changes, treasury management, regulatory changes, and cyber and information technology.

The Directors who held office during 2021 and their attendance record at Board and Board committee meetings is set out in a table at the end of this report. The Directors agree to additional external appointments only with prior approval of the Board. The Executive Directors do not hold any executive positions in other organisations. Where directors have other significant commitments, these are set out in the information relating to directors on page 14.

Code Principle I:

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

Board Comment:

The Board is supported by a strong governance framework headed by the Society Secretary. The Secretary ensures that Non-Executive Directors have access to clear, concise and timely information. The Society Secretary provides support on corporate governance and the Board has access to independent advice if required. The Board receives accurate and sufficient information in a timely manner in order for it to function effectively and efficiently and contribute towards robust discussions and informed decision-making. The Board follows an annual agenda for policy and document reviews to ensure all policies and processes were kept up to date and reviewed at regular intervals within the governance framework of the Society. The Society continually strives to improve management information to assist the Board and its Committees in taking informed decisions and discharging their duties and responsibilities in accordance with their respective terms of reference.

Composition, Succession and Evaluation

Code Principle J:

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

Board Comment:

The Board and the Nomination Committee play an important role in succession planning of the Board and ensuring planned and progressive refreshing of its membership. The Society's Rules require that all Directors be submitted for election at the Annual General Meeting following their initial appointment to the Board. Directors are elected for an initial three-year term subject to satisfactory performance. At the end of the initial three-year term, and in accordance with the Society's Rules, all Directors are then required to retire from office and, if supported by the Board, to stand for re-election. The Board believes that in the interest of stability and continuity of the Board, it is not appropriate for a building society of this size to subject all Directors to annual re-election (unless they are Non-Executive Directors that have served three terms). The Nomination Committee considers whether Non-Executive Directors should be submitted for re-election based on independence, capability, knowledge, judgement and their ability to commit sufficient time to the role.

The Nomination Committee leads the appointment process for the Board and senior management, prior to recommending a candidate for appointment by the Board. All appointments are subject to a rigorous selection process, where outside recruitment partners are used where appropriate to ensure that clear criteria is identified and assessed.

This ensures that all Directors are aligned against the fitness and propriety standards of the Prudential Regulation Authority (“PRA”) and Financial Conduct Authority (“FCA”) and that they have the capabilities and experience to discharge their responsibilities under the Senior Managers & Certification Regime. Diversity and inclusion are core considerations in both the appointment and development of the Board. As part of our recruitment process, diverse shortlists are pursued to ensure we are able to bring as wide a range of diverse views as possible to our Board discussions. At the recommendation of the Nomination Committee, the Board decides whether to appoint the recommended candidate, subject to the approval by the PRA and FCA, where required. The selection and shortlisting process followed for the appointment of our new NEDs as well as key roles in the senior management have followed a fair and transparent process based on merit and suitability and with due regard for diversity of gender, backgrounds and thoughts to build a strong, resilient and high performing culture within the organisation. The Board at the recommendation of the Nomination Committee and after following a thorough search and selection process appointed Andy Lucas as a Non-Executive Director in May 2021. Similarly, after following a robust process of screening and selection of a diverse shortlist, the Nomination Committee recommended the appointment of Chris Potter who joined the Board in January 2022 and will be taking over from Christine Higgins as the Chair of Audit Committee when she steps down from the Board, subject to regulatory approvals. A period of handover and succession had been carefully built in to allow a smooth transition for the Chair of Audit role.

Code Principle K:

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

Board Comment:

The Board is comprised of seven Non-Executive Directors and two Executive Directors at present which provides a balance of skills and experience appropriate for the requirements of the business. Information relating to directors is set out on page 14. The membership of the Board Committees is reviewed on an annual basis following a review of the terms of reference of individual committees as well as the Board skills matrix to ensure there is a right balance of skills and experience on each of the Committees to discharge their duties in accordance with their terms of reference.

The Nomination Committee is actively engaged in the process of selection and recruitment of suitable candidate to fill in any casual vacancy that occurs from time to time. It regularly reviews the skills matrix of the Board as a group and assesses if there are any gaps which can be addressed through new appointments or trainings. Andy Lucas was appointed in May 2021 and brought in very valuable experience in customer service, change management and technology operations, all of which supplemented the Board skill set. With Christine Higgins stepping down, the Board through the Nomination Committee identified Chris Potter to

take on the role of the new Audit Committee Chair, subject to regulatory approvals. It is believed that Chris’ knowledge and experience will add a great deal of value to the Board. The Nomination Committee considers whether Non-Executive Directors should be submitted for re-election based on independence, capability, knowledge, judgement and their ability to commit sufficient time to the role. The Board sets out in the Annual Report and Business Review accompanying the resolutions to elect each director the specific reasons why their contribution is, and continues to be, important to the company’s long-term sustainable success.

Code Principle L:

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

Board Comment:

The Board continues to assess its composition, diversity and effectiveness in delivering the overall strategy on an ongoing basis. The Board in 2021 decided to assess itself specifically on its effectiveness in dealing with the pandemic. The reviews on the Board’s effectiveness concluded that the Board has been effective and performed well in its role of providing strategic direction to the Society and supporting the management through the pandemic. This year, the Board has engaged an external firm for undertaking an independent Board Effectiveness Review, covering a number of aspects, including but not limited to governance, collective decision making, cohesion and integration, lessons learnt from the pandemic, purpose and culture. The review is currently in progress, findings from which will be reported by May 2022.

At least annually, the Remuneration Committee appraises the performance of the Executive Directors. The performance of Non-Executive Directors is evaluated by the Chair using questions based on those recommended in the Financial Reporting Council guidance on Board Effectiveness and taking into account the views of all other Directors. The Chair’s performance is evaluated by the Non-Executive Directors facilitated by a process undertaken by the Vice-Chair.

Audit, Risk and Internal Control

Code Principle M:

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

Board Comment:

The Audit Committee is comprised of four Non-Executive Directors. Christine Higgins the current Chair of the Audit Committee will be stepping down from her role as a Director from the Board at the end of the 2022 AGM. Chris Potter who joined the Board in January 2022 has been identified to take over from Christine Higgins as the new Chair of the Audit Committee when we receive his regulatory approval. The members of the Committee have specialist expertise

including current and relevant financial, regulatory, IT and risk management experience. The Society's external and internal auditors and the Executive Directors attend the meetings by invitation. The responsibilities of the Committee are set out on page 24. The Audit Committee meets at least four times a year. At least annually, the Audit Committee meets with the external and internal auditors without the Executive Directors being present.

The Society does not obtain non-audit services, unless expressly approved from its External Auditors in order to ensure their objectivity and independence. The Society's policy is to tender for audit services at least every 10 years in accordance with legislation. The Society last undertook a tender in 2020 which resulted in appointment of Mazars LLP as the Society's External Auditor at the 2021 AGM. Mazars LLP is being proposed to be re-appointed at the 2022 AGM. RSM Risk Assurance Services LLP continues to be the Internal Auditor of the Society. Details of the discussions at the Audit Committee are provided in the Audit Committee Report on pages 24.

Code Principle N:

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

Board Comment:

The Board confirms that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the necessary information for members to assess performance, strategy and the business model of the Society. Business performance is reviewed in the Strategic Report and a statement that the Society's business is a going concern is included in the Directors' Report. The responsibilities of the Directors in relation to the preparation of the Society's accounts and the statement that the Society's business is a going concern are contained in the Directors' Responsibilities Statement on page 40.

The Audit Committee has advised the Board that, in its opinion the Annual Report and Accounts for the year ended 31 December 2021 are fair, balanced and understandable.

Code Principle O:

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

Board Comment:

The Board is collectively responsible for determining risk appetite and the organisation's approach to risk management as described in the Society's risk management policy. Senior management design, operate and monitor risk management systems and controls. Chaired by Eric Leenders, the Risk Committee provides oversight of this process. The Society's internal audit function provides independent and objective assurance that the systems are appropriate and that the controls have been applied effectively. The information received and considered by the Audit Committee and the Risk Committee provided assurance that during the financial year there were no material breaches or regulatory standards and that over all the Society maintained adequate systems of

internal control. The Board has reviewed the effectiveness of risk management systems and controls and concluded that the Society has a strong compliance culture and that systems are effective and appropriate to the scale and complexity of the Society's business. The Board has identified a number of principal risks in the Strategic Report on pages 8 to 13, together with explanations describing how they are mitigated.

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.

Board Comment:

The Remuneration Committee of the Board is comprised of three Non-Executive Directors. One of the key responsibilities of the Remuneration Committee is to review remuneration policies and practices for entire staff including the Executive directors and Senior Management in compliance with both the PRA/FCA Remuneration Code and the UK Corporate Governance Code, where relevant, to a mutual society of its size and complexity. The Remuneration Policy is closely linked to the delivery of the long term strategy of the Society and promotes effective risk management and managing conflicts of interest. Nigel Montgomery took over as Chair of the Remuneration Committee from Steve Nichols, when he stepped down from the Board at the close of the 2021 AGM.

The Directors' Remuneration Report on pages 35 to 39 explains how the Society complies with the Code Principles relating to 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 outcome.

Board Comment:

The Remuneration Committee, comprised entirely of independent directors has the delegated responsibility from the Board for determining the Remuneration Policy for the Society including the Directors – both Non-Executive and Executive and all the staff. The Remuneration Committee meets at least three times in a year and reviews workforce remuneration and related policies to ensure incentives and rewards are aligned with culture. The Remuneration Committee considers the recommendations of the Chief Executive Officer for the purposes of reviewing and effecting appropriate remuneration packages for the remaining executives, and recommendations of the Senior Management for the remuneration of the rest of the staff. The process in place is fair and transparent with due regard to statutory and regulatory guidance. The overall remuneration and fees of Non-Executive Directors are reviewed by the Committee with due regard to their duties, responsibilities and time commitments. The Directors' Remuneration Report on pages 35 to 39 explains how the

Society complies with the Code Principles relating to remuneration.

Code Principle R:

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

Board Comment:

The Remuneration Committee looks at benchmarking data from peer group and independent sources while reviewing remuneration for Board members and staff to offer a remuneration outcome that will attract, retain and motivate staff and Board members to continue their development and contribute towards to the overall performance of the Society.

The Directors use their discretion and independent judgement in considering the remuneration outcome that would be most appropriate considering a range of external and internal factors as well as the Society's performance against a set of pre-agreed Balanced Scorecard measures and achievement of individual performance and behaviour objectives. The Remuneration policy ensures that all remuneration arrangements are fair, proportional and aligned to the Society's purpose, values and strategy.

The Directors' Remuneration Report on pages 35 to 39 explains how the Society complies with the Code Principles relating to remuneration.

**Dick Jenkins
Chair**

4 March 2022

Board and Committee Membership and Attendance 2021

Total number of meetings held in year	Board (9)	ALCO (4)	Audit Committee (4)	Risk Committee (5)	Nomination Committee (4)	Remuneration Committee (3)
Non-Executive Directors						
Dick Jenkins *** Chair	9 (9) Chair	4 (4)	-	2 (2)	4 (4) Chair	3 (3)
Steve Nichols Vice-Chair *	3 (3)	2 (2)	-	-	1 (1)	1 (1) Chair
Eric Leenders Vice-Chair	9 (9)	-	4 (4)	5 (5)	3 (4)	-
Christine Higgins	9 (9)	-	4 (4) Chair	5 (5)	3 (4)	-
Andy Lucas **	6 (6)	2 (2)	-	3 (3)	3 (3)	-
Rebecca McBride	9 (9)	4 (4)	-	5 (5)	4 (4)	2 (2)
Nigel Montgomery	9 (9)	-	4 (4)	-	4 (4)	3 (3) Chair
Chris Potter	<i>Appointed as a Director on 04 Jan 2022</i>					
Executive Directors						
Gerard O'Keeffe Chief Executive Officer	9 (9)	4 (4) Chair	-	5 (5)	4 (4)	-
Darrin Ramdeen Finance Director	9 (9)	4 (4)	-	5 (5)	4 (4)	-

Figures in brackets show the maximum number of meetings which could be attended by each director

* Ceased to be a director on 21 April 2021

** Appointed as a director on 01 May 2021

*** Stepped down as member of the Risk Committee from 19 May 2021

Audit Committee Report 2021

Committee Members Christine Higgins, Non-Executive Director (Chair) Chris Potter, Non-Executive Director (<i>from Jan 2022</i>) Eric Leenders, Non-Executive Director Nigel Montgomery, Non-Executive Director	Regular Attendees Gerard O’Keeffe, Chief Executive Officer Darrin Ramdeen, Finance Director Phil Relf, Chief Risk Officer Scott Morton, Financial Controller Chandreyee Banerjee, Society Secretary Mazars LLP (External Auditor) RSM (Internal Auditor)
Purpose of the Committee <ul style="list-style-type: none">• To monitor the integrity of the Society’s financial statements and oversee the external audit relationship• To provide oversight of internal controls and compliance reporting• To monitor the effectiveness of the internal audit function• To review and provide oversight of whistleblowing arrangements	
Audit Committee Governance <p>The Committee held four meetings during the year, which were attended by all members of the Committee. A verbal report was made to the Board following each meeting and the minutes of the meetings subsequently provided.</p>	

Dear Member,

I am pleased to once again to present my report to you as Chair of the Audit Committee (the ‘Committee’) and I have outlined below the key work of the Committee during the year. This year we were pleased to welcome Mazars LLP (‘Mazars’) as our new auditors and, on behalf of the Committee, I would like to thank them for their work and support as our auditors in this first year.

I confirm that the Board is satisfied that the Committee members have the skills and competence required to fulfil the Committee’s duties and responsibilities as set out within the Terms of Reference.

Financial Reporting

The Committee reviewed the Annual Report and Accounts and Business Review, including statements in respect of internal controls and risk management. It also reviewed the key accounting policies and significant financial reporting issues and judgements having regard to the matters reported to it by the auditor. Credit Risk (impairment of loans and advances to customers) was a key audit matter this year and there were four key areas of judgement, being revenue recognition (effective interest rate), hedge accounting, property valuation and IT control environment. The Committee discussed and considered all of these areas, including the significant audit findings. In terms of credit risk, the Society has limited actual loss experience and so this is an area of management judgement, both in terms of individual provisions and collective impairment. The Committee noted that there were some differences in judgement between management and the auditors, although these were not material and no adjustment was necessary.

Other judgemental differences arose from the change the Society made this year to the way early redemption charges are recognised in income and in respect of the valuation of property owned by the Society. These differences were not material and no adjustments were necessary. The auditors also made internal control recommendations which in their view should be actioned in the near future. These matters were all accepted by the management. There were no high priority recommendations.

The Committee also reviewed the Going Concern Statement prepared by the Finance Director, and concluded that it is appropriate to adopt the going concern basis of accounting for the 2021 Annual Report and Accounts.

The Committee assessed that the 2021 Annual Report and Accounts, taken as a whole, were fair, balanced and understandable and provided members with the information necessary to understand the Society’s business, strategy and performance. They were recommended to the Board for approval.

External Audit

The Committee is responsible for providing oversight of the external audit process by monitoring the relationship with the external auditor, agreeing its remuneration and terms of engagement, and making recommendations to the Board on the appointment, re-appointment or removal of the external auditor as appropriate.

Mazars were appointed as the Society's auditors in 2021. At the start of the audit cycle, the Committee discussed and approved the audit strategy, including the scope and timeline, resources, risk evaluation, levels of materiality and independence. Independence was assessed again at the conclusion of the audit and Mazars confirmed that there were no new threats to their independence. The Committee was satisfied with the auditors' independence.

The Committee discussed with Mazars the review procedures they have in place to ensure audit quality. There was also a discussion of the results of their 2020/21 Audit Quality Review by the Financial Reporting Council ('FRC') and the impact of the findings on the audit plan.

Any proposal to use external auditors to perform non-audit services is reviewed by the Committee. With prior approval of the Audit Committee, Mazars provided an assurance report to the Bank of England confirming the Society's TFSME submissions, which was audit related but non-audit service. Audit fees for the current year are set out in note 8 to the accounts.

The Committee has satisfied itself as to the effectiveness of external audit through the review of the audit strategy, discussion of audit reports, private meetings with Mazars without management present and discussions with management. There will be a questionnaire-based assessment of Mazars' performance undertaken after the conclusion of the audit.

Based on their performance, the Committee has recommended to the Board that Mazars be re-appointed as auditor for the coming year.

Internal Audit

RSM completed five internal audits and one advisory report during the year and we are pleased to report that their overall assessment was that based on the work carried out during the year, the organisation has an adequate and effective framework for risk management, governance and internal control. Further enhancements have been identified to ensure that the framework remains adequate and effective. Management actions were agreed during the year and have either been completed or are on track for completion. In terms of culture, RSM concluded that there has been a positive level of engagement by staff and members of the Executive. Management had been both responsive and proactive, prior to, and during the reviews.

The internal audit plan for 2022 was agreed in December 2021, overseen by the Committee. The areas for audit are linked to corporate objectives, key management priorities, risk profile and the core areas of regulatory oversight.

The Committee has satisfied itself as to the effectiveness of internal audit during the year through the review of the audit strategy and annual audit plan, discussion of internal audit reports, private meetings with RSM without management present and the results of an annual effectiveness survey which includes feedback from management.

Compliance Oversight

The Compliance team in the Society provides a comprehensive report to each Committee meeting on the robustness of the internal control framework. This includes the outcome of their assurance work, policy reviews, financial crime and other statistics, the implementation status of audit and other recommendations and upcoming regulatory change. The Chief Risk Officer is a regular attendee at the Committee meetings.

The Compliance team also prepares the Combined Assurance Plan which provides an overview of internal compliance and risk assurance, as well as the RSM internal audit programme, over the next 3 years and is designed to ensure that resources are utilised effectively. The Combined Assurance Plan for 2022 to 2024 was approved by the Committee in December 2021.

The Committee reviewed and approved various policies during the year, having regard to the risks and controls in the relevant area of business.

Whistleblowing

No incidents of Whistleblowing were reported this year. The Committee oversees the Society's arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting and other matters. The Committee discussed the work of the Whistleblowing Champion, noting that Eric Leenders, Vice Chair and member of this Committee has been appointed in this role. The Committee also reviewed and approved the Whistleblowing policy.

Committee Effectiveness Review

The Committee undertook a review of its own effectiveness using a discussion based approach, findings from which were discussed by the Board. The review concluded that the Committee had performed effectively. In addition, an external review of Board effectiveness is currently underway which will cover the overall governance framework of the Society.

This is my last year as Chair of the Audit Committee, as I'm standing down at the AGM in April. It's been a pleasure and a privilege to sit on the Board of the Society over the last 6 years. I would like to welcome Chris Potter to the Committee and wish Chris and the Society a very successful 2022.

Christine Higgins
Chair of the Audit Committee

Risk Committee Report 2021

Committee Members Eric Leenders, Chair Andy Lucas, Non-Executive Director (<i>from May 2021</i>) Chris Potter, Non-Executive Director (<i>from Jan 2022</i>) Christine Higgins, Non-Executive Director Rebecca McBride, Non-Executive Director Gerard O’Keeffe, Chief Executive Officer Darrin Ramdeen, Finance Director Phil Relf, Chief Risk Officer	Regular Attendees Chandreyee Banerjee, Society Secretary Linda Reed, Head of Operations Joe Macklin, Deputy Chief Risk Officer Claire Askham, Head of Mortgage Sales
Purpose of the Committee <ul style="list-style-type: none">• To consider the tolerance of risk appropriate for the business.• To examine the exposure of the Society to potential risks arising from strategic decisions.• To review the Society’s risk management systems.• To assess the risk implications of future developments and emerging issues.• To facilitate the embedding of an appropriate attitude to risk as part of the culture of the Society and the way it conducts business.	
Risk Committee Governance <p>The Committee held five meetings during the year. A verbal report was made to the Board following each meeting and the minutes of the meeting subsequently provided.</p>	

Dear Member,

2021 has proved the value of our experienced staff supporting our comprehensive approach to risk, addressed through our risk framework and careful consideration of our risk appetite, as we continue to ensure that risks identified in the business are managed in the relevant department of the business. Providing oversight and professional support, our risk management function continues to monitor this approach, offering guidance where necessary.

At every Board Meeting, the Board receives an extensive report with supporting management information from our Chief Risk Officer, and the Risk Committee meets quarterly to support this ongoing consideration of both current and emerging business risks. This more independent and hands-off scrutiny has considered every material aspect of the risk management framework during the course of the year, including the Society’s risk appetite and tolerances. And to keep abreast of emerging issues and risks, we have continued fortnightly meetings between the Chair and the Chief Risk Officer within meeting cycles.

Our attitude is integrated in everything that we do: members of the senior management undertake a risk control self- assessment which feeds into the risk register, overseen by the Risk Committee on behalf of the Board, so the business continues to be truly "risk-aware". The conduct risk management, which is germane to the Society’s desire to *“Doing the Right Thing”*, is a responsibility for the Committee and I am pleased to commend the staff for seamlessly embedding it as a routine, business-as-usual activity. The Credit Risk Management Information continues to evolve and has achieved a high level of maturity during 2021 that will help in informed decision making and our methodology for assessing our capital and liquidity metrics. Looking back over the year - and as one might imagine with a building society that has stuck closely to the business that serves its members best, the risk agenda for 2021 relating to our business followed a similar pattern to previous years. The Committee adopted a thorough and professional approach for the review and challenge process for the following documents:

- the Risk Appetite Statement, which aligns to Society strategy and establishes both a risk appetite and a risk tolerance for each major strategic initiative;
- the Internal Capital Adequacy Assessment Process (ICAAP), to assess the amount of capital required by the Society to achieve its strategic objectives;
- the Business Continuity Plan and crisis management plans; and
- the Operational Resilience Self-Assessment.

During the year the Committee also oversaw the Society's approach to managing the financial risks associated with climate change, ensuring this is appropriately embedded as business as usual and management of material third party relationships. The Committee reviewed and approved various policies during the year, having regard to the risks and controls in the associated area of business.

The Committee undertook an informal review of its effectiveness this year, concluding that the Committee had performed effectively in discharging its terms of reference. This review is being followed by an independent external effectiveness review which is currently in progress.

The year ahead presents a continuing external environment which is difficult to predict. International economic headwinds and potential conflict, residual Brexit effects, pressure on the cost of living and the consequential issues for the Society, will doubtless feature on the agenda in the months ahead. However, the established governance and more importantly, commitment of all staff, sees us well placed to tackle whatever new risks await the Society

Eric Leenders
Chair of the Risk Committee

Assets & Liabilities Committee (“ALCO”) Report 2021

Committee Members Gerard O’Keeffe, Chief Executive Officer, Chair Dick Jenkins, Non-Executive Director Rebecca McBride, Non-Executive Director Andy Lucas, Non-Executive Director (<i>from May 2021</i>) Steve Nichols, Non-Executive Director (<i>to April 2021</i>) Darrin Ramdeen, Finance Director Philip Relf, Chief Risk Officer	Regular Attendees Chandreyee Banerjee, Society Secretary Robert Hetherington, Financial Controller Scott Morton, Financial Controller
Purpose of the Committee <ul style="list-style-type: none">• To monitor and provide oversight to all financial risks in the Society, including interest rate risk, basis risk, treasury credit risk, liquidity and funding risk• To review and approve the Financial Risk Management Policy and Treasury Strategy to manage these risks• To review the ILAAP and the Recovery Plan for the Society and recommend them to the Board for approval.• To manage the structure and quality of the balance sheet• To approve the authorised list of investment counterparties• To approve pricing and new/ non-standard initiatives in relation to products	
ALCO Governance <p>ALCO met four times during the year, attended by all the members of the Committee. A verbal report was provided to the Board following each meeting and the minutes of the meetings subsequently provided.</p>	

Dear Member,

The Committee has met on four occasions during 2021: January, April, July and October, with the main issues for consideration as follows:

Responding to material changes in the market – Mortgage growth volumes grew strongly in 2021 with considerable price competition evident. Interest rates remained at historically low levels and temporary stamp duty incentives supported mortgage market activities. The regulatory authorities required that all financial services firms, including the Society, should ensure that they were operationally prepared for the potential for negative interest rates. Towards the end of 2021, sentiment changed considerably, with an expectation for high interest rates associated with developments in the macro economy. In December, the Bank of England raised the Base rate by 0.15% to 0.25% and, as the year closes, the expectation is for further increases. During 2021, the Committee carefully considered its ongoing objective to balancing the interests of savers and mortgage holders whilst appropriately protecting the financial sustainability of the Society.

Balance sheet funding – The Committee reviewed the balance of funding between retail deposits, wholesale funding and Bank of England funding schemes to ensure the optimum balance for the Society in terms of cost, term and availability. For much of the year, the Society was highly liquid in accordance with a prudent and conservative position adopted in the context of the continuing COVID-19 uncertainties. We maintained high levels of member savings and needed to reduce rates in the early part of the year to moderate the levels of inflows that were in excess of our needs. Given the mortgage growth that was achieved as the year progressed, and the strategy of the Society being to grow the mortgage book significantly when conditions allowed, the Society decided to take advantage of additional long term funding provided under the Bank of England TFSME scheme. Borrowing was linked to the size of our mortgage book and this allowed the Society to avail of £13m of extra term funding to support its mortgage growth plans.

Liquidity management – The Society continued to maintain a very conservative position on liquidity throughout the year, maintaining very substantial liquidity surpluses over all regulatory and internal limits and policies. This had a negative impact on profits but was deemed to be appropriate in an environment of uncertainty. During the year, the Society formalised additional contingent funding by converting “pre-positioned” mortgage assets into an enlarged pool of assets encumbered with the Bank of England to allow access to additional liquidity if needed. This additional guaranteed contingent liquidity potentially reduces the need to carry unnecessarily large holdings of cash liquidity in the future and enables us to operate more efficiently with no loss of safety.

Retail funding – Savings from our members increased to £255.2m in December 2021, increasing by £9.8m from £245.3m at the end of December 2020. The Society has a detailed funding plan linked to the overall financial plan that indicates the Society’s requirement for a balanced funding profile. In broad terms, the amount of retail funding required is determined by the Society’s actual and anticipated mortgage growth. In 2021, the Society continued to offer the best savings rates for members that it could justify based on its need for mortgage funding. At times, this meant that we had to reduce rates to discourage excessive savings

inflows. As the year closed, and in accordance with plans for continued strong mortgage growth, we expect to attract increased retail savings via new products and higher savings rates to our existing members.

Treasury assets – The Society is obliged to maintain a certain level of high quality liquid assets on the Balance Sheet to provide access to funding if required at short notice. The Committee reviews where these assets are held to ensure an appropriate balance between the return generated by the assets, the level of risk and the term/availability of the assets. During the year, the majority of these assets were deposited with the Bank of England, with some held at Barclays Bank, HSBC Bank, and other building societies. The Society held on average approximately £50m with the Bank of England with a 0.1% return. To mitigate this, and acknowledging the further potential of these rates to become negative, the Society placed £11m on deposit for fixed terms of less than 1 year with 11 other building societies in tranches of no more than £1m. The rates received on these deposits were substantially higher than with the Bank of England. As the year progressed and mortgage growth was achieved, we reduced these deposits to an aggregate of £5m.

Mortgage and savings pricing – The Committee reviewed mortgage interest rates implemented by management and agreed changes in methodologies, where necessary, to ensure an appropriate balance between volume and margin. This ensured that the required margin was being achieved to cover our costs and the risk inherent in mortgage products in different market niches. In 2021, the Committee particularly focussed on the pricing applied to maturing mortgage products, in order to ensure that we retained the majority of members whose mortgage products were expiring. Savings pricing was set to ensure that all regulatory and internal policy requirements were comfortably met and that our funding plan, matching our funding requirements to our deployment of the funding into mortgages, was adhered to in both volume and mix of funding.

New products – The Committee approved new mortgage and savings products taking into account alignment to our strategy, the proposed target market, appropriate criteria, terms and conditions, credit and concentration risk, the financial impact on the Society (including profitability, capital, liquidity, funding and interest rates), compliance with relevant regulation, how the product will be distributed and marketed, the operational and IT requirements, ensuring the proposed product met the needs of its target market and is in the best interests of members.

Balance sheet structure – The Committee regularly reviewed the level, quality and different classes of assets and liabilities and agreed changes where appropriate. Adherence to regulatory guidance and our own risk appetite were regular items of discussion. A regular item of discussion for the Committee was the balance between fixed and variable rate mortgage products, with the requirement to minimise the risk of potential losses from fixed rate lending by hedging the exposure. This hedging can be achieved by either entering into interest rate swap arrangements or matching fixed rate lending with fixed rate retail deposits. The Committee monitors the level of fixed rate exposure, ensures appropriate arrangements are put in place and agrees limits for management to work within. In 2021, the market saw an increased demand for fixed rate mortgages in some sectors of the market and the Society continues to respond to this in accordance with the Treasury Strategy. All swaps carried out by the Society were reference against the new SONIA rate, which is being phased in as the industry replacement for LIBOR.

Interest rate risk – The Committee regularly reviewed basis risk and the interest rate gaps between assets and liabilities in different time buckets and agreed changes where appropriate, including the implementation of hedging strategies when necessary. Hedging of fixed rates is achieved by a mixture of swap transactions with appropriate 3rd parties and “natural hedging” that matches fixed term savings products with mortgage tranches. The Society seeks a balance of these 2 hedging methods which is dependent on the availability of swap counterparties, swap pricing and fixed term savings pricing in the market.

Mortgage portfolio encumbrance – The Society maintains a pool of mortgage assets as security for its TFSME borrowings. In 2020 the Society, in agreement with the Bank of England, merged this collateral pool with an additional pool of unencumbered assets so that the combined pool was available as contingent liquidity for the Society. This pool was increased in 2021 and gives considerable additional flexibility to the Society in its liquidity management.

Review of ILAAP – The ALCO met specifically to consider and having considered it, recommended to the Board, the firm’s internal assessment of its liquidity and funding as outlined in the detailed ILAAP. It also reviewed and approved an annual cycle of risk management policies relating to funding and treasury.

Review of Recovery Plan - The ALCO considered and recommended to the Board, the firm’s Recovery Plan along with its options through which the Society can address and recover from a range of severe but plausible stresses caused by idiosyncratic problems, market-wide stresses or both, and concluded that the Society was in a strong position.

Review of MALCO – The ALCO at each meeting reviews the updates from MALCO meetings.

Committee Effectiveness – As part of an annual exercise ALCO undertook a review of its effectiveness. The review concluded that the Committee performed effectively and noted that it was well supported by MALCO. The MI was helpful for oversight and enabled the Committee to perform its strategic role on liquidity and treasury matters.

Gerard O’Keeffe
Chair of the Assets & Liabilities Committee

Nomination Committee Report 2021

Committee Members Dick Jenkins, Chair Steve Nichols, Vice Chair <i>(to Apr 2021)</i> Eric Leenders, Vice Chair Andy Lucas, Non-Executive Director <i>(from May 2021)</i> Chris Potter, Non-Executive Director <i>(from Jan 2022)</i> Christine Higgins, Non-Executive Director Nigel Montgomery, Non-Executive Director Rebecca McBride, Non-Executive Director Gerard O’Keeffe, Chief Executive Officer Darrin Ramdeen, Finance Director	Regular Attendees Chandreyee Banerjee, Society Secretary
Purpose of the Committee <ul style="list-style-type: none">• To review the skills, knowledge and experience of Board members• To consider the arrangements for succession in relation to the Board and senior management• To review the structure, size and composition of the Board• To lead the process for identifying and recommending to the Board candidates to fill Board and senior management vacancies as and when they arise• To make recommendations to the Board in relation to appointments to the Board, the retirement and either election or re-election of directors• To consider and make recommendations to the Board in relation to the individuals performing the roles of Chair, Vice-Chair, Senior Independent Director and the chairs of every committee• In respect of new appointments, ensure that candidates from a wide range of backgrounds and personal experience are considered, in accordance with the Diversity and Equal Opportunities Policy and that appointments are made on merit and assessed against objective criteria• To monitor and make recommendations to the Board in relation to Board governance issues including the establishment of appropriate policies and practices to enable the Board to operate effectively and efficiently• To review the Society’s Corporate Governance arrangements, with a view to ensuring best practice, and to oversee the implementation of improvements where considered appropriate	
Nomination Committee Governance <p>The Committee held four meetings during the year, which were attended by all the directors in office. A verbal report was made to the Board following each Committee meeting and minutes of the meetings subsequently provided.</p>	

During the year the Committee considered a number of issues which included, but was not limited to, the following:-

Board appointments/succession

- Steve Nichols stepped down from the Board of the Society after completing his term of nine years. The Committee, after a rigorous process of selection, appointed Andy Lucas as his replacement. Andy brings in a wealth of experience having been a Director and Chief Operating Officer of the Cambridge Building Society responsible for customer operations, marketing, product development, IT and change.
- Eric Leenders, having been on the Board since April 2014, was appointed as the Vice Chair and Senior Independent Director, having taken over from Steve Nichols, who had held that role before his departure. Eric has been a strong support for me and the Board in his role as Vice Chair.
- Christine Higgins will be stepping down from the Board of the Society after completing six years and having served as the Chair of the Audit Committee. The Committee undertook an extensive search and selection process to come up with a shortlist of diverse and highly competent and capable candidates. At the end of the selection process, Chris Potter was appointed as a Non-Executive Director, who, subject to regulatory approval, will be appointed as the new Chair of the Audit Committee after Christine’s departure. Chris has been a valuable addition to the Board, bringing with him subject matter expertise and a wide range of skill sets including technology risk, cyber security, audit of internal control, and digital transformation. A brief biography of all the Board members is available to read on our website and on the Annual Report on pages 14 to 16.
- The Committee recommended to the Board the Directors which would stand for election and re-election at the 2022 AGM.
- The Committee reviewed the Board composition and membership of the various Board Committees and agreed changes to membership to ensure the optimal use of skills, expertise and experience within the Board population and the ongoing professional development of directors and also considered Succession Planning for the Board members.

Corporate Governance arrangements

- The Committee, after having deferred the decision in 2020 to undertake an external facilitation of Board effectiveness due to the uncertainties around pandemic, has in 2022, engaged an external facilitator to independently assess the effectiveness of the Board and the governance arrangements of the Society.
- The Committee performed its annual review of the mix of skills, experience and expertise of the individuals holding office as Directors of the Society and has assisted the Board in implementing proportionate arrangements to ensure that all relevant areas and aspects have been covered appropriately.
- The Committee reviewed and recommended to the Board for approval, the Directors' Report on Corporate Governance for inclusion in the Annual Report & Accounts.

Diversity

- The Committee is keen to increase the level of diversity on the Board and in the senior roles within the Society as recruitment opportunities arise. The search and appointment process for NEDs and a number of important management roles recruited during the year evidences the high regard the Committee has for diversity.

Governance manual

- The members of the Committee has overseen and approved the content of the Society's Governance Manual which includes, but is not limited to, the division of responsibilities between the Chair and the CEO, matters reserved for the Board, the Terms of Reference for the various Board and Management Committees, and the Society's arrangements regarding Corporate Governance Compliance.

Dick Jenkins

Chair of the Nomination Committee

Remuneration Committee Report 2021

Committee Members Nigel Montgomery, Chair Steve Nichols, Vice Chair (<i>to Apr 2021</i>) Rebecca McBride, Non-Executive Director (<i>from May 2021</i>) Dick Jenkins, Non-Executive Director	Regular Attendees Gerard O’Keeffe, Chief Executive Officer Darrin Ramdeen, Finance Director Kate Ashfield-Smith, HR Manager Chandreyee Banerjee, Society Secretary
Purpose of the Committee <ul style="list-style-type: none">• To review and decide appropriate remuneration levels for the executive, staff and non-executive directors.• To ensure appropriate consideration is given to reward systems not encouraging excessive risk taking.• To ensure the Society’s remuneration policy and practice complies with all relevant Codes of Practice and legislation.	
Remuneration Committee Governance <p>The Committee held three meetings during the year. A verbal report was made to the Board following each meeting and minutes of the meetings subsequently provided.</p>	

Dear Member,

I am writing to you as the Chair of the Remuneration Committee, a position that I have taken over from my predecessor, Mr. Steve Nichols who retired from the Board in April 2021.

Across 2021 the Committee was responsible for the oversight of the Remuneration Policy, and compliance with the UK Corporate Governance Code 2018, the review of Society’s performance against the balanced scorecard objectives, review of Directors’ and employee remuneration and benefits whilst having due regard to relevant factors in the economic and business environment. The Remuneration policies and practices are designed to support the Society’s strategic objectives and promote long-term sustainable success.

With regard to the Society’s approach to remuneration for both the Directors and employees, we remain committed to our ethos of “*Doing the Right Thing*”. The Society recognises its duty to its members and to the Society’s staff to treat everyone fairly with regard to remuneration. We remain passionate about delivering the best outcomes for the Society and we realise that in this challenging environment we need to be able to recruit, motivate and retain our quality individuals, enabling the Society to deliver its strategic objectives.

At the end of 2021 we had a total staff of 50 including our 2 Executive Directors. The Society’s small team has to manage the operational and regulatory demands of running a successful mutual building society with each and every individual making a significant personal contribution to the success of the Society. We are therefore focused on rewarding individual capabilities, performance and experience.

The Society’s proximity to London continues to present resourcing challenges as we are effectively in competition with the draw of larger organisations for our talent pool. With regard to remuneration, it is not our aim to compete with London weightings and larger organisation salaries but to pay market rates. The Society remains committed to providing employees with a working environment where they are individually respected and supported and at the same time provides an excellent opportunity for their professional growth and learning. We think a hybrid working model with flexible working arrangements provides a unique opportunity and balance in providing a good level of work/life balance as well as enhancing efficiency and productivity. We will continue our commitment to build an exceptional place to work by investing in our people through training and development, providing suitable technology and staff engagement and wellbeing.

The Committee oversees the implementation of the Bonus Scheme to recognise and reward positive behaviours and conduct in addition to performance and achievement. With regard to salary levels, we remain members of the voluntary Living Wage Foundation and ensure that all our employees earn above the recommended hourly rates. We also carry out salary and benefit benchmarking activities both on a Society-wide scale and when a specific need arises to ensure that salaries are fair and in-line with market conditions. Employees are able to progress through the salary ranges as a result of individual performance, promotions and in some instances the achievement of professional qualifications. Based on a cost of living review, benchmarking with peer building societies, the Committee recommended a salary increase of 2.5% to staff in 2021. During this review a number of internal and external factors were considered including organisational changes, CPI, equal pay review and market and competitor salary data. This was the first salary increase since 2019, as the Committee had decided to defer salary increases in 2020 due to the uncertainties around the pandemic.

Our Executive and Non-Executive Directors' remuneration is approached in the same way as staff remuneration and the same cost of living increase applied across both groups. Variations to the cost of living percentage are only made in situations where there have been significant changes to any of the roles or the benchmarking scales (which is the same approach that we take for our staff). Based on a benchmarking review with peer Societies, the Directors' Remuneration was revised and rationalised to reflect the current market trend, reward and retain talent and also reflect the differential in time commitment of chairs of different committees. I have provided the detailed remuneration report and its compliance with the Remuneration Code on the following pages which I believe you will see are fair, transparent and in line with the levels of reward at comparable organisations.

As a small organisation we are not obliged to publish our gender pay ratios however I do want to confirm to you that as a Committee we actively review our gender pay data and are happy that all our employees are fairly and equitably paid.

Nigel Montgomery
Chair of the Remuneration Committee

Directors' Remuneration Report

This report sets out how the Society applies the principles of the UK Corporate Governance Code 2018 relating to remuneration. It also sets out how the Society's Remuneration Policy comply with relevant regulations which include the Remuneration Part of the PRA Rulebook and the FCA's Remuneration Code (SYSC 19D).

The Remuneration Committee has determined that, as at 31 December 2021, the CEO, the Finance Director, eight other members of senior management, as well as all six Non-Executive Directors, are all classified as Material Risk Takers (MRTs) and subject to the FCA Remuneration Code.

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.

Board Comment:

The Society's Remuneration Policy takes account of the economic and employment trends and ensures that staff are rewarded fairly paying due regard to statutory considerations including equality and non-discrimination. Whilst not currently a legislative requirement for the Society, relevant statistics regarding gender pay are reported to the Remuneration Committee. The Society aims to provide individuals with a level of income that:

Recognises the local market-value of each position in a competitive market to ensure the Society can attract and retain employees at all levels within the organisation;

- Recognises the individual's capabilities and experience;
- Rewards the performance of individuals and their commitment to the model behaviours;
- Supports the overall business strategy;
- Encourages a prudent approach to risk management;
- Aligns the interests of staff with the interests of Members; and
- Ensures that individuals are not reliant on non-guaranteed payments as part of their overall remuneration package.

Basic salaries

Base salaries are determined by reference to peer group and relevant benchmarking data. Annual percentage salary increases for Executive Directors will normally not exceed the average increases for other Society employees unless this is considered necessary as a reflection of changing market conditions (to ensure remuneration remains competitive) or where a relevant benchmarking exercise has been carried out relevant to the role. The remuneration of the individual Directors is detailed on page 37.

Discretionary bonus scheme

The Society's bonus scheme is discretionary and non-contractual. Four key conditions around the Society's financial performance and risk management are required to be met for consideration of a bonus payment for any year. Once the key conditions are met, the Society's performance is assessed on a scale of Balanced Scorecard measures across four key areas: Business Performance, Customer Experience, our People and Systems & Controls. The Executive Directors' discretionary bonus scheme is the same as all staff and is aimed at recognising and rewarding positive behaviours and achievement of performance objectives. As part of the scheme, the percentage achievement of the Balance Scorecard measures by the Society is applied to the bonus percentage of individuals up to a maximum of 15%, as determined by the sum of an individual's achievement of behaviour scores and performance scores. Executive Directors' contracts and the Bonus Scheme rules allow the Society to apply any relevant and necessary regulation regarding deferral, malus adjustment and clawback.

Benefits

The Society offers a pension scheme which allows for a maximum Society contribution of 10% of base salary annually. Executive Directors have access to the same pension scheme as staff, with the same contribution rates. The Society's minimum pension contributions in line with auto-enrolment and the minimum overall contribution rate is 9%. Employees also have the option to participate in a Salary Sacrifice scheme which enables the employee and the Society to make savings on National Insurance Contributions. Currently 50% of employees participate in the scheme. Additional benefits which are also subject to external benchmarking include Life Assurance, Health Cash plan including health checks and, for Executive Directors, Private Health Insurance.

Executive Directors contractual terms

The Executive Directors each have an employment contract with the Society which provides for termination by either party giving six months' notice.

Non-Executive Directors

Non-Executive Directors have letters of appointment (rather than employment contracts) and fees are reviewed annually with reference to peer group data and relevant benchmarking data. Chairs of Committees receive a higher fee due to the increased time commitment required. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not participate in any discretionary bonus scheme or receive any other benefits.

Other material risk takers

The Remuneration Committee considers the overall recommendations of the Executive Directors for the remuneration, discretionary payments and benefits for the senior management who are the MRTs as well as other staff. Their employment contracts provide for terms and conditions around termination and would require either party giving an appropriate length of notice, based on their seniority within the Society.

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 outcome.

Board Comment:

The Remuneration Committee consists of three independent Non-Executive Directors. The Chief Executive Officer and the Finance Director attend by invitation but are not present or involved in the discussion of their own remuneration. The Committee reviews the Society's Remuneration Policy annually. The Committee oversees the remuneration of Non-Executive Directors, Executive Directors, senior management and all staff. The Remuneration Committee reviews the list of Material Risk Takers and the composition of their remuneration annually. The Committee ensures that variable remuneration does not undermine the independence of the Risk and Compliance function. Minutes of the Committee's meetings are distributed to all Board members, and the Chair of the Committee provides a verbal report at the Board meeting following a Committee meeting.

Non-Executive Directors

In a competitive market, the recruitment and retention of Non-Executive Directors that have the suitable skills and expertise and share the Society's ethos is key to the strategic success of the overall Society. Discretion is used to reward the Non-Executive Directors at a level which is fair but not excessive. The remuneration for the Non-Executive Directors reflects the time commitment and responsibilities of their role as the Chair, Chair of Committees or as a Non-Executive Director. Fees are reviewed annually with reference to peer group data and relevant benchmarking data. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not participate in any discretionary bonus scheme or receive any other benefits.

Recognising the economic uncertainty and the challenges brought on by the pandemic, no increases were awarded to the Non-Executive Directors' fees during the year, which was in line with the decision on annual review of remuneration of staff in 2020.

Executive Directors and Senior Management

The Committee reviews the remuneration for Executive Directors and Senior Management annually using data from comparable organisations and independent sources for relevant benchmarking analysis to assist the determination of remuneration and benefits for Executive Directors as well as all staff.

Whilst a binding vote from the members on the Directors' Remuneration Report is not considered appropriate for a building society of our size and nature, if 20% of the turnout vote against the report, the Remuneration Committee will take steps to address the concerns of the members and an update published no later than six months after the member meeting.

Exercising Independent Judgement and Discretion

Code Principle R:

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

Board Comment:

The Remuneration Committee exercises their independent judgement and discretion while considering remuneration outcomes for the Society. The Remuneration Committee reviews the Remuneration Policy (and associated Remuneration Statements) annually to ensure that it is consistent with the Society's Risk Appetite Statement and aligned to strategic goals. In particular, the Committee ensures that the policy is consistent with, and promotes effective risk management, managing conflicts of interest and supports a culture in which fair outcomes for consumers is integral to the way in which the Society conducts its business activities.

A broad range of financial, strategic and specific measures are agreed by the Remuneration Committee at the beginning of every year to evaluate performance. Care is taken to ensure that there is no conflict of interest and excessive risk taking to meet the objectives. The decision to pay a bonus is discretionary and there is no obligation for the Society to pay any bonus, even if the measures are met. The Remuneration Policy does allow the Society to apply any relevant and necessary regulation regarding deferral, malus adjustment and clawback for its Executive Directors.

Non-Executive Directors

In a competitive market, the recruitment and retention of Non-Executive Directors who have the suitable skills and expertise and share the Society's ethos is key to the strategic success of the overall Society. Discretion is used to reward the Non-Executive Directors at a level which is fair but not excessive. The remuneration for the Non-Executive Directors reflects the time commitment and responsibilities of their role as the Chair of the Board, Chairs of different Committees or as Non-Executive Directors. Fees are reviewed annually with reference to peer group and relevant benchmarking data. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not participate in any discretionary bonus scheme or receive any other benefits.

Executive Directors and Senior Management

The Society's Remuneration Policy is consistent with market practice for Executive roles and plays a part in motivating, rewarding and retaining the leadership team to deliver value for our members.

The Executive Directors' Remuneration is aligned to the Society's purpose and values and linked to the successful delivery of the long term strategy. Executive Directors' and Senior Management's base salaries are reviewed every year, at the same time as all other staff, by using data from comparable organisations and relevant benchmarking analysis. Annual percentage salary increases for Executive Directors generally remain aligned with the average increases for Society staff unless considered necessary to remain competitive and reflect the changing market conditions or change in roles and responsibilities.

Directors' Salary and Fees

	2021 £000	2020 £000
Non-Executive Directors		
R D Jenkins	35	34
R T Bailey (resigned on 22.04.2020)	-	6
S S Nichols (resigned on 21.04.2021)	7	25
E J Leenders	25	24
R T Sinclair (resigned on 22.04.2020)	-	6
C A Higgins	25	24
N W J Montgomery (appointed on 01.05.2020)	22	13
R McBride (appointed on 01.05.2020)	21	13
A S Lucas (appointed on 01.05.2021)	14	-
C W Potter (appointed on 04.01.2022)	-	-
Total	149	145

	2021					2020				
	Salary/ fees	Bonus	Benefits	Employer's Pension Contributions/ PILOP	Total	Salary/ fees	Bonus	Benefits	Employer's Pension Contributions/ PILOP	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Executive Directors										
G O'Keeffe *	166	-	4	17	187	166	23	3	16	208
D Ramdeen	130	11	-	13	154	126	8	-	13	147
Total	296	11	4	30	341	292	31	3	29	355
Total Directors' Remuneration	445	11	4	30	490	437	31	3	29	500

Both Gerard O'Keeffe and Darrin Ramdeen opted, in lieu of their 10% of salary pension entitlement, to receive a cash equivalent sum (PILOP) at no additional gross cost to the Society (included in the table above).

In addition to the amounts paid in the table above, Gerard O'Keeffe and Darrin Ramdeen, being eligible as per the Bonus Scheme, were awarded a bonus of £23.66k and £12.35k respectively for 2021, which are to be paid in March 2022.

* Gerard O'Keeffe, although eligible, asked not to be considered for a bonus for 2020, payable in March 2021, in recognition of the extraordinary circumstances faced by the Society and its members during the pandemic.

Remuneration Policy for Executive Directors

The Remuneration Policy is consistent with regulatory expectations and market practice, promotes sound and effective risk management enables us to motivate, reward and retain our staff including our Executive Directors to deliver value for our members. The Remuneration Policy takes into account the economic and employment trends and ensures that staff including Executive Directors are rewarded fairly with due regard to statutory considerations including equality, diversity and non-discrimination.

Element of remuneration	Purpose	Process
Base salary	To ensure that suitable individuals are attracted and can be retained to support the needs of the Society.	<p>Base salaries are determined by RemCo by reference to peer group and relevant benchmarking data.</p> <p>Annual percentage salary increases will not normally exceed the average increases for other Society employees unless the Board considers this necessary to remain competitive, or to reflect of changing market conditions or where there has been a significant change in the role (either change of scope or increase in responsibilities) or where a relevant benchmarking exercise has been carried out relevant to the role.</p>
Benefits	Provide market-competitive package as part of fixed remuneration.	<p>Benefits offered to Executive staff members are intended to ensure that the Society can remain competitive. Any changes to benefits schemes will require approval by RemCo with reference to benchmarking data.</p> <p>In addition to the staff's benefits, Executive Directors have private healthcare provided by the Society up to contractually agreed cost limits.</p>
Holiday entitlement (Executive Directors)	Provision of paid annual leave with flexibility options	<ul style="list-style-type: none"> • 28 days paid holiday per annum, plus • UK bank holidays in the year (normally 8) <p>Pro-rata entitlement for part-time employees, converted to hours for uneven work patterns.</p> <p>3 days holidays can be carried over to 31 March of the next holiday year. Limited ability to buy and sell leave during the holiday year within the scheme rules.</p>
Occupational sick pay (Executive Directors)	Provision of paid leave during periods of ill-health	<ul style="list-style-type: none"> • From day 1 (if the eligibility criteria are met): up to 13 weeks sick pay in any rolling 12 month period • Additional payments are subject to Board discretion
Pension and salary exchange scheme	<p>Provides post-retirement benefits for participants in a cost efficient manner.</p> <p>Salary exchange scheme provides employees with tax relief on employee pension contributions.</p>	<p>Executive Directors have access to the same pension scheme with the same contribution rates as all staff.</p> <p>Executive Directors also have access to the same salary exchange arrangements as staff.</p> <p>For Directors who notify the Society that they have reached their Lifetime Pension Allowance (and produce the relevant certificate), the Director may opt out of the pension scheme and opt to receive a Pay in Lieu of Pension contribution (PILOP). The amount of this payment will equate to the maximum employer's pension contribution currently available under normal Society Group Pension Plan membership. This is in line with the arrangement for the rest of the staff.</p>

Element of remuneration	Purpose	Process
Discretionary bonus scheme	To reward Executive Directors based on their achievement of individual (both performance and behaviour) objectives and Society targets for a single financial year	<p>The Society's bonus scheme is discretionary and non-contractual. Four key conditions around the Society's financial performance and risk management are required to be met for consideration of a bonus payment for any year.</p> <p>Once the key conditions are met, the Society's performance is assessed on a scale of Balanced Scorecard measures across four key areas: Business Performance, Customer Experience, our People and Systems & Controls. The Executive Directors' discretionary bonus scheme is the same as all staff and is aimed at recognising and rewarding positive behaviours and achievement of performance objectives. As part of the scheme, the percentage achievement of the Balance Scorecard measures by the Society is applied to the bonus percentage of individuals up to a maximum of 15%, as determined by the sum of an individual's achievement of behaviour scores and performance scores.</p> <p>Executive Directors' contracts and the Bonus Scheme rules allow the Society to apply any relevant and necessary regulation regarding deferral, malus adjustment and clawback.</p>

Remuneration Policy for Non-Executive Directors

In a competitive market, recruitment and retention of Non-Executive Directors that have the suitable skills and expertise and share the Society's ethos is key to the strategic success of the overall Society. Similar to our process for Executive Directors we aim to reward our Non-Executive Directors at a level which is fair and equitable.

Element of remuneration	Purpose	Process
Fees Remuneration for Non-Executive Directors	To ensure that suitable individuals are attracted and can be retained to support the needs of the Society.	<p>NED fees are reviewed annually with reference to the Society's Rules.</p> <p>NED fees will not exceed twelve and a half pence per one hundred pounds of the Society's total assets as at the first day of the Financial Year in which payments are made.</p> <p>Fees are reviewed with reference to peer group and relevant benchmarking data.</p> <p>Chairs of committees receive a higher fee differentiated on the basis of their time commitment for their roles.</p>

Terms of reference for the Remuneration Committee are available on request from the Society Secretary.

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

Nigel Montgomery
Chair of the Remuneration Committee

Directors' Responsibilities Statement

The following Statement, which should be read in conjunction with the Independent Auditor's Report on pages 41 to 45, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Accounts, Annual Business Statement and Directors' Report.

The Directors are required by the Building Societies Act 1986 (the "Act") to prepare, for each financial year, Annual Accounts which give a true and fair view of the state of the affairs of the Society as at the end of the financial year 2021, and of the income and expenditure of the Society for the financial year 2021.

In preparing those Accounts, the Directors are required to:

- select appropriate accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the Accounts on the going concern basis, unless it is inappropriate to presume that the Society will continue in business.

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

In Respect of Accounting Records and Internal Controls the Directors are responsible for ensuring that the Society:

- keeps accounting records in accordance with the Act; and
- takes reasonable care to establish, maintain, document and review systems of control as are appropriate to the business in accordance with the rules under the Financial Services and Markets Act 2000.

The Directors have general responsibility for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", give a true and fair view of the assets, liabilities, financial position and profit or loss of the Society and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the Society and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for members to assess the Society's performance, business model and strategy.

This responsibility statement was approved by the Board of Directors on 4 March 2022 and is signed on its behalf by:

Chief Executive Officer
Gerard O'Keeffe

4 March 2022

Independent auditor's report

to the members of Buckinghamshire Building Society

Opinion

We have audited the annual accounts of Buckinghamshire Building Society (the 'Society') for the year ended 31 December 2021 which comprise Income and Expenditure Account, Statement of Other Comprehensive Income, Statement of Financial Position, Statement of Changes in Members' Interests, Cashflow Statement and related notes, including a summary of significant accounting policies.

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

In our opinion, the annual accounts:

- give a true and fair view of the state of the society's affairs as at 31 December 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986 and regulations made under it.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the annual accounts section of our report. We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, including the FRC's Ethical Standard, as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the annual accounts, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the annual accounts is appropriate.

Our audit procedures to evaluate the Directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Society's ability to continue as a going concern;
- making enquiries of the Directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance;
- assessing the Society's 5-year corporate plan, including ICAAP and ILAAP documentation and stress testing performed by the Directors as the basis of their going concern conclusions which covers twelve months from the date of these financial statements;
- testing the accuracy and functionality of the model used to prepare the Directors' forecasts;
- assessing the historical accuracy of forecasts prepared by the Directors and Society's performance during the pandemic; and
- evaluating the appropriateness of the Directors' disclosures in the annual accounts on going concern.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matter in forming our audit opinion above, together with an overview of the principal audit procedures performed to address each matter and key observations arising from those procedures.

This matter, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter	How our scope addressed this matter
<p>Key audit matter <i>Credit risk - Impairment of loans and advances to customers</i></p> <p><i>Refer to note 1, accounting policy and note 16, annual disclosures</i></p> <p>Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation in arriving at the year end provisions. The total impairment provision of the Society consists of an individual provision on loans with default indicators and a collective provision on the performing portfolio.</p> <p>The Society has limited actual loss experience on which to base its impairment assessment on the loan portfolio, resulting in management judgement being required in deriving assumptions to be applied in the assessment of objective evidence of impairment.</p> <p>In calculating the individual provision, management applies judgement in identifying loans that require individual impairment assessments and in estimating the recoverable amount from underlying collateral.</p> <p>The collective impairment is derived from a model that uses a combination of the Society's historical experience and, due to the Society's limited loss experience, external data, adjusted for current conditions. In particular, the impairment assessment is most sensitive to movements in the forced sale discounts (FSD) against collateral.</p>	<p>We performed the following procedures:</p> <ul style="list-style-type: none"> • We tested the design, implementation, and the operating effectiveness of the key controls in relation to credit processes (loan origination and approval, loan redemptions and arrears monitoring). • We assessed how management has performed the accounting estimate, including the reasonableness of external data used and considered whether this is consistent with our understanding of the Society's portfolio. • We compared the Society's key assumptions to comparable lenders and considered whether they are consistent with industry practice. • We performed sensitivity analysis over the key assumptions on probability of default (PD) and FSD. • We identified a selection of loans using loan book stratification which included specific items identified based on risk characteristics such as arrears status, forbearance flagging and loan to value (LTV) ratios to identify individual loans which may have unidentified impairments. • We engaged our property valuation experts to assess the reasonableness of the collateral value on individually assessed impairment. • We independently assessed the level of provision for individually assessed impairment with consideration to the valuation of the collateral. <p>Our observations</p> <p>Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision to be acceptable.</p>

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual annual account line items and disclosures and in evaluating the effect of misstatements, both individually and on the annual accounts as a whole. Based on our professional judgement, we determined materiality for the annual accounts as a whole as follows:

Overall materiality	£268,000
How we determined it	1% of net assets
Rationale for benchmark applied	<p>We consider that net assets is the most appropriate benchmark to use for the society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximisation.</p> <p>Further, net asset as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators where net assets, is an approximation of regulatory capital resources.</p>

Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the annual accounts exceeds materiality for the annual accounts as a whole. Performance materiality of £161,000 was applied in the audit based on 60% overall materiality.
Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £8,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the annual accounts, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the Directors made subjective judgements such as making assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the annual accounts as a whole. We used the outputs of a risk assessment, our understanding of the Society, its environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the annual accounts and our auditor's report thereon. The Directors are responsible for the other information. Our opinion on the annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on the Annual Business Statement and the Directors' Report

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

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the Building Societies Act 1986 and regulations made under it;
- the information in the Directors' Report for the financial year is consistent with the accounting records and the annual accounts; and
- the information given in the Annual Business Statement (other than the information on which we are not required to report) gives a true representation of the matters in respect of which it is given.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Building Societies Act 1986 requires us to report to you if, in our opinion:

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

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 40, the Directors are responsible for the preparation of the annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the annual accounts

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the society and its industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA), anti-money laundering and GDPR.

In identifying and assessing risks of material misstatement in respect to irregularities including non-compliance with laws and regulations, our procedures included but were not limited to:

- gaining an understanding of the legal and regulatory framework applicable to the Society, the industry in which it operates and considered the risk of acts by the Society which were contrary to the applicable laws and regulations, including fraud;
- inquiring of the Directors, management and, where appropriate, those charged with governance, as to whether the Society is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- inspecting correspondence with relevant licensing or regulatory authorities including Prudential Regulatory Authority (PRA).
- reviewing minutes of Director's meetings in the year; and
- discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance.

We also considered those other laws and regulations that have a direct impact on the preparation of annual accounts, such as the Building Societies Act 1986 and UK tax legislation.

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates.

Our procedures in relation to fraud included but were not limited to:

- making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud such as opportunities for fraudulent manipulation of annual accounts, and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loan loss provisions, and significant one-off or unusual transactions; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

The primary responsibility for the prevention and detection of irregularities including fraud rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit, including fraud, are discussed under "Key audit matters" within this report.

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the Directors on 21 April 2021 to audit the annual accounts for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is one year, covering the year ended 31 December 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the society and we remain independent of the Society in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

Use of the audit report

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

David Allen (Senior Statutory Auditor) for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London

4 March 2022

Income and Expenditure Account

	Notes	2021 £000	2020 £000
Interest receivable and similar income	2	7,667	7,810
Interest payable and similar charges	3	(1,804)	(2,645)
Net interest receivable		5,863	5,165
Fees and commissions receivable	4	34	23
Fees and commissions payable	5	(86)	(56)
Other operating income	6	45	21
Net (losses)/gains from derivative financial instruments	7	(22)	24
Change in valuation of investment property	20	-	(91)
Total income		5,834	5,086
Administrative expenses	8	(4,217)	(3,894)
Depreciation and amortisation	18, 19	(92)	(77)
Operating profit before provisions		1,525	1,115
Impairment provisions	16	244	(212)
Operating profit		1,769	903
Profit on ordinary activities before tax		1,769	903
Tax on profit on ordinary activities	13	(382)	(181)
Profit for the financial year		1,387	722

Statement of Other Comprehensive Income

	Notes	2021 £000	2020 £000
Profit for the financial year		1,387	722
Gain arising on revaluation of land and buildings	19	19	133
Tax on gain arising on revaluation of land and buildings		(18)	(34)
Other comprehensive income		1	99
Total comprehensive income		1,388	821

The notes on pages 50 to 75 are an integral part of these accounts.

Statement of Financial Position

	Notes	2021 £000	2020 £000
Assets			
Liquid assets			
Cash in hand and balances with Bank of England		53,929	48,341
Loans and advances to credit institutions	14	13,038	19,201
Derivative financial instruments	24	303	-
Loans and advances to customers	15	244,774	218,269
Intangible fixed assets	18	109	131
Tangible fixed assets	19	1,596	1,588
Investment properties	20	870	870
Prepayments and accrued income		170	453
Total assets		314,789	288,853
Liabilities			
Shares	21	220,916	210,301
Amounts owed to credit institutions	22	31,010	18,005
Amounts owed to other customers	23	34,350	33,688
Derivative financial instruments	24	1	116
Other liabilities	25	951	686
Deferred tax liability	17	258	142
Total liabilities		287,486	262,938
Reserves			
General reserve		26,916	25,529
Revaluation reserve		387	386
Total reserves attributable to members of the Society		27,303	25,915
Total reserves and liabilities		314,789	288,853

The notes on pages 50 to 75 are an integral part of these accounts.

The financial statements on pages 46 to 49 were approved by the Board of Directors on 4 March 2022 and were signed on its behalf by:

Dick Jenkins
Chair

Christine Higgins
Chair of the Audit Committee

Gerard O’Keeffe
Chief Executive Officer

Statement of Changes in Members' Interests

	Revaluation reserve £000	General reserve £000	Total £000
At 1 January 2020	287	24,807	25,094
Profit for the financial year	-	722	722
Gains arising on revaluation of land and buildings	133	-	133
Tax on gains arising on revaluation of land and buildings	(34)	-	(34)
Total comprehensive income	99	722	821
At 31 December 2020	386	25,529	25,915
Profit for the financial year	-	1,387	1,387
Gains arising on revaluation of land and buildings	19	-	19
Tax on gains arising on revaluation of land and buildings	(18)	-	(18)
Total comprehensive income	1	1,387	1,388
At 31 December 2021	387	26,916	27,303

Movements in the revaluation reserve relate to changes in the valuation of the freehold land and buildings occupied by the Society.

The notes on pages 50 to 75 are an integral part of these accounts.

Cash Flow Statement

	2021 £000	2020 £000
Cash flows from operating activities		
Operating profit for the financial year	1,769	903
Depreciation and amortisation of fixed assets	92	77
Losses/(Gains) on disposal of fixed assets	-	1
Net fair value losses recognised in profit or loss	22	67
Impairment losses on loans and advances to customers	(244)	212
	1,639	1,260
Changes in operating assets and liabilities		
Decrease/(increase) in prepayments and accrued income	300	(132)
Decrease in accruals and deferred income	(61)	(26)
Increase in other liabilities	28	116
(Increase)/decrease in loans and advances to customers	(26,702)	39
Increase in shares	10,670	10,651
Increase/(decrease) in amounts owed to credit institutions	13,000	(1,000)
Increase/(decrease) in amounts owed to other customers	673	(419)
Decrease/(increase) in loans and advances to credit institutions	7,000	(7,650)
Tax paid	(46)	(269)
Net cash flows from operating activities	6,501	2,570
Cash flows from investing activities		
Purchase of tangible fixed assets	(26)	(48)
Purchase of intangible fixed assets	(33)	(74)
Expenditure on investment properties	-	(156)
Net cash flows from investing activities	(59)	(122)
Net increase in cash and cash equivalents	6,442	2,292
Cash and cash equivalents at the beginning of the year	55,520	53,228
Cash and cash equivalents at the end of the year	61,962	55,520
Reconciliation to cash at bank and in hand:		
Cash in hand and balances with Bank of England	53,929	48,341
Loans and advances to credit institutions repayable on demand	8,033	7,179
Cash and cash equivalents	61,962	55,520

The notes on pages 50 to 75 are an integral part of these accounts.

Notes to the Annual Report and Accounts

1. Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements have been prepared under the historical cost basis modified to include certain items at fair value, and in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and FRS102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. The Society has also chosen to apply the recognition and measurement provisions of IAS39 Financial Instruments: Recognition and Measurement.

The preparation of financial statements in compliance with FRS102 requires the use of certain critical accounting estimates. It also requires the Society's management to exercise judgement in applying the Society's accounting policies. The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these annual accounts.

Going concern

The Society prepares detailed five year forecasts ("Corporate Plan") and uses these to assess the ability to continue as a going concern for a period of at least 12 months from the date of approval of these financial statements. The forecasts reflect the uncertain economic environment, specifically with reference to COVID-19 and Brexit. The Society also models the impact of severe but plausible scenarios on capital and liquidity through stress testing and analysis of changes on key sensitivities. The Board is satisfied that based on empirical evidence, and current market data, the severe but plausible stress scenarios are in fact more severe than that previously or currently experienced by the Society, particularly in reference to COVID-19 and/or Brexit and the financial crisis of 2007/2008.

These severe but plausible stresses are established and defined in detail during the annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), in line with PRA requirements. Considerations are given to a range of factors, including but not limited to HPI fluctuations, changes in customer propensity of default, unemployment, interest rate changes and circumstances that may give rise to funding outflows either on an idiosyncratic level or sector wide. The Board considers that these stress tests also included a scenario that was at least as severe as the Bank of England stress scenario published in January 2021.

The Society maintains a surplus over regulatory limits for both capital and liquidity throughout the stresses. The Board, therefore, is satisfied that the Society has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly they continue to adopt the going concern basis in preparing the financial statements.

Amended accounting standards

During 2019, the Financial Reporting Council (FRC) issued amendments to FRS102 – Interest rate benchmark reform.

Interest rate benchmarks such as the London Interbank Offered Rate (LIBOR) are being reformed and LIBOR will not be available after 2021. The increasing uncertainty about the long-term viability of some interest rate benchmarks has given rise to issues affecting financial reporting in the period before the reform. This has a particular impact on hedge accounting.

During the period of uncertainty, the amendments to specific hedge accounting requirements in FRS102 provide relief that will avoid unnecessary discontinuation of hedge accounting. Entities will apply specific hedge accounting requirements under the assumption that the interest rate benchmark relevant to the hedge accounting is not altered as a result of interest rate benchmark reform.

These amendments were applicable for accounting periods beginning on or after 1 January 2020.

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

Following the implementation of these standards, the Society managed the transition away from LIBOR by referencing all new derivative instrument contracts to SONIA. Any remaining LIBOR referenced derivative instrument contracts matured before the end of December 2021. The Society has no assets or liabilities referenced to LIBOR at the end of December 2021.

Interest receivable

Interest income for loans and advances to customers is recognised in "Interest receivable and similar income" using the effective interest rate of the financial asset to which they relate. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instrument, to the net carrying amount of the financial asset.

Interest on impaired financial assets is recognised as the original effective interest rate of the financial asset applied to the carrying amount as reduced by an allowance for impairment.

Notes to the Annual Report and Accounts (continued)

1. Accounting policies (continued)

Fees and commissions

Fees receivable are generally recognised on an accruals basis when all contractual obligations have been fulfilled.

If the fees are an integral part of the effective interest rate of a financial instrument, they are recognised as an adjustment to the effective interest rate and recorded in “Interest receivable and similar income”.

Fees payable are recognised on an accruals basis when the service has been provided or on the completion of an act to which the fee relates.

Derivative financial instruments

In accordance with Section 9a of the Building Societies Act 1986, the Society only uses derivatives to reduce the risk of loss arising from changes in interest rates. Such instruments are not therefore used in trading activity or for speculative purposes. The Society uses standardised International Swaps and Derivatives Association (“ISDA”) agreements with other financial institutions in order to hedge interest rate risk. The ISDA contracts grant legal rights of set off for derivative transactions with the same counterparty. This can reduce potential credit risk where the derivative contracts may be for offsetting values.

Currently, the Society only uses derivatives to hedge interest rate risk through interest rate swap agreements. These are commitments to exchange one set of cash flows for another. No exchange of principal takes place. Interest rate swaps are measured at fair value in the statement of financial position. Fair values are obtained by applying quoted market rates to a discounted cash flow model. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivatives are recognised immediately in the income and expenditure account within “Net gains/(losses) from derivative financial instruments”. However, by applying the hedge accounting rules set out in IAS39, the changes in fair value of derivatives used to hedge particular risks can be offset in the income and expenditure account, within “Net gains/(losses) from derivative financial instruments”, against fair value adjustments made to the hedged item in respect of the hedged risk, providing that the derivatives used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items (fixed rate mortgages).

If the hedge no longer meets the hedging criteria the adjustment to the carrying amount of a hedged item is amortised to the income and expenditure account over the remaining life of the previously hedged item.

Changes in fair value of any derivative financial instrument that does not qualify for hedge accounting are recognised immediately in the income and expenditure account within “Net gains/(losses) from derivative financial instruments”.

Volatility in the income and expenditure account may still arise to the extent that the hedge relationships are ineffective or because hedge accounting is not achievable. Such volatility is therefore primarily attributable to accounting rules which may not fully reflect the economic reality of the Society’s hedging strategy.

Where cash collateral is received to mitigate the risk inherent in amounts due to the Society, it is included as a liability within “Amounts owed to credit institutions”. Where cash collateral is given to mitigate the risk inherent in amounts due from the Society, it is included as an asset in “Loans and advances to credit institutions”.

Corporation tax

Corporation tax is charged at the current rate calculated on the basis of the profit on ordinary activities as adjusted in line with HMRC requirements for taxation purposes.

Deferred tax

Deferred tax is provided in full on timing differences which result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on tax rates enacted or substantively enacted at the statement of financial position date.

Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Retirement benefits

The Society operates a money purchase pension scheme which is open to all permanent employees.

The Society’s contributions are charged to the income and expenditure account in the periods which benefit from the employees’ services. Accrued contributions are included within “other liabilities” on the statement of financial position.

Notes to the Annual Report and Accounts (continued)

1. Accounting policies (continued)

Financial assets

The Society classifies its financial assets at inception into the following categories:

Loans and receivables

The Society's loans and advances to customers and liquidity are classified as loans and receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market.

Loans and advances to customers are sums advanced to the Society's borrowers, secured on property or land.

Liquidity includes cash in hand and balances with Bank of England and loans and advances to credit institutions (sums deposited in instant access accounts or short term fixed period accounts with high street banks or building societies).

Loans and receivables are initially measured at fair value then are subsequently carried at amortised cost using the effective interest method, less any impairment losses other than where adjustments are made as part of a fair value hedging arrangement.

Fair value through the income and expenditure account

All derivatives are carried at fair value and are initially recognised at the trade date. Gains and losses from changes in fair value are recognised in the income and expenditure account.

Derecognition

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

On derecognition, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (a) the consideration received (including any new asset obtained less any new liability assumed and (b) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income and expenditure account.

Impairment

Throughout the year and at the year end, the Society assesses loans and advances to customers to see if there is objective evidence of any impairment. Individual impairment provisions are made against those loans and advances where there is objective evidence of impairment.

Objective evidence of impairment includes accounts going into arrears, renegotiation of the terms of the loan including granting forbearance and any other information discovered during regular review suggesting significant financial difficulties of the borrower.

If there is objective evidence of impairment an individual impairment provision is made against those mortgage assets. The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Within the calculation of future cash flows, account is taken of any discount against the value of the property which may be needed to achieve sale; amounts recoverable under mortgage indemnity policies; and anticipated realisation costs.

Where no objective evidence of impairment exists, the Society groups together financial assets with similar credit risk characteristics and assesses them for impairment. The Society calculates a collective provision on these financial assets, excluding any that have an individual impairment provision against them. The amount of impairment loss is measured by applying expected loss factors based on the Society's experience of default, the effect of movement in house prices and any adjustment for forced sale.

The amount of impairment loss is recognised immediately through the income and expenditure account and a corresponding reduction in the financial asset is recognised through the use of provisions.

The Society's policy in relation to any properties that it has taken into possession is that it will seek their disposal with a view to minimising the losses that it may incur.

Any actual losses incurred are recognised immediately in the income and expenditure account with a corresponding reduction in the value of the financial assets shown in the statement of financial position. Any impairment provision already provided is reversed through the income and expenditure account.

Notes to the Annual Report and Accounts (continued)

1. Accounting policies (continued)

Intangible fixed assets

Purchased software that is not an integral part of a related hardware purchase is stated at cost as an intangible asset. Amortisation of such assets is charged to the income and expenditure account on a straight line basis over their estimated useful lives. The useful life of computer software is between two and four years.

The Society assesses at each reporting date whether any intangible fixed assets are impaired.

Tangible fixed assets

Equipment and fixtures and fittings are shown in the statement of financial position at cost less accumulated depreciation.

Land and buildings are revalued annually to fair value less any subsequent accumulated depreciation and impairment losses.

Gains or losses arising on the revaluation of the land and buildings are recognised in other comprehensive income and accumulated in the revaluation reserve.

Land is not depreciated. Depreciation on property is calculated on a reducing balance method at a rate of 2% per annum.

Depreciation is calculated on other assets so as to write off the cost over their estimated useful lives on a straight line basis as follows:

Computer hardware	2 to 5 years
Office equipment and fixtures	2 to 7 years

Gains or losses on disposal are calculated by deducting the asset's carrying value from the proceeds. These are included in the Income and Expenditure Account.

The Society assesses at each reporting date whether any tangible fixed assets are impaired.

Investment properties

Investment property is measured at fair value annually with any change recognised through the Income and Expenditure Account. The revaluation movement and the related deferred tax will both be reflected in the Income and Expenditure Account for the year. A revaluation is carried out each year.

Financial liabilities

All non-derivative financial liabilities, including shares, amounts owed to credit institutions and amounts owed to other customers, are measured at amortised cost with interest recognised using the effective interest rate method.

Financial liabilities are derecognised when the obligation is discharged, cancelled or has expired.

Segmental reporting

The Society operates solely within the retail financial services sector and within the United Kingdom. As such no segmental analysis is required.

Critical accounting estimates and judgements

The Society makes estimates and assumptions that affect the reported amounts of assets and liabilities within the financial year. The most significant areas where judgements and assumptions are made are as follows:

Impairment losses on loans and advances to customers

In determining whether an impairment loss should be recorded, the Society is required to exercise a degree of judgement. Impairment provisions are calculated as the difference between the assets' carrying value and the present value of management's estimate of future discounted cash flows. Estimates and assumptions are around the probability of any account going into default, the probability of defaulting accounts progressing to possession, the time taken to complete the sale of properties in possession and the eventual loss incurred in the event of forced sale or write-off. These assumptions are based on observable historical data and updated as management considers appropriate to reflect current circumstances.

In determining the level of impairment charge estimates are applied to determine prevailing market conditions, customer behaviour and the length of time to complete the sale of any property in possession and the expected sales proceeds. The accuracy of the impairment provision would therefore be affected by unexpected changes to these assumptions, as follows;

If the sales discount applied in our provisioning model increased by 5% the overall provision would increase by £23,580.

The propensity to default used in the assessment for impairment is dependent on the nature of the loan and the credit score or the arrears severity, if in arrears. If the propensity to default increases by 25%, the collective provision would increase by £42,840.

Notes to the Annual Report and Accounts (continued)

1. Accounting policies (continued)

Effective interest rate (EIR)

The Society recognises interest on loans and advances to customers on the basis of their EIR. This is a constant rate that averages out the effect of incentives and fees across the expected life of the loan account. A critical assumption in the calculation is the expected life, as this determines the assumed period over which customers may be paying various differentiated interest rates. The determination of the average life is based on historical and forecast redemption data as well as management judgement.

The average life is reassessed at regular intervals to ensure it is still appropriate. Any changes to the average life will create an adjustment to the loan balance in the statement of financial position with a corresponding adjustment to interest receivable in the income and expenditure account.

A 2 month increase in the average life profile would result in an increase in the value of loans and advances to customers on the statement of financial position by approximately £209k.

Hedge accounting and the fair values of derivatives

The society uses interest rate derivatives as a hedging instrument against mortgage exposure in accordance with IAS39. Qualifying hedging relationships are assessed on an ongoing basis, with the relationship required to be with 80-125% effective to qualify. If effective, changes in fair value of mortgage assets are offset by the changes in value of the derivative. This process is formally documented.

Property valuation

Land and buildings and investment property are measured at fair value with a valuation exercise carried out annually by an independent external valuer in accordance with the RICS Global Standards 2017 Edition (the "Red Book"). The Society considers the methodology and assumptions used by the independent external valuer to be supportable, reasonable and robust, the final valuation may be different to one that would have been used had there been a ready market for an identical property.

2. Interest receivable and similar income

	2021 £000	2020 £000
On loans fully secured on residential property	7,633	7,809
On other loans	61	69
On fixed interest debt securities	-	-
On other liquid assets	81	165
On derivative financial instruments	(108)	(233)
	7,667	7,810

Interest on loans fully secured by residential property includes interest accrued on impaired assets of £Nil (2020: £2k).

Interest on other loans includes interest accrued on impaired assets of £Nil (2020: £Nil).

The movement in the effective interest rate adjustment during the year included within interest receivable was £72k increase (2020: £112k reduction).

3. Interest payable and similar charges

	2021 £000	2020 £000
On shares held by individuals	1,644	2,387
On deposits and other borrowings	160	258
	1,804	2,645

Notes to the Annual Report and Accounts (continued)

4. Fees and commissions receivable

	2021 £000	2020 £000
Fees receivable	34	22
Sundry income	0	1
	34	23

5. Fees and commissions payable

	2021 £000	2020 £000
Bank charges	40	36
Other fees payable	46	20
	86	56

6. Other operating income

	2021 £000	2020 £000
Other operating income	45	21
	45	21

Other operating income is mainly rents received on investment property.

7. Net (losses)/gains from derivative financial instruments

	2021 £000	2020 £000
Derivatives in designated fair value hedge relationships	413	13
Adjustments to hedged items in fair value hedge relationships	(440)	11
Derivatives not in fair value hedge relationships	5	-
	(22)	24

The net loss from derivative financial instruments of £22k (2020: net gain £24k) represents the net fair value movement on derivative financial instruments that are matching risk exposure on an economic basis.

Some accounting volatility arises on these items due to accounting ineffectiveness on designated hedges, or because hedge accounting is not achievable on certain items. The movement is primarily due to timing differences in income recognition between derivative financial instruments and the hedged assets. This gain or loss will trend to zero over time and this is taken into account by the Board when considering the Society's underlying performance.

Notes to the Annual Report and Accounts (continued)

8. Administrative expenses

	2021 £000	2020 £000
Employee costs		
Wages and salaries	2,282	2,000
Social security costs	217	206
Other pension costs	141	123
	<u>2,640</u>	<u>2,329</u>
Other administrative expenses	1,577	1,565
	<u>4,217</u>	<u>3,894</u>

Administrative expenses above include the following auditor's remuneration (exclusive of VAT):

	2021 £000	2020 £000
Audit of financial statements	108	194
Audit related assurance services	12	-
	<u>120</u>	<u>194</u>

9. Staff numbers

The average number of persons employed during the year (including executive directors) was:

	2021	2020
Full time	38	33
Part time	10	10
	<u>48</u>	<u>43</u>

10. Remuneration of Directors

Directors' remuneration totalled £490k (2020: £500k). Full details are given in the Directors' Remuneration Report on page 37.

The Society's Directors are considered to be its key management personnel as they have a material impact on the Society's risk profile.

Notes to the Annual Report and Accounts (continued)

11. Transactions with directors and connected persons

At 31 December 2021 there were no (2020: £Nil) outstanding mortgage loans granted in the ordinary course of business to any Director or their connected persons.

	2021			2020		
	Number of Directors and their close family members	Balance outstanding in respect of Directors and their close family members £000	Interest received by Directors and their close family members £000	Number of Directors and their close family members	Balance outstanding in respect of Directors and their close family members £000	Interest received by Directors and their close family members £000
Shares	9	391	1	9	40	-

A register is maintained at the Head Office of the Society, in accordance with section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with the Directors and their connected persons. A statement of the appropriate details contained in the Register, for the financial year ended 31 December 2021, will be available for inspection at the AGM and at the Society's Head Office for a period of 15 days up to and including the AGM.

12. Transactions with related businesses

In accordance with section 69 of the Building Societies Act 1986 the Society maintains a Register of Relevant Services of a Related Business. No fees were paid in 2021 (2020: £Nil).

13. Tax on profit on ordinary activities

	2021 £000	2020 £000
Tax charge for the year comprises:		
Corporation tax at 19.00% (2020: 19.00%)	320	176
Over provision from previous year	(37)	(6)
Current tax charge for year	283	170
Deferred tax		
Origination and reversal of timing differences	18	2
Under provision from previous year	47	5
Effect of change in tax rate	34	4
Total tax	382	181

Notes to the Annual Report and Accounts (continued)

13. Tax on profit on ordinary activities (continued)

Factors affecting the tax charge for the year:

	2021 £000	2020 £000
Profit on ordinary activities before tax	1,769	903
Tax on profit on ordinary activities at UK standard rate of 19.00% (2020: 19.00%)	336	172
Effect of change in tax rate	34	4
Capital allowances in excess of depreciation	1	-
Disallowable expenses	-	6
Over provision from previous year	11	(1)
Current tax charge for the year	382	181

The standard rate of Corporation Tax in the UK was 19% and accordingly the Society's profits have been taxed at this effective rate (2020: 19%). Deferred tax has been measured based on the substantively enacted rate of 25%. Further details on deferred tax are included in Note 17.

The tax on items reported through the statement of comprehensive income is as follows:

	2021 £000	2020 £000
Revaluation of property	18	34

14. Loans and advances to credit institutions

	2021 £000	2020 £000
Accrued interest	5	22
Repayable on demand	8,033	7,179
Not more than three months	-	3,000
Three months to one year	5,000	9,000
	13,038	19,201

15. Loans and advances to customers

	2021 £000	2020 £000
Loans fully secured on residential property	242,550	215,902
Loans fully secured on land	2,224	2,367
	244,774	218,269

Loans and advances to customers are held at amortised cost (with the exception of loans in a hedging relationship), with interest and the associated costs being recognised in the interest receivable and similar income in the income and expenditure account on an effective interest rate basis.

Fair value hedging adjustments of £330k (2020: £111k) have been made to certain fixed rate mortgages that are in a fair value hedging relationship.

Notes to the Annual Report and Accounts (continued)

15. Loans and advances to customers (continued)

The maturity of loans and advances to customers from the date of the statement of financial positions is as follows:

	2021 £000	2020 £000
Repayable on demand	1,154	304
In not more than three months:	1,103	1,056
In more than three months but not more than one year:	6,500	6,359
In more than one year but not more than five years:	37,241	34,720
More than five years:	199,276	176,207
	<u>245,274</u>	<u>218,646</u>
Effective interest rate adjustment	98	24
Fair value adjustment for hedged risk	(330)	111
Less individual impairment provision	(252)	(285)
Less collective impairment provision	(16)	(227)
	<u><u>244,774</u></u>	<u><u>218,269</u></u>

16. Impairment provisions

	2021			2020		
	Loans fully secured on residential property £000	Loans fully secured on land £000	Total £000	Loans fully secured on residential property £000	Loans fully secured on land £000	Total £000
As at 1 January						
Individual impairment	131	154	285	12	159	171
Collective impairment	227	-	227	129	-	129
Charge for the year						
Individual impairment	(34)	1	(33)	119	(5)	114
Collective impairment	(211)	-	(211)	98	-	98
Amounts written off	-	-	-	-	-	-
Recoveries of amounts previously written off	-	-	-	-	-	-
At 31 December						
Individual impairment	97	155	252	131	154	285
Collective impairment	16	-	16	227	-	227
As at 31 December	<u><u>113</u></u>	<u><u>155</u></u>	<u><u>268</u></u>	<u><u>358</u></u>	<u><u>154</u></u>	<u><u>512</u></u>

Notes to the Annual Report and Accounts (continued)

17. Deferred taxation

	2021 £000	2020 £000
Deferred taxation comprises:		
Depreciation in excess of capital allowances	60	51
Other timing differences	(66)	(110)
Property revaluation	264	201
Deferred tax liability	258	142
Movement in deferred taxation		
At 1 January	142	98
Income and expenditure account	51	5
Statement of comprehensive income	18	34
Over provision from previous year	47	5
At 31 December	258	142

Deferred taxation is recognised at the substantively enacted tax rate of 25% (2020: 19%).

18. Intangible fixed assets

	2021 £000	2020 £000
Cost		
At 1 January	469	453
Additions	33	74
Disposals at cost	(58)	(58)
At 31 December	444	469
Amortisation		
At 1 January	338	347
Charged in year	55	49
On disposals	(58)	(58)
At 31 December	335	338
Net book value	109	131

Intangible fixed assets consist entirely of purchased software that is not an integral part of a related hardware purchase.

Notes to the Annual Report and Accounts (continued)

19. Tangible fixed assets

	Land and buildings £000	Equipment, fixtures and fittings £000	Total £000
Cost or valuation			
At 1 January 2021	1,530	419	1,949
Additions	-	26	26
Revaluation	-	-	-
Impairments	-	-	-
Transfer from investment properties	-	-	-
Disposals at cost	-	(34)	(34)
At 31 December 2021	1,530	411	1,941
Depreciation			
At 1 January 2021	-	361	361
Charged in year	19	18	37
Revaluation	(19)	-	(19)
Disposals	-	(34)	(34)
At 31 December 2021	-	345	345
Net book value			
At 31 December 2021	1,530	66	1,596
At 31 December 2020	1,530	58	1,588

Freehold land and buildings were valued at £1,530,000 as per the valuation report dated 24 September 2021 by Mr R Currie BSc, FRICS, RICS Registered Valuer, on behalf of the Frost Partnership, Property Consultants. The valuation is based on market value in accordance with the RICS Global Standards 2017 Edition (the "Red Book") published by the Royal Institute of Chartered Surveyors.

The net book value of land and buildings occupied by the Society for its own activities is £1,530k (2020: £1,530k).

20. Investment properties

	2021 £000	2020 £000
Cost or valuation		
At 1 January 2021	870	975
Additions	-	156
Revaluation	-	(91)
Transfer to tangible fixed assets	-	(170)
Disposals at cost	-	-
At 31 December 2021	870	870
Net book value		
	870	870

Investment properties, which are all freehold, were revalued at £870,000 as per the valuation report dated 24 September 2021 by Mr R Currie BSc, FRICS, RICS Registered Valuer, on behalf of the Frost Partnership, Property Consultants. The valuation is based on market value in accordance with the RICS Global Standards 2017 Edition (the "Red Book") published by the Royal Institute of Chartered Surveyors.

Investment properties are let under operating leases.

Notes to the Annual Report and Accounts (continued)

20. Investment properties (continued)

The rental income earned during the year was £45k (2020: £19k). No contingent rents have been recognised as income in the current or prior year. This is accounted for on an accruals basis within "Other operating income" in the Income and Expenditure Account.

At the statement of financial position date the Society had contracted with tenants for the following future minimum lease payments:

	2021 £000	2020 £000
Within one year	32	12
In the second to fifth years inclusive	46	46
After five years	58	70

21. Shares

	2021 £000	2020 £000
Held by individuals	220,916	210,301
	220,916	210,301

Shares are repayable from the statement of financial position date in the ordinary course of business as follows:

	2021 £000	2020 £000
Accrued interest	25	80
Repayable on demand	111,738	100,225
In not more than three months	17,166	14,481
In more than three months but not more than one year	60,292	76,091
In more than one year but not more than five years	31,695	19,424
	220,916	210,301

22. Amounts owed to credit institutions

Amounts owed to credit institutions are repayable from the statement of financial position date in the ordinary course of business as follows:

	2021 £000	2020 £000
Accrued interest	10	5
In not more than three months	-	-
In more than three months but not more than one year	-	10,000
In more than one year but not more than five years	31,000	8,000
	31,010	18,005

Included in the amounts above is £31m (2020: £18m) borrowed from the Bank of England under the Term Funding Scheme with additional incentives for SMEs (TFSME). Security, in the form of collateralised mortgages, has been given for this.

Notes to the Annual Report and Accounts (continued)

23. Amounts owed to other customers

Amounts owed to other customers are repayable from the statement of financial position date in the ordinary course of business as follows:

	2021 £000	2020 £000
Accrued interest	3	14
Repayable on demand	12,302	11,657
In not more than three months	8,993	8,955
In more than three months but not more than one year	10,652	10,662
In more than one year but not more than five years	2,400	2,400
	34,350	33,688

24. Derivative financial instruments

	Notional amount £000	Fair value - assets £000	Fair value - liabilities £000
Derivatives			
At 31 December 2021			
Unmatched derivatives - interest rate swaps	1,000	-	(1)
Derivatives designated as fair value hedges - interest rate swaps	26,500	303	-
	27,500	303	(1)
At 31 December 2020			
Unmatched derivatives - interest rate swaps	9,000	-	(10)
Derivatives designated as fair value hedges - interest rate swaps	14,000	-	(106)
	23,000	-	(116)

In September 2019, the IASB issued amendments to IAS39, IFRS9 and IFRS7 Financial Instruments: Disclosures to address uncertainties related to the market wide reform of interbank offered rates (IBOR reform). The amendments provide targeted relief for financial instruments qualifying for hedge accounting under IAS39 or IFRS9. They are effective for periods beginning on or after 1 January 2020. The Society has chosen to adopt the amendments early.

During 2019 the Society put in place a transition project to investigate the impact of this reform. The project concluded that the only impact this reform would have on the Society is on the derivative financial instruments used for hedging purposes. At the time of the project, the Society had no derivatives using a LIBOR reference rate maturing after the LIBOR cessation date (the end of 2021), a recommendation was sent to the Assets & Liabilities Committee for all new derivatives taken by the Society from that point in time to use SONIA as the reference rate rather than LIBOR. The Committee agreed this recommendation and the Society implemented this from the beginning of July 2019.

Notes to the Annual Report and Accounts (continued)

23. Derivative financial instruments (continued)

The composition of the portfolio of interest rate swaps held by the Society at 31 December is shown in the table below.

	2021 £000	2020 £000
Notional value of LIBOR swap contracts	-	17,000
Notional value of SONIA swap contracts	27,500	6,000
Total notional value of swap contracts	27,500	23,000
Carrying value of mortgages hedged by LIBOR swap contracts	-	7,661
Carrying value of mortgages hedged by SONIA swap contracts	25,828	6,163
	25,828	13,824

All of the LIBOR swap contracts matured before the end of 2021.

The carrying value of mortgages included in hedge relationships is equal to their amortised cost after hedge accounting adjustments

25. Other liabilities

	2021 £000	2020 £000
Corporation tax	280	43
Creditors	117	134
Accruals	554	509
	951	686

26. Financial instruments

A financial instrument is a contract that gives rise to a financial asset or financial liability. Buckinghamshire Building Society is a retailer of financial instruments in the form of mortgage and savings products. The Society uses wholesale financial instruments to invest in liquid assets, raise wholesale funding and to manage the risks arising from its operations.

The Society has a formal structure for managing risk, including established risk limits, reporting lines, mandates, credit risk appetite and other control procedures. The Board Risk Committee (BRC) is tasked with managing the Society's overall exposure to risk. The Executive Committee (ExCo) is a management committee that meets on a monthly basis. ExCo provides detailed examination of individual areas of risk and reports back to the Board Risk Committee at least quarterly.

The Board Assets & Liabilities Committee (ALCO) reviews treasury and statement of financial position risk related activities. ExCo examines market movements to discern changes required to the Society's product range.

Key performance indicators are provided to the Board on a monthly basis and summary information on a weekly basis.

Instruments used for risk management purposes include derivative financial instruments (derivatives), which are contracts whose value is derived from one or more underlying price, rate or index inherent in the contract or agreement, such as interest rates, exchange rates or stock market indices.

The objective of the Society in using derivatives is in accordance with the Building Societies Act 1986 and is to limit the extent to which the Society will be affected by changes in interest rates. Derivatives are not used in trading activity or for speculative purposes.

Notes to the Annual Report and Accounts (continued)

26. Financial instruments (continued)

The derivatives used by the Society in managing its statement of financial position risk exposures are interest rate swaps. These are used to protect the Society from exposures arising principally from fixed rate mortgage lending. An interest rate swap is a contract to exchange one set of interest rate cash flows for another. Such swaps result in the economic exchange of interest rates. No exchange of principal takes place. Instead interest payments are based on notional principal amounts agreed at inception of the swap. The duration of the interest rate swap is generally short to medium term and its maturity profile reflects the exposures arising from the underlying business activities.

The Society applies fair value hedging techniques to reduce its exposure to interest rates as follows:-

Activity	Risk	Fair value interest rate hedge
Fixed rate mortgage	Increase in interest rates	Society pays fixed, receives variable

The fair value of these hedges at 31 December is shown in note 24.

Summary terms and conditions and accounting policies of financial instruments:

Financial instrument	Terms and conditions	Accounting policy
Cash in hand, balances with Bank of England and loans and advances to credit institutions	Fixed or SONIA/Bank of England base rate linked interest rate Fixed term Short to medium term maturity	Loans and receivables at amortised cost, accounted for at settlement date
Loans and advances to customers	Secured on residential property or land Standard contractual term of up to 40 years Fixed or variable rate of interest	Loans and receivables at amortised cost, accounted for at settlement date
Shares	Variable term Fixed or variable interest rates	Amortised cost, accounted for at settlement date
Amounts owed to credit institutions	Fixed or SONIA linked interest rate Fixed term Short to medium term maturity	Amortised cost, accounted for at settlement date
Amounts owed to other customers	Variable term Fixed or variable interest rates	Amortised cost, accounted for at settlement date
Derivative financial instruments	Fixed interest paid converted to variable interest received Based on the notional value of the derivative	Fair value through profit and loss, accounted for at trade date

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost. Note 1: "Accounting policies" describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised.

Notes to the Annual Report and Accounts (continued)

26. Financial instruments (continued)

Financial assets and liabilities carried at fair value

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

The Society measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical instruments.
- Level 2: valuation techniques for which all significant inputs are based on observable market data.
- Level 3: valuation techniques for which significant inputs are not based on observable market data.

Where applicable, the Society measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions take place with sufficient frequency and volume to provide pricing information on an ongoing basis. For all other financial instruments the Society determines fair values using other valuation techniques.

The table summarises the fair values of the Society's financial assets and liabilities that are accounted for at fair value:

	Notes	2021 £000	2020 £000
Financial assets			
Derivative financial instruments			
Interest rate swaps	24	303	-
		303	-
Financial liabilities			
Derivative financial instruments			
Interest rate swaps	24	1	116
		1	116

The main valuation techniques employed by the Society to establish fair value of the financial instruments disclosed above are set out below:-

Interest rate swaps – Level 2

The valuation techniques applied are swap models using present value calculations. The models incorporate various assumptions including interest rate curves for LIBOR and SONIA which match the timing of the cash flow and maturity of the swaps. The interest rate curves have been derived from quoted interest rates.

Credit risk

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

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

	2021 £000	2020 £000
Credit risk exposure		
Cash in hand and balances with Bank of England	53,929	48,341
Loans and advances to credit institutions	13,038	19,201
Derivative financial instruments	303	-
Loans and advances to customers	244,774	218,269
Total balance sheet exposure	312,044	285,811
Off balance sheet exposure - mortgage commitments	16,430	18,280
	328,474	304,091

Notes to the Annual Report and Accounts (continued)

26. Financial instruments (continued)

a) Loans and advances to credit institutions, debt securities and derivative financial instruments

ALCO is responsible for approving treasury counterparties for both derivatives and investment purposes. Limits are placed on the amount of risk accepted in relation to a counterparty, or group of counterparties, and to industry sectors. This is monitored daily by the Society's Treasury team and reviewed monthly by ALCO.

The Society's policy only permits lending to central government (which includes the Bank of England), UK local authorities, banks and building societies.

An analysis of the Society's treasury asset concentration is shown in the tables below:

	2021 £000	2021 %	2020 £000	2020 %
Industry sector				
Banks	8,033	12.0%	7,179	10.6%
Building Societies	5,005	7.5%	12,022	17.8%
Central Government	53,929	80.5%	48,341	71.6%
	66,967	100.0%	67,542	100.0%

	2021 %	2020 %
Rating		
AA	-	-
AA-	81.8%	73.4%
A+	10.7%	8.8%
A	-	-
Other	7.5%	17.8%
	100.0%	100.0%

	2021 £000	2020 £000
Geographic region		
United Kingdom	66,967	67,542
	66,967	67,542

'Other' relates to investments in unrated building societies and unrated banks.

The Society has no exposure to foreign exchange risk. All instruments are denominated in Sterling.

Notes to the Annual Report and Accounts (continued)

26. Financial instruments (continued)

The Society's derivative financial assets are analysed in the table below:

	2021 %	2020 %
Rating		
AA	-	-
AA-	100.0%	100.0%
	100.0%	100.0%

	2021 £000	2020 £000
Geographic region		
United Kingdom	303	-
	303	-

Notional value of derivative financial instruments	27,500	23,000
--	--------	--------

There are no impairment charges against any of the Society's treasury assets at 31 December.

b) Loans and advances to customers

All mortgage loan applications are assessed with reference to the Society's retail credit risk appetite statement and Board approved lending policy, which includes assessing applicants for potential fraud risk. When deciding on the overall risk appetite that the Society wishes to adopt, both numerical and non-numerical considerations are taken into account, along with data on the current UK economic climate, portfolio information and competitor activity. The statement must comply with all the prevailing regulatory policy and framework.

The lending portfolio is monitored by the ExCo to ensure that it remains in line with the stated risk appetite of the Society.

All mortgage applications are underwritten individually on a case-by-case basis ensuring that they meet the lending policy rules which support the risk appetite of the Society. All mortgage applications will be overseen by the Head of Lending who ensures that all lending criteria have been applied and that all information submitted within the application is validated.

Credit risk management information is circulated to the ExCo on a monthly basis to ensure the portfolio remains within the Society's risk appetite.

It is the Society's policy to ensure good customer outcomes and lend responsibly by ensuring that the customer can meet the mortgage repayments. This is achieved by obtaining specific information from the customer concerning income and expenditure and also credit reference agency data.

The maximum credit exposure is disclosed in the table on page 66.

Loans and advances to customers, net of impairment provisions, are shown in the tables below:

	2021 £000	2021 %	2020 £000	2020 %
Residential mortgages - owner occupied	206,782	84.5%	186,851	85.6%
Residential mortgages - buy-to-let	35,923	14.7%	29,051	13.3%
Commercial mortgages	2,069	0.9%	2,367	1.1%
	244,774	100.0%	218,269	100.0%

The Society operates throughout England and Wales.

Notes to the Annual Report and Accounts (continued)

26. Financial instruments (continued)

An analysis of the Society's geographical concentration is shown in the table below:

	2021	2020
	%	%
Outer Metropolitan Area	19.9%	20.5%
Greater London	21.1%	21.4%
Outer South East	16.8%	16.6%
South West	11.0%	10.9%
North West	6.6%	6.0%
West Midlands	6.3%	6.4%
East Anglia	4.0%	3.7%
East Midlands	5.7%	5.8%
Yorkshire and Humberside	4.0%	4.2%
Wales	2.7%	2.7%
North	1.9%	1.8%
	100.0%	100.0%

The Society's low risk approach to lending is reflected in the loan to value (LTV) profile of the mortgage book. The estimated value of the mortgage portfolio is updated on a quarterly basis using the Nationwide Building Society regional House Price Index.

An analysis of the Society's indexed LTV profile is shown in the table below:

	2021	2020
	£000	£000
< 50%	53.9%	55.8%
50% - 60%	13.3%	11.4%
60% - 70%	10.9%	10.9%
70% - 80%	12.7%	8.5%
80% - 90%	4.6%	9.5%
90% - 100%	2.0%	1.3%
> 100%	2.6%	2.6%
Average LTV mortgage loans	50.2%	50.4%
Average LTV new business	63.7%	71.3%

Notes to the Annual Report and Accounts (continued)

26. Financial instruments (continued)

The quality of the Society's mortgage book is reflected in the number and value of accounts in arrears. By volume 0.4% (2020: 0.4%) of loans are three months or more in arrears and by value it is 0.4% (2020: 0.6%).

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

	2021 £000	2021 %	2020 £000	2020 %
Not impaired				
Neither past due nor impaired	240,276	98.3%	207,741	95.2%
Past due up to three months but not impaired	1,812	0.7%	3,083	1.4%
Past due over three months but not impaired	1,089	0.4%	1,278	0.6%
Possessions	-	-	-	-
	<u>243,177</u>	<u>99.4%</u>	<u>212,102</u>	<u>97.2%</u>
Impaired				
Current	1,476	0.6%	5,631	2.6%
Past due up to three months	30	-	536	0.2%
Past due three to six months	91	-	-	-
Past due six to twelve months	-	-	-	-
Past due over twelve months	-	-	-	-
Possessions	-	-	-	-
	<u>1,597</u>	<u>0.6%</u>	<u>6,167</u>	<u>2.8%</u>
	<u>244,774</u>	<u>100.0%</u>	<u>218,269</u>	<u>100.0%</u>

The table below shows the collateral held against the residential loan portfolio:

	Indexed £000	Unindexed £000	Indexed £000	Unindexed £000
Current	718,401	575,285	632,518	529,690
Past due	9,976	6,961	15,601	-
	<u>728,377</u>	<u>582,246</u>	<u>648,119</u>	<u>529,690</u>

The collateral consists of property. The collateral values of the mortgage portfolio are updated on a quarterly basis using the Nationwide Building Society regional House Price Index.

With collateral capped to the amount of outstanding debt, the value of collateral held against loans "Past due but not impaired" at 31 December 2021 is £2,901k (2020: £4,361k) against outstanding debt £2,901k (2020: £4,361k). In addition, the value of collateral held against "Impaired" assets at 31 December 2021 is £1,146k (2020: £5,722k) against outstanding debt of £1,597k (2020: £6,167k).

Mortgage indemnity insurance acts as additional security. It is taken out for residential loans where the borrowing exceeds 80% of the value of the property at the point of application.

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

Possession balances represent those loans where the Society has taken ownership of the underlying security pending its sale. Repossessed properties are made available for sale in accordance with statutory guidelines with proceeds used to reduce or repay the outstanding loan. Any collateral surplus on the sale of repossessed properties, after a deduction for costs incurred in relation to the sale, would be returned to the borrower.

Notes to the Annual Report and Accounts (continued)

26. Financial instruments (continued)

Forbearance

The Society has various forbearance options to support customers who may find themselves in financial difficulty. These include payment plans, capitalisations, term extensions, temporary transfer to interest only and reduced payment concessions.

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

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

In March 2020, the Government announced a number of measures to help people affected by COVID-19. This included a full or partial mortgage payment holiday (deferral) for up to 3 months, followed by a second holiday for up to another 3 months (a maximum of 6 months). At the end of 2020, for the second national lockdown, the scheme was extended. The rules of this extended scheme allowed anyone in financial difficulties due to COVID-19 could apply for a further 3 month holiday even if their original holiday had ended or was still active. All new holiday requests had to be made before 31 March 2021 and end by 31 July 2021. The holiday meant borrowers were not required to make any mortgage payments during the period, although they were encouraged to do so where possible. The Society supported the Government schemes in addition to offering their existing range of forbearance options above. At 31 December 2021 there were no active payment holidays granted to borrowers impacted by COVID-19 (At 31 December 2020 15 accounts had an active payment holiday).

An individual impairment provision of £Nil (2020: £5k) has been provided for cases in forbearance. No individual impairment provisions were provided on accounts with an active payment holiday at 31 December 2020.

In total £146k (2020: £78k) of forbearance cases (excluding active payment holidays at 31 December 2020) are past due by three or more months against outstanding balances of £1,366k (2020: £2,034k).

Liquidity risk

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

- Meet day-to-day business needs;
- Meet any unexpected cash needs;
- Maintain public confidence; and
- Ensure maturity mismatches are provided for.

Monitoring of liquidity, in line with the Society's prudent policy framework, is performed daily. Compliance with these policies is reported to ALCO weekly.

The Society's liquidity policy is designed to ensure that the Society has sufficient liquid resources to withstand a range of stressed scenarios. A series of liquidity stress tests have been developed as part of the Society's Internal Liquidity Adequacy Assessment Process (ILAAP). They include scenarios that fulfil the specific requirements of the PRA (the granular, benchmark and enhanced stress tests) and scenarios identified by the Society which are specific to its business model. The stress tests are performed at least quarterly and reported to ALCO to confirm that liquidity policy remains appropriate.

The Society's liquid resources comprise high quality liquid assets, including a Bank of England reserve account, Gilts and time deposits. At the end of the year the ratio of liquid assets to shares and deposits was 23.4% compared to 25.8% at the end of 2020.

The Society maintains a contingency funding plan to ensure that it has so far as possible, sufficient liquid financial resources to meet liabilities as they fall due under each of the scenarios.

Notes to the Annual Report and Accounts (continued)

26. Financial instruments (continued)

Society assets can be used to support collateral requirements for secured funding or central bank operations. Encumbrance benefits the Society as it provides cheaper and more stable funding. However, depositor members and other senior unsecured creditors are unable to benefit from the liquidation of encumbered assets in the event of insolvency, and risk bearing losses from a forced sale. Encumbrance is therefore reported and the associated risks are managed. An analysis of how the Society has used its statement of financial position in this regard at 31 December 2021 and 2020 is set out in the table below:

	2021 £000	2020 £000
* Loans and advances to credit institutions	-	350
** Loans and advances to customers	52,501	50,641
	52,501	50,991

* The Society placed collateral to support initial margin and mark to market credit exposure under Credit Support Annexes (CSA's) for its derivative instruments.

** Financial assets are pledged as collateral to the Bank of England to support the borrowings from the Term Funding Scheme with additional incentives for SMEs (TFSME) and also to support contingent liquidity drawings if required.

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

	On demand £000	Not more than 3 months £000	More than 3 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	More than 5 years £000	Total £000
At 31 December 2021						
Shares	105,512	31,363	76,696	8,116	3	221,690
Amounts owed to credit institutions	-	10	58	31,215	-	31,283
Amounts owed to other customers	12,303	8,907	13,177	-	-	34,387
Derivative financial instruments	-	18	(32)	(222)	-	(236)
Off balance sheet exposure - mortgage commitments	16,430	-	-	-	-	16,430
	134,245	40,298	89,899	39,109	3	303,554
At 31 December 2020						
Shares	93,820	31,302	78,102	7,866	10	211,100
Amounts owed to credit institutions	-	5	10,007	8,001	-	18,013
Amounts owed to other customers	11,658	8,966	13,110	-	-	33,734
Derivative financial instruments	-	50	45	32	-	127
Off balance sheet exposure - mortgage commitments	18,280	-	-	-	-	18,280
	123,758	40,323	101,264	15,899	10	281,254

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

Off balance sheet exposure – mortgage commitments pertain to amounts payable on demand for undrawn loan commitments and have been included accordingly.

Notes to the Annual Report and Accounts (continued)

26. Financial instruments (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices consists of three types of risk: currency risk, interest rate risk and other price risk. Of these, only interest rate risk is significant for the Society. The Society only deals with products denominated in sterling so is not directly exposed to currency risk. Its products are only interest rate orientated so are not exposed to other pricing risks.

The Society is exposed to interest rate risk in the form of changes (or potential changes) in the general level of interest rates, changes in the relationship between short and long-term interest rates and divergence of interest rates for different statement of financial position elements (basis risk).

The Society has adopted the "Matched" approach to interest rate risk, as defined by the PRA, which aims to match the interest rate profile of both its assets and liabilities within tight limits set by the Board, and only to the extent that the PRA is satisfied that the Society has the requisite risk management capability. Regular monitoring of both the interest rate gap and the basis risk are reported to ALCO on a quarterly basis.

The Society also monitors the sensitivity of its interest rate risk based on a full statement of financial position gap analysis. The statement of financial position is subjected to a stress test of a 200 basis point (bp) parallel rise in the LIBOR yield curve (to be replaced by a SONIA yield curve from 01 January 2022) which is performed monthly and reported to ALCO on a quarterly basis.

The following table shows a summary of the Society's interest rate risk exposure. The table include all assets and liabilities, including derivative financial instruments which are used solely to reduce exposure to interest rate risk, categorised by repricing date.

	2021 £000	2020 £000
Sensitivity of reported reserves to interest rate movement (economic value)		
As at 31 December	-305	-225
Average for period	-152	-87
Maximum for period	182	33
Minimum for period	-362	-225

The Society has entered into Credit Support Annexes (CSA's) for its derivative instruments which typically provide for the exchange of collateral on a daily basis to mitigate net mark to market credit exposure.

The following table shows the impact on derivative financial instruments after collateral:

	Gross amounts* £000	Financial collateral** £000	Net amounts £000
At 31 December 2021			
Financial assets			
Derivative financial instruments	303	-	303
Financial liabilities			
Derivative financial instruments	1	-	1
At 31 December 2020			
Financial assets			
Derivative financial instruments	-	-	-
Financial liabilities			
Derivative financial instruments	116	350	(234)

* As reported in the statement of financial position

** The minimum call level for collateral is £400k. At 31 December 2020 the Society chose not to recall previously lodged collateral although the net mark to market position is a £116k liability.

Notes to the Annual Report and Accounts (continued)

26. Financial instruments (continued)

Capital

The Society has a policy to maintain a strong capital base to ensure Member, creditor and market confidence are maintained and to support long term sustainable growth.

The Society prepares an Internal Capital Adequacy Assessment Process (ICAAP), which focuses on ensuring the capital resources of the Society are sufficient to support its plan both in normal and stressed conditions. The ICAAP is aligned to the strategic plan and the combination of both ICAAP and strategic plan ensure that the Society maintains sufficient capital to support its planned business objectives. The Board monitors the Society's capital position on a regular basis to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position is reviewed against a Board agreed risk appetite measure which aims to maintain capital at a level that exceeds, but is no lower than, its Total Capital Requirement.

The Society manages its capital and risk exposures to maintain the capital in line with regulatory requirements which includes monitoring of:-

- Lending decisions
In order to manage credit risk a comprehensive set of sectoral limits are maintained in the Society's lending policy. Individual property valuations are monitored against the Nationwide house price index (HPI);
- Concentration risk
The overall mix of the loan portfolio is taken into account when designing lending products. This is to manage the Society's exposure to risks arising from the markets the Society actively operates in;
- Counterparty risk
Wholesale lending is only carried out with approved counterparties within Board agreed limits that reflect the Society's risk appetite.

Stress tests are also used as part of the process of managing capital requirements.

The Society's capital requirements are set and monitored by the PRA. During 2021 the Society has continued to comply with the European Union Capital Requirements Regulation and Directive (Basel III) as amended by the PRA.

Regulatory capital is split into two tiers:-

- Tier 1 capital made up of retained earnings, revaluation reserve less intangible assets; and
- Tier 2 capital which is the collective impairment provision.

The level of capital is matched against risk-weighted assets which are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets.

There were no reported breaches of capital requirements during the year. There have been no material changes in the Society's management of capital during the year. The Society's regulatory positions as at 31 December 2021 under the Standardised Approach (unaudited) was as follows:

	2021 £000	2020 £000
Tier 1 capital		
Reserves	27,303	25,915
Less Intangible fixed assets	(109)	(131)
	<u>27,194</u>	<u>25,784</u>
Tier 2 capital		
Collective impairment provision	16	227
	<u>16</u>	<u>227</u>
Regulatory capital	<u><u>27,210</u></u>	<u><u>26,011</u></u>

Notes to the Annual Report and Accounts (continued)

27. Guarantees and other financial commitments

Capital commitments

As at 31 December 2021 the Society had capital commitments or contracted capital expenditure of £Nil (2020: £Nil).

Lease commitments

The total of future minimum lease payments under non-cancellable operating leases were as set out below:

	2021 £000	2020 £000
Within one year	3	3
In the second to fifth years inclusive	-	3
	<u>3</u>	<u>6</u>

28. Country-by-Country reporting

The Capital Requirements (Country-by-Country reporting) Regulations 2013 introduced reporting obligations for institutions within the scope of the European Union's Capital Requirements Directive (CRD IV).

Article 89 of the CRD IV requires credit institutions and investment firms in the EU to disclose annually, specifying by Member State and by third country in which it has an establishment, the following information for the year ended 31 December 2021:

No detailed country by country reporting is being provided due to the information given in point a) below.

- a) The Buckinghamshire Building Society, which is a deposit taking and secured home finance lending entity, has all of its operation based in England and its statement of financial position entirely denominated in Sterling.
- b) The number of employees is disclosed in note 9 of the accounts.
- c) Turnover and pre-tax profit are disclosed in the Income and Expenditure Account on page 46.
- d) Corporation tax paid is disclosed in the Cash Flow Statement on page 49.

The Society has not received any public subsidies.

Glossary of Terms

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

Basis point

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

Contractual maturity

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

Cost/income ratio

The cost-to-income ratio (also called the cost/income ratio or C/I ratio) is the measure of the costs of running the Society in relation to its operating income.

Effective interest rate method (EIR)

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

Fair value

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

Forbearance strategies

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

Free capital

Represents the aggregate of gross capital and collective impairment provision less intangible and tangible fixed assets.

General reserves

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

Impaired loans

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

Individually/collectively assessed

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

Interest Margin

Represents net interest income divided by mean total assets.

Internal capital adequacy assessment process (ICAAP)

The Society's own assessment of the level of capital that it needs to hold for risks it faces under a business-as-usual scenario and a variety of stress scenarios.

Liquid assets

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

Liquidity ratio

Liquid assets as a percentage of shares and borrowings.

Liquidity risk

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

Loan to value ratio (LTV)

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

Loans past due/past due loans

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

Management expenses

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

Market risk

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

Mean total assets

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

Member

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

Mortgage arrears

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

Net interest income

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

Risk appetite

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

Risk weighted assets

Risk weighted assets are used to determine a financial institution's minimum capital requirements. Risk weighted assets are computed by adjusting each asset class for risk in order to determine a financial institution's potential exposure to losses. For example, an unsecured loan is considered to carry more risk than a loan secured by a residential property (mortgage).

Residential loans

Residential mortgage loans secured against residential property.

Retail deposits

Money deposited by small and medium sized entities in a savings account with the Society. Such funds are recorded as liabilities for the Society.

Retail shares

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

Shares and borrowings

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

Total capital ratio

Measures the Society's reserves (after required adjustments) as a proportion of its risk weighted assets.

Tier 1 capital

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

Annual Business Statement

Statutory percentages

	2021 %	Statutory limit
The lending limit Proportion of business assets not in the form of loans fully secured on residential property	1.51%	25.00%
The funding limit Proportion of shares and borrowings not in the form of shares held by individuals	22.83%	50.00%

- Business assets are the total assets of the Society as shown in the statement of financial position plus impairment provisions, less intangible fixed assets, tangible fixed assets and liquid assets. Loans fully secured on residential property are the amount of principal owing by borrowers, interest accrued not yet payable and effective interest rate adjustment. This is the amount shown in the statement of financial position plus impairment provisions.
- The above percentages have been calculated in accordance with, and the statutory limits are those prescribed by, sections 6 and 7 of the Building Societies Act 1986 as substituted by the Building Societies Act 1997.
- The statutory limits ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its members.

Other percentages

	2021 %	2020 %
As a percentage of shares and borrowings:-		
Gross capital	9.54%	9.89%
Free capital	9.04%	9.43%
Liquid assets	23.39%	25.78%
As a percentage of mean total assets:-		
Profit after taxation	0.46%	0.25%
Management expenses	1.43%	1.40%

The above percentages have been prepared from the Society's accounts and:

"Shares and borrowings" represents the aggregate of shares, amounts owed to credit institutions and amounts owed to other customers.

"Gross capital" is the general reserve and the revaluation reserve

"Free capital" represents the aggregate of gross capital and collective impairment provision less intangible and tangible fixed assets.

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

"Liquid assets" has the same meaning ascribed in the statement of financial position.

"Management expenses" represents the aggregate of administrative expenses and depreciation and amortisation.

Details of Directors serving during the year

Name	Month and Year of Birth	Date of appointment	Date of resignation /retirement	Position	Other directorships
Dick Jenkins	September 1957	01.05.2018		Chair	-
Eric Leenders	March 1967	23.04.2014		Vice Chair	Registry Trust Ltd
Christine Higgins	February 1959	27.04.2016		Non-Executive Director	MacQuarie Capital (Europe) Ltd PCF Bank Ltd PCF Group Plc Refuge
Rebecca McBride	November 1972	01.05.2021		Non-Executive Director	-
Nigel Montgomery	May 1956	01.05.2021		Non-Executive Director	-
Steve Nichols	October 1950	22.02.2012	21.04.2021	Non-Executive Director	Rosendale Trust
Andy Lucas	May 1967	01.05.2021		Non-Executive Director	Cirencester Friendly Society YMCA Trinity Group The Christian Conference Trust
Chris Potter	September 1965	04.01.2022		Non-Executive Director	Royal Institution of Great Britain
Gerard O'Keeffe	December 1965	31.01.2019		Chief Executive Officer	Coolroe House Ltd Royal Grammar School High Wycombe Ltd
Darrin Ramdeen	February 1977	23.09.2019		Finance Director	Building Societies Trust Ltd

The Executive Directors each have a Service Agreement with the Society terminable by either party giving six months' notice. Gerard O'Keeffe's Service Agreement was signed on 26 September 2018; Darrin Ramdeen's Service Agreement was signed on 3 May 2019.



BUCKINGHAMSHIRE 
— BUILDING SOCIETY —

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Email: info@bucksbs.co.uk**

The Society is a member of The Building Societies Association, The Financial Services Compensation Scheme and The Banking Standards Board
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.
Registration number 206022

We have commissioned a local illustrator, Phil Langley, to create this representation of the wonderful county of Buckinghamshire that we are proud to call our home. We hope you like it