the tipton & coseley building society

Annual Report & Accounts 2024

Contents

2024 Highlights

£120M
GROSS MORTGAGE LENDING

£524M
TOTAL SAVINGS BALANCES

£2.2M
UNDERLYING PROFIT BEFORE TAX

£2.3M
PROFIT BEFORE TAX

2.05%
NET INTEREST MARGIN

1.75%
MANAGEMENT EXPENSES RATIO

20.0%
LIQUID ASSETS RATIO

23.9%
TIER 1 CAPITAL RATIO

Chair's welcome

I am pleased to present the Society's 2024 Annual Report & Accounts and report that the Society has, once again, delivered a very positive set of results for our members. We have achieved another record year of gross lending, strong net retail receipts, whilst also delivering excellent underlying profitability that will be used to help support the Society's future growth and development.

2024 Highlights

Although the external environment improved in 2024 compared to recent years, there remained significant economic and political uncertainty, dampening consumer sentiment and driving up competition in the mortgage and savings markets. This makes the Society's performance in 2024 even more impressive, reinforcing our belief that our Society and other regional building societies continue to play a vital role in offering customers choice, flexibility and personalised service. Indeed, leveraging the importance of the role we play in the financial services market will be essential as we plan and invest for the Society's long-term future.

At the beginning of 2024, Adam Evetts became our Chief Executive, and the Board have worked closely with Adam and his executive team to ensure the Society has a clear sense of purpose and direction as it considers the investment plans needed to support the Society's future growth, ensuring we continue to focus on delivering value to our members, developing our people, and strengthening our connection to our heartland. We are delighted with the progress Adam has made, and we enter 2025 with a refocused strategy for the next few years that fully faces into these challenges, placing a new emphasis on customers, colleagues and community.

The Financial Conduct Authority ("FCA") Consumer Duty regulations came into effect in 2024 and provided the Board with an opportunity to reflect on how well the Society delivers good outcomes to its retail customers, and particularly how this is evidenced to the Board. With the requirements of the Duty chiming so closely with the values and ethos of the Society, it was pleasing to see how closely our approach aligned to the expectations of the regulator. Consumer Duty is now a regular part of Board discussions, helping to bring to life customer journeys within our policy documents, business proposals and management information, as well as playing a key role when considering changes to our Standard Variable Rate ("SVR") and savings book pricing.

Board changes

Sally Veitch, Non-Executive Director ("NED"), and Chair of the Society's Audit Committee notified the Board of her intention to resign from her role in July 2023, and she left the Board on 31 March 2024. The Board were pleased to appoint Janet Chapman as a NED and Chair of the Audit Committee from 25 April 2024. Janet's strong background in audit and finance has ensured the continued effective operation of the Audit Committee, as well as adding further strength and depth to the Board.

The Board were also very happy to appoint Mark Ferguson, the Society's Director of Risk & Compliance, as Secretary, taking on the role from Adam Evetts.

Outlook for 2025 and beyond

The Society is financially strong and well positioned to continue the positive progress of recent years. In what we expect to be another highly competitive year for mortgages and savings in 2025, we believe we can continue to grow and provide a great service to our customers. Our strategy reflects this through a continued investment in people, processes and technology to ensure the Society has a long-term sustainable, successful and secure future.

Finally, on behalf of the Board I would like to thank our members and colleagues for their support and commitment to the Society, and we look forward to this continuing in 2025 and beyond.

Jeremy Cross
Chair of the Board
27 February 2025

Chief Executive Officer's review

As Jeremy has already highlighted, 2024 was again a very good year for the Society, that saw us deliver another year of record lending and healthy retail inflows, whilst our underlying profitability ensures our long-term sustainability. Our performance is testament to our clear strategic focus on targeting those specific customer segments where we are able to offer a range of competitively priced products, and whose customers value the outstanding customer service delivered by our incredible colleagues.

Although 2024 saw an easing of the economic headwinds that dominated 2022 and 2023, it was still another challenging year. While inflation (CPI) continued to fall from the high levels seen in 2022, even falling below the Bank of England's 2% target in September 2024, continued price pressures in the Services sector saw inflation rise again towards the end of the year. Combined with uncertainty around the economic impact of the new Labour Government's first budget, we only saw two reductions in Bank Rate during the year, ending the year 0.5% lower at 4.75%. Concern over the pace of the UK's economic recovery caused consumer sentiment to waiver, resulting in limited house price growth over the year and a subdued level of housing transactions. Uncertainty over future Bank Rate changes also created significant pricing challenges for both mortgage and savings product providers, with many products only available for a short period of time before being repriced or withdrawn. Against this backdrop the Society's 2024 performance has been particularly impressive.

Financial performance

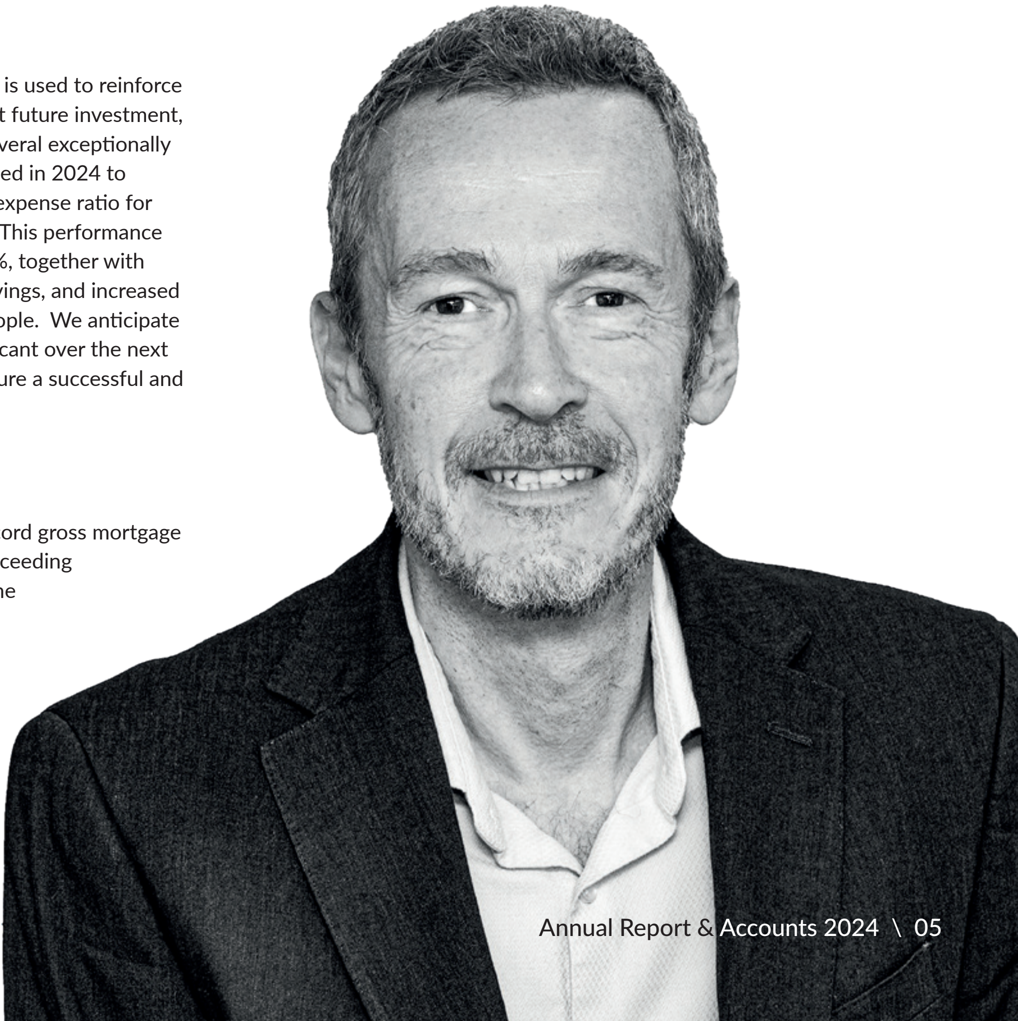
As a mutual organisation our profitability is used to reinforce our strong capital position and to support future investment, rather than paying shareholders. After several exceptionally strong years, profit before taxation reduced in 2024 to £2.3m (2023: £4.3m). Our management expense ratio for 2024 increased to 1.75% (2023: 1.59%). This performance reflected overall mortgage growth of 10%, together with tighter margins across mortgages and savings, and increased investment in our core processes and people. We anticipate that these investments will remain significant over the next few years in line with our strategy to ensure a successful and sustainable future.

Mortgages

The Society delivered another year of record gross mortgage lending with £119.6m lent in the year, exceeding the £115.5m achieved in 2023. During the year we increased our focus on shared ownership and entered the expat residential market, the latter enabling us to lend to individuals who are not paid in Sterling. With all of our mortgages manually underwritten we are able to offer a more personal approach to assessing cases, allowing us to take a more flexible and pragmatic approach than that applied by many of the larger lenders. This, combined with our strong focus on product innovation, our ability to adapt our Lending Policy in response to changes in borrower need and our exceptional people, has delivered the strong lending volumes seen in 2024.

We have also improved our focus on borrower retention, engaging earlier with borrowers coming to the end of their product term with competitive products, helping them better manage any change to payments. This approach has paid off with our retention rate increasing by over 13% in 2024.

Our strong gross lending and retention performance has resulted in net lending of £45.7m for 2024, with mortgage assets growing by 10% over the year.



Chief Executive Officer's review (continued)

In order to improve our customer experience and to support the Society's future lending plans, in December 2024 we signed a contract with Mast Technologies Ltd to implement their mortgage origination platform, allowing us to provide a more streamlined and intuitive mortgage application journey whilst also simplifying our underwriting processes. Implementation of the platform started in January 2025, and our customers will benefit from these improvements from H2 2025.

Sadly, the challenging economic environment has meant we have seen a small increase in the number of customers in arrears by more than 90 days, though this was limited to a net increase of 7, and stood at 15 customers at the year end. The Society is a signatory of the Mortgage Charter and, using a range of forbearance tools, we work closely with all customers in arrears to help them keep their home. During 2024 no properties were taken into possession, however, the Society maintains an appropriate level of impairment provisioning to ensure any future losses are adequately covered. As at the end of 2024 the Society's impairment coverage ratio stood at 0.28% (2023: 0.36%).

For borrowers looking for support or worried about their ability to pay their mortgage, further details around the help provided by the Mortgage Charter can be found on our website or you can call us on **0121 557 2551** to speak to someone directly about the support we can provide.

Savings

During the year we continued to ensure we provided good value to our savings customers through our product range, the service in our branches and, increasingly, through the convenience of our app. We paid attractive rates on our savings products, allowing us to both retain existing balances and attract new funds to help support future lending activity.

This saw us increase our retail deposits by £42m during the year by offering a range of competitive fixed and variable rate accounts via our branches, mobile app and postal channels. For our savings book as a whole, our savings rates are, on average, 1.45% higher than the market average.

We understand the importance of allowing customers to be able to interact with us through a range of different channels; in particular the role of our branch network in providing customers in our heartland with access to savings products in a friendly face-to-face environment. We also continue to develop our mobile app to ensure it provides the security and resilience expected by our customers and we are seeking to open new branches within our heartland where we believe opportunities exist to extend our customer reach.

Consumer Duty

This important initiative from the FCA creates additional expectations on financial services companies in the way that they behave and interact with their customers. The Society implemented the FCA's Consumer Duty regulations well ahead of the July 2024 deadline. The core principle underlying the Duty, that firms should deliver good outcomes for retail customers, was already strongly embedded across the Society and sat at the heart of our ethos as a mutually owned building society. As such, the implementation has allowed us to embed this principle even more deeply, including expanding our governance and MI supporting the Duty, enhancing customer communications, reviewing our tariff of fees and delivering a range of training to all colleagues across the Society to reinforce our focus on putting the customer at the heart of everything we do.

Community and colleagues

Being a good employer and making a positive contribution to our local community are very important to us.

Our success during 2024 would not have been possible without the support and commitment of all of our colleagues. During the year we welcomed 19 new employees, growing our headcount to 120 people, and continuing our support of job creation in our local area. Throughout the year we engaged regularly with colleagues via monthly CEO updates, quarterly pulse surveys, NED visits and colleague engagement events, helping to ensure colleagues understood the Society's priorities, and that the Board and the senior managers were able to get feedback on colleague engagement and motivation.

Community and charity engagement further helps to strengthen colleague engagement, as well as reinforcing the Society's strong sense of citizenship within its heartland. During the year total charitable donations amounted to over £58,000. This included a donation of over £5,000 to our Charitable Foundation, £9,000 to the Midlands Air Ambulance Charity and £12,000 to the Black Country Foodbank.

The Foundation, which supports charitable activities within the Black Country area with the principal purposes of raising educational standards, increasing health provision, and supporting the hospice movement, received a donation of £5,000 as a result of members saving in our Community Saver accounts. The Foundation, which celebrated its 25th anniversary during the year, made donations to 20 charities supporting the local area, totalling over £18,000. Since its inception in 1999 the Foundation has donated more than £278,000 to 171 different charities.

Colleagues chose four highly deserving charities to support in 2024: Acorns Children's Hospice, the Midland Langar Seva Society, Heartlands Hospital Neonatal Unit and Balls to Cancer. They raised a total of £4,708 for them during the year through a range of fundraising events including a fashion show, a bake-off competition, a colleague spinathon, a sponsored walk, and a Christmas hamper raffle.

Colleagues also supported a number of other local initiatives during the year including food collections for Black Country Women's Aid and Russell's Hall Hospital and volunteering at a range of local charities.

The Society also continued its long-standing support of numerous local clubs and associations, including ongoing support and sponsorship of Tipton Harriers Athletics Club and Tipton Town FC.

Focus for 2025

Our strategy is based on a clear statement of our purpose as a building society, supported by a vision statement of what we aspire to achieve. These statements, "helping our customers achieve their most important financial goals", and "to make a positive impact on everyone we interact with – customers, colleagues and community", are driving our decision making and planning activities, helping to ensure the Society remains a thriving mutual organisation, delivering value to its members and with its roots firmly embedded within the Black Country.

Adam Evetts
Chief Executive Officer
27 February 2025

Strategic review

Our principal purpose is to help our customers achieve their most important financial goals. We achieve this through, at its core, a simple business model. We provide a focused range of mortgages to our members, which are funded primarily by retail savers and our accumulated profit reserves.

As a regional building society with a proud Black Country heritage and as a mutual organisation, we play an important role in bringing diversity and choice to the mortgage and savings marketplaces. We do not aim to maximise profit; we work hard to balance rewarding both mortgage and savings members with competitively priced products, whilst ensuring we are financially strong and able to continue to invest for the future benefit of members.

Funding

Our funding is sourced primarily from retail savers (through our 4 local branches, online app and by post), wholesale markets, and from accumulated previous years' profits.

Growing our retail savings balances is key to ensuring we can sustain mortgage book growth in the long-term and we're proud that in the course of 2024 we exceeded £0.5bn in retail deposits. We achieved this by continuing to provide attractive savings products and good service to our customers. During 2024, we were able to mitigate the reduction in our average savings rates from 4.13% in December 2023 to 4.02% in December 2024, and our savers benefitted from the Society paying 1.45% above market average rates[1] in 2024.

To diversify our funding, we are a participant of the Bank of England's Sterling Monetary Framework, and to a limited extent attract funding from other corporate bodies.

Mortgages

We are committed to helping our mortgage customers achieve their most important goals, and are passionate in developing a quality, friction-free experience that our customers value. In particular, our underwriters use their expertise to individually assess every new mortgage on its merits and we invest time engaging with customers to better understand their individual circumstances. This depth of understanding means we can offer mortgages to more complex, credit-worthy, borrowers that larger providers may decline.

Our product range is targeted at underserved segments of the mortgage market whilst ensuring we do not become over exposed to any one segment; this means we remain well positioned to cope with changes in competition and the market.

Our customer service will be further enhanced in 2025, as we invest in a new mortgage origination platform, which will significantly improve the end to end mortgage process, and increase the Society's lending capacity.

In 2024, we supported borrowers to purchase or remortgage homes across England and Wales including:

- First time buyers;
- Borrowers with higher income multiple requirements;
- Borrowers who have shared ownership of their property;
- Lending into later life, including retirement;
- Buy to Let, including to ex-pat borrowers; and
- Borrowers wanting to build or refurbish a property.

Of particular note, we have now extended our range to residential customers who have a UK family property but work overseas.

Unfortunately, some mortgage customers will experience financial difficulty at times. The Society is a signatory to the Mortgage Charter which sets out a range of standards to adopt when helping customers experiencing financial difficulties. Our approach is to support customers wherever we can, using forbearance measures appropriate to their circumstances.

Managing liquidity

We maintain a prudent level of liquidity to ensure we are able to support expected mortgage lending, and other future needs. Throughout the year, liquidity was maintained significantly above minimum regulatory requirements.

Our liquid assets are held primarily in the form of either cash with the Bank of England, or readily convertible, highly secure, instruments backed by UK government (TBills).

Net interest margin

Our objective is to balance the need to offer attractive rates to both savers and borrowers, whilst ensuring we achieve a sustainable overall net interest margin. Our margin is influenced by a number of factors including product price, mix of products, the structure of our balance sheet, and changes to Bank of England Base Rate. We enter into hedging arrangements to manage our exposure to risks associated with changes in Base Rate.

[1] Bank of England Database

Cost management

Maintaining cost control and investing carefully where it will yield long term value are important for us to ensure we are able to generate sufficient profit to maintain a strong financial position. Costs reflect our operation across four local branches, serving our savings customers, sourcing and administering mortgages, and ensuring we remain compliant within the regulatory environment we operate within.

A high proportion of our costs relate to our colleagues, who we aim to pay fairly to ensure we attract and retain talent. We continue to invest in improving processes so we are well placed to provide great service to customers now and in the future, and to remain operationally resilient should unexpected events arise.

In 2024, we have commenced a significant investment into a mortgage origination platform which is due to be implemented in 2025, together with initiatives to improve our operational resilience and robustness of our mobile savings app. We have continued to improve our mortgage and savings processes and capability, cyber security, and invest in colleague development.

Ensuring sustainable capital

Our capital reserve has been generated since our inception in 1901 and is entirely from historic profits. As a regional mutual this is realistically the only source of capital available. It is used to ensure we are financially strong, both currently and into the future, and is necessary to support future mortgage lending, and investment in the Society.

Our capital position is significantly above regulatory requirements; this provides both a buffer for unforeseen stress events and gives us confidence to make investments in line with our longer term strategic plans.

Key performance indicators

Key performance indicator	What is measured	Performance	Commentary
Underlying profit before tax	An alternative profit measure, used by the executive team, that excludes gains/(losses) on derivative financial instruments, and any one-off items.	2024 £2.2m 2023 £4.5m 2022 £3.8m	Underlying profit reduced as a result of lower net interest margin, following several strong years, as the short term benefits from rises in the Base Rate unwound, together with increased costs, partly offset by reductions in impairment provision.
Profit before tax	As reported in the Income Statement, this is a measure of capital generation in the year, to support future Society growth.	2024 £2.3m 2023 £4.3m 2022 £4.8m	Profit before tax reduced as a result of the underlying profit changes, together with accounting for £32,000 fair value gains on derivatives (2023: loss £189,000); these gains/losses will unwind in future years.
Gross mortgage lending	The value of mortgages lent to our customers during the year.	2024 £120m 2023 £116m 2022 £108m	The Society continued to support new borrowing at a level above its historic market share and achieved a consecutive new record for the Society in 2024, following 2023's record.
Net mortgage lending	The annual increase in the total mortgage book, excluding fair value adjustments, and impairments.	2024 £45.7m 2023 £47.5m 2022 £27.1m	Mortgage balances grew by 10% in 2024, reflecting both high gross mortgage lending, and strong retention from our existing customers, reflecting our efforts to provide competitive products to our customers.
Net interest margin	The difference between interest received on assets (principally mortgages, and liquidity), and interest paid on liabilities (principally funding), as a percentage of mean assets.	2024 2.05% 2023 2.46% 2022 2.24%	As expected, following two particularly strong years, net interest margin declined back towards historic norms. Throughout 2024, the Society has sought to offer competitive mortgage and savings rates. Mortgage prices in the second half of the year benefitted from the market's expectation of reducing base rates. Funding costs continued to rise, reflecting both the annualised impact of prior years' Base Rate rises, and a highly competitive environment for retail deposits. In addition, the benefit associated with hedging fixed rate mortgages reduced year on year as existing mortgages reached product maturity and repriced.

Strategic review (continued)

Key performance indicator	What is measured	Performance	Commentary
Tier 1 capital ratio	Tier 1 capital (principally profit reserves) as a percentage of Risk Weighted Assets ("RWA").	2024 23.9% 2023 25.5% 2022 26.8%	Strong profitability in the year strengthened the Society's capital base which was offset by the increase in RWAs which are associated with growth of the Society.
Liquid assets ratio	Total of cash in hand, loans and advances to credit institutions, and debt securities as a percentage of shares and borrowings.	2024 20.0% 2023 23.8% 2022 23.7%	The Society adopted a prudent approach to liquidity in the year, maintaining levels significantly above regulatory minimums; liquidity ratio reduced by 4% reflecting both strong lending growth, and the repayment of £10m TFSME[1] loans.
Savings balances	Shares and deposits held by members.	2024 £523.9m 2023 £479.2m 2022 £416.0m	The Society focused on increasing savings balances to fund mortgage lending, ahead of repayment of Bank of England TFSME loans by the end of 2025. Savings balances are again at record levels, having exceeded £0.5bn in the course of the year.
Impairment coverage	Impairment provision as a percentage of the year end mortgage book, prior to fair value adjustments.	2024 0.28% 2023 0.36% 2022 0.32%	At the end of 2024, cost of living pressures appear to be stabilising, with house prices showing modest growth. As a result, although there remain some economic headwinds, we have reduced our estimate of mortgage impairments at the year end. At the end of 2024 there was one mortgage 12 months or more in arrears (2023: none).
Management expense ratio	The aggregate of administrative expenses, depreciation and amortisation, as a percentage of mean total assets.	2024 1.75% 2023 1.59% 2022 1.48%	Costs increased in the year including additional investment in people (with average headcount rising from 105 to 120) and in our systems. This investment supports future mortgage and savings growth, and customer service levels. This was offset by 5% growth in Total Assets.

Risk management

Financial risk management objectives and policies

The Society operates in an environment where financial risks arise as a natural consequence of its business activities. To mitigate these risks the Society operates a formal structure for managing risk which is closely monitored and controlled by the Board, supported by four Board sub-committees; the Audit, Risk & Compliance, Nominations and Remuneration committees. In addition, the Society operates three executive management sub-committees which actively measure and monitor risk; the Assets & Liabilities Committee ("ALCO"), the Retail Credit Risk Committee ("RCRC") and the Executive Risk Committee ("ERC") which all report into the Board Risk & Compliance Committee.

The Board has overall responsibility for risk management and ensuring the approach is aligned to the Society's business strategy and objectives. The Board has put in place a formal risk management framework which includes oversight by the Board Risk & Compliance Committee, risk policy statements, risk appetites including risk metrics, mandates and reporting lines, and an active risk review process. Risk exposures are monitored monthly and managed in accordance with Board approved strategic policies.

The Society uses financial instruments for risk management purposes; the nature of these instruments and details of the financial risks are set out in note 27.

As part of the Capital Requirements Directive ("CRD"), the Board has assessed the adequacy of capital resources, which are a requirement of the CRD, together with the disclosures to comply with the requirements of Article 89 of the Capital Requirements Directive IV ("CRD IV"), which are set out in note 30 of the annual accounts.

[1] Term Funding Scheme with additional incentives for SMEs

Principal risks and uncertainties

Managing risk is an essential element of running any successful business, and many of the risks the Society faces are those normally associated with any business striving to prosper in a competitive market including interest margin pressures, regulatory and statutory developments, reputation, colleague recruitment and retention, as well as the challenges presented by cyclical changes in the economy.

The Society's risk management framework ensures it carefully manages the principal risks and uncertainties arising from its activities, and so helps to protect members' interests. The framework is underpinned by the three lines of defence model which ensures roles and responsibilities for managing risk are clearly defined.

The first line of defence retains overall accountability and ownership of risks within the business area. This includes responsibility for implementing the requirements of the risk management framework, including the identification, measurement, assessment, monitoring, control, and mitigation of risk.

The Society's Risk & Compliance team act as the second line of defence and are responsible for the design of the risk management framework and overseeing its successful implementation in the first line. They also provide support, oversight and challenge to the first line, and report their findings to executive management sub-committees, Board sub-committees and/or the Board as per oversight arrangements.

The third line of defence are the Society's internal auditors who provide independent assurance over the effective operation of first- and second-line activities, and report on the effectiveness of the systems of internal control to the Board Audit Committee.

The principal risks and uncertainties the Society faces are as follows:

Strategic risk

Strategic risk is the risk that the Society fails to achieve its strategic objectives as set out in the corporate plan. This can occur through changes in the external operating environment which threaten the Society's business model, or through poor execution.

Strategic risk is managed by:

- Focusing on creating and maintaining a long-term sustainable business model, through the development and challenge of strategy and detailed business plans, risk appetites and policies. Annually, the Board formally reviews and approves the corporate plan;
- Monitoring the external environment, including the current cost of living pressure and the potential for recession. Both could have significant short-term consequences and long-term impacts on the economy;
- Maintaining a diverse product portfolio to mitigate against significant changes in the market;
- Continued investment in people, processes, and technology to improve the resilience of the Society and the service to customers, and so supporting sustainable growth of the Society;
- Managing costs, monitoring them closely against the corporate plan. If necessary, the Society will adjust its plans to ensure costs remain at acceptable levels; and
- The Board providing challenge and monitoring of business performance.

Credit risk

Credit risk (mortgage and wholesale) is the risk that customers or counterparties will not meet their financial obligations to the Society as they fall due. This risk is most likely to arise in the potential inability of customers to make repayments on their mortgage, and of treasury counterparties failing to repay loan commitments.

Mortgage credit risk is managed by:

- Focusing on lending where the Society has appropriate knowledge and expertise;
- Setting a Board approved risk appetite, supported by a lending policy and specific segmental lending limits, and robust underwriting processes which seek to ensure customers only assume a debt they can afford to repay;
- Ongoing monitoring of performance and the exposure against risk appetite by RCRC, with oversight from the Board Risk & Compliance Committee; and
- Proactive engagement with members who have difficulty in making repayments, and working with them to clear arrears, make arrangements, or provide forbearance, where appropriate.

In respect of wholesale credit risk, the Board has an established treasury policy framework which limits treasury exposures to only those institutions considered highly credit worthy, along with limits in place to restrict the amount of exposure that can be taken in relation to any one counterparty, industry sector and geographic region. Monitoring and oversight of treasury positions is performed by ALCO with further oversight provided by the Board Risk & Compliance Committee.

Interest rate risk

Interest rate risk is the risk that income and expenditure arising from the Society's assets and liabilities may change adversely because of changes in interest rates. One type of interest rate risk is basis risk; this is the risk that assets and liabilities that are linked to different variable indices (such as Base Rate or SONIA) may not move in accordance with each other.

The Society manages this risk on a continuous basis, utilising derivative financial instruments where appropriate. Exposure limits are set by the Board, with monitoring and oversight performed by ALCO monthly, and further oversight provided by the Board Risk & Compliance Committee.

Further information on the Society's derivative financial instruments is set out in note 27. The interest rate sensitivity of the Society is set out in note 27.

Strategic review (continued)

Liquidity and funding risk

Liquidity and funding risk is the risk the Society is unable to meet its financial obligations as they fall due or can only do so at excessive cost.

The Board approved liquidity policy is to maintain sufficient liquid resources both as to amount and quality to cover cash flow imbalances and fluctuations in funding, to maintain full public confidence in the solvency of the Society and to meet its financial obligations as they fall due.

The Society maintains a level of liquid assets in line with the Board approved treasury policy. Adherence to these limits is monitored by the Finance Director with further oversight provided by ALCO and the Board Risk & Compliance Committee.

An Internal Liquidity Adequacy Assessment is performed annually to determine an appropriate level of liquid resources required under stressed conditions. Regular stress testing is performed to confirm the level of liquid resources is adequate under adverse scenarios.

Capital risk

Capital risk is the risk the Society has insufficient capital resources to meet current or future business requirements. The Board has set a minimum risk appetite, against which performance is monitored monthly.

An Internal Capital Adequacy Assessment is performed annually to determine the appropriate level of capital required to support current and future activities. Stress testing enables the Society to understand the impact on the capital position, and Recovery Plans are maintained, should a significant stress event occur.

Operational risk (including cyber risk)

Operational risk is the risk of financial or reputational loss arising from inadequate or failed internal processes, people, and systems, or from external events. The Society assesses the impact and likelihood of such risks occurring and then ensures controls have been established and are maintained which appropriately manage the risks in accordance with risk appetite and policies.

The threat of cyber risk is a key focus for the Society to ensure it safeguards members' assets. The Society continues to invest in protecting systems and data against potential cyber-attacks with a rolling programme of investment aimed at further improving resilience.

Exposure to operational risk is monitored by ERC with further oversight provided by the Board Risk & Compliance Committee.

Conduct risk

Conduct risk is the risk the Society's behaviour leads to poor customer outcomes. The Society's conduct risk policy sets out how conduct risk is managed, and sets out clear expectations around how the Society must conduct business with its customers to ensure they receive appropriate advice and support.

In response to the implementation of the FCA's Consumer Duty in 2023 and 2024, the Society strengthened its conduct risk control framework, including fair value assessments for all new and existing products. We have also enhanced customer facing literature where required and increased our monitoring.

The Risk & Compliance team monitor the Society's conduct risk exposure through assessing the effectiveness of controls in place to manage this risk. Their findings are reported to ERC and the Board Risk & Compliance Committee.

Financial risks from climate change

Climate change represents a risk to both the Society and its members. During 2024 we continued to develop our approach to identifying, monitoring and managing climate related risks. While most of the financial impacts from climate change may not emerge for many years, there are a number of shorter-term impacts associated with the transition to a low-carbon economy that need to be carefully monitored and managed.

Governance

The Board has delegated oversight of climate related risks to the Board Risk & Compliance Committee which is responsible for approving the overall risk appetite in relation to climate change risk and providing oversight of the Society's exposure. It is supported in this by the ERC, RCRC, and the Director of Risk and Compliance who is the Senior Management function holder with responsibility for overseeing management of the financial risks from climate change. The Audit Committee provides oversight of external disclosures relating to the management of climate change risk.

We have a climate change risk policy which sets out the approach to managing climate related risks, which includes details of the roles and responsibilities of each of the three lines of defence, including the Board.

Strategy

Many climate related risks have an emergence period of 50 years or more so they can be difficult to identify, measure and manage. To support the ongoing development of our approach all such risks are considered through two perspectives:

- Physical risks - the risks arising from weather events (such as flooding, heatwaves, and storms) and long-term shifts in the climate (such as increased mean temperatures, rising sea levels and increases in extreme weather events); and
- Transition risks – the risks arising from adjustment towards a low-carbon economy, including Government climate related policy and regulatory developments, the emergence of disruptive technologies and shifting sentiment and societal pressures.

A range of climate risks which may have a financial impact on the Society if they materialised are set out below:

Principle risk type	Climate change risk type	Examples	Emergence time horizon[1]
Retail Credit Risk	Transition	• Increase in defaults due to transition costs of moving to greener economy and/or increased energy costs; • Declining property values due to Government housing policy (e.g. minimum Energy Performance Certificates ("EPCs").	Medium
	Physical	• Declining property values due to increase in severe weather events, e.g. flooding; • Increase in insurance costs leading to increase in uninsured properties or creating trapped borrowers.	Long
Operational Risk	Transition	• Re-evalution of third party relationships due to their carbon footprint; • Increase in costs base (e.g. corporate insurance, energy); • Reputational damage as a result of not proactively promoting environmental credentials.	Medium
	Physical	• Physical damage to Society offices/branches and/or loss of services/systems due to increased number of severe weather events.	Long
Conduct Risk	Transition	• Potential increase in advice risks from assumed advice given in relation to green products.	Medium
Liquidity and Funding Risk	Transition	• Market participants seeking to deal only with firms with strong environmental credentials.	Medium
	Physical	• Increased risk of market disruption/volatility due to severe weather events; • Reduction in retail deposits due to transition costs of moving to greener economy and/or increased energy costs; • Reduction in retail deposits as a result of the Society failing to adopt green policies and practices.	Medium - Long
Strategic Risk	Transition	• Increase in reputational risk as a result of poor environmental credentials; • Increase in costs as a result of reducing Society's carbon footprint.	Medium
	Physical	• Loss of income as a result of disruption caused by severe weather event; • Deterioration of balance sheet asset quality as a result of physical impacts.	Long

We support the UK's ambition to be net-zero by 2050 and are conscious of our own contribution, both directly and indirectly, to global greenhouse gas emissions. During 2024 we continued our work with ClimatePartner, a leading solutions provider for climate action, to understand the emissions from our operations and to calculate our carbon footprint. We will then offset these emissions, through accredited projects in the UK and around the world.

With approximately 14%[2] of the UK's carbon emissions coming from homes, we recognise our lending policy can have a positive impact on reducing this. Currently, we have minimum EPC ratings for certain types of lending and will not lend against properties with a very high risk of flooding.

[1]Emergence time horizon is defined as Short (1 – 5 years), Medium (5 – 10 years), Long (10 years +).

[2]Department for Energy Security & Net Zero, 2022 UK Greenhouse Gas Emissions, Provisional Figures (February 2024).

Strategic review (continued)

Risk management

External data has been used to help quantify the current exposure to climate change risks. This has included property-level data relating to the risk of flooding, coastal erosion, and subsidence, and includes modelling to show how exposure to these risks may change under a range of climate change scenarios out to 2060.

We have assessed exposure to the physical risks of climate change within our mortgage book by using the Met Office's Climate Projections 2009 (CP09) and 2018 (CP18).

These in turn use four Representative Concentration Pathways that include a range of assumptions around how climate change will evolve.

The analysis below demonstrates that, even under the most pessimistic climate change scenario where global emissions continue to rise throughout the rest of the century, we have no material exposure to properties at risk of flooding, coastal erosion, or subsidence.

Risk metrics

Mortgage portfolio	Risk weighted exposure based on most pessimistic scenario					
	Flooding		Coastal erosion		Subsidence	
	31/12/24	31/12/23	31/12/24	31/12/23	31/12/24	31/12/23
Properties expected to be impacted at least every 10-years by 2060	0.5%	0.5%	0.0%	0.0%	0.5%	0.5%
Properties not expected to be impacted at least every 10-years by 2060	95.4%	97.2%	96.1%	97.7%	95.6%	97.2%
Properties where data is not available[1]	4.1%	2.3%	3.9%	2.3%	3.9%	2.3%

[1] Mortgages advanced after external analysis undertaken.

We monitor the EPC ratings of our mortgage book to help better understand the impact of lending activities in terms of carbon emissions, identify opportunities to change lending policies to reduce those emissions and to understand the degree to which borrowers may be exposed to potential changes in Government housing policy.

The distribution of EPC ratings across the core mortgage portfolio is shown below against both the current and potential EPC rating if energy efficiency improvements were made.

Current EPC rating	Owner occupied % by number		Buy-to-Let % by number		Total % by number	
	31/12/24	31/12/23	31/12/24	31/12/23	31/12/24	31/12/23
A-C	30.7%	27.8%	47.3%	42.3%	34.1%	30.7%
D-E	65.2%	66.1%	52.1%	53.2%	62.6%	63.5%
F-G	3.7%	3.8%	0.5%	0.9%	3.0%	3.2%
Unknown[2]	0.4%	2.3%	0.1%	3.6%	0.3%	2.6%

Potential EPC rating	Owner occupied % by number		Buy-to-Let % by number		Total % by number	
	31/12/24	31/12/23	31/12/24	31/12/23	31/12/24	31/12/23
A-C	93.0%	90.6%	95.9%	92.4%	93.5%	91.0%
D-E	6.3%	6.7%	3.1%	3.8%	5.6%	6.1%
F-G	0.2%	0.3%	0.1%	0.2%	0.3%	0.3%
Unknown[2]	0.5%	2.4%	0.9%	3.6%	0.6%	2.6%

[2] Properties purchased before EPCs became mandatory in 2008, where the certificate is more than 10 years old and has expired, or those advanced during 2024 after external analysis undertaken.

Climate change – future plans

We will continue to develop the work we carry out to understand the climate change impact of our business activities, including considering how these can be reduced or eliminated.

Jeremy Cross
Chair of the Board
27 February 2025

Board of Directors
as at 31 December 2024

Non-Executive Directors

Jeremy Cross Chair

Jeremy was appointed to the Board in 2022 as Chair and also Chairs the Nominations Committee. He has been a Chartered Accountant for 30 years with a background in retail and financial services. Prior to joining the Society, Jeremy was Chair of another regional building society and has worked within the mutual sector for over 10 years. In addition, he serves on the Board of his local NHS Foundation Trust, as well as chairing the Board of a children's hospice and Roseville Court Management Ltd.

Keith Rolfe Vice Chairman

Keith was appointed to the Board in 2015. He has extensive risk management experience gained from front line risk roles in leading global financial institutions, latterly in an executive role within Barclays Corporate as Chief Credit Officer. He has also worked for UBS and Credit Suisse in risk management roles. He is Chair of the Risk & Compliance Committee and a member of the Nominations Committee.

Belinda Moore Senior Independent Director

Belinda was appointed to the Board in 2020. She has extensive experience across a wide spectrum of marketing disciplines gained from a career of over 30 years in the UK and overseas. She holds non-executive roles at Benenden Healthcare, Moat House and LGPS Central. She is a member of the Audit and Remuneration Committees.

Myron Hrycyk Non-Executive Director

Myron was appointed to the Board in 2017. He has an MBA from Birmingham University and is a chartered member of the British Computer Society. During his career he has been Group Chief Digital and Information Officer and Chief Procurement Officer at Severn Trent plc, and IT Director at Unipart Advanced Logistics. He recently stepped back from his Cabinet Office Crown Representative role working with the UK Government's strategic digital technology suppliers to focus on his HMG appointment as a Commissioner to Birmingham City Council. Myron is a Non-Executive Director at Rooftop Housing Association. He is Chair of the Remuneration Committee and a member of the Audit and Risk & Compliance Committees.

Board of Directors (continued)

Jill Bentley Non-Executive Director

Jill was appointed to the Board in 2022. She has over 30 years risk management and prudential risk experience gained from senior roles across several large financial services firms. During her career she has also had several external secondments, including serving as Chief Risk Officer at what was then the Department of Communities and Local Government, and Policy Director at what was then the British Bankers Association. She is a Non-Executive Director of ACT Medical Ltd. Jill is a member of the Audit, Risk & Compliance and Nominations Committees.

Janet Chapman Non-Executive Director

Janet joined the Board in April 2024. She has many years of experience in financial services, most recently leading the Member Service teams at Nationwide Building Society where she also served as Chief Internal Auditor. Her career has encompassed internal audit and IT roles in banks, asset management and retail brokerage in both the UK and the US. Janet now also serves as a Trustee at the Museum of the Home and as Deputy Chair of the Regal Tenbury Trust which operates a theatre near her home in Worcestershire. She is Chair of the Audit Committee and a member of the Remuneration and Risk & Compliance Committees.

Executive Directors

Adam Evetts Chief Executive

Adam joined the Society in 2020 and was appointed to the Board in 2022, taking on the role of Chief Executive from January 2024. He has worked within the building society sector for nearly 30 years, including 23 years working in risk and compliance roles. He holds an MBA from Leicester University. He is a member of the Nominations Committee. Adam is also a Non-Executive Director of Roseville Court Management Ltd.

Alastair Shand Finance Director

Alastair was appointed to the Board as Finance Director upon joining the Society in 2021. He is a Chartered Accountant, qualifying in 1993, and holds an MBA from the University of Warwick. Prior to joining the Society, Alastair had worked in financial services for over 20 years, most recently in a senior finance role at Skipton Building Society.

Janet Chapman is standing for election and Alastair Shand re-election at the next AGM.

Corporate Governance Report

Our approach to corporate governance

The purpose of this report is to provide an overview of the way in which the Board has operated over the last twelve months and to describe how we incorporate good governance in our decisions and activities. Corporate governance is about the rules and policies we use to manage the Society. The Board is committed to high standards of corporate governance and believes this is integral to the Society's culture and values. The Board has reviewed corporate governance practices against the UK Corporate Governance Code 2018 ("the Code") and although the Society is not required to comply with the Code, as it only applies to publicly listed companies, where the Code is considered relevant the Society has had regard for its principles on a proportionate basis.

The Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA") also require the Board to have regard for the Code. A revised version of the UK Corporate Governance Code was published in January 2024 which will apply for financial years beginning on or after 1 January 2025. The Society will ensure it continues to have regard to the Code. The Society has put in place suitable arrangements to ensure it complies with the applicable revisions to the Code from the start of 2025 and we will provide further details in the 2025 Corporate Governance Report.

Changes to the Board in 2024

Adam Evetts succeeded Richard Newton as the Chief Executive on 1 January 2024 following a 6-month transition period, with Mark Ferguson, the Society's Director of Risk & Compliance, taking on the role of Secretary to the Board, a role previously held by Adam.

In July 2023, Sally Veitch, Non-Executive Director ("NED"), and Chair of the Society's Audit Committee notified the Board of her intention to resign from her role, and she left the Board on 31 March 2024. The Board, working with Warren Partners, were delighted to appoint Janet Chapman as a NED and Chair of the Audit Committee from 25 April 2024. Janet's strong background in auditing, including senior roles at Nationwide Building Society and Citi, has ensured the continued effective operation of the Audit Committee, as well as adding further strength and depth to the Board.

Keith Rolfe, Senior Independent Director ("SID") and Chair of the Board Risk & Compliance Committee will retire from the Board at the next AGM having served on the Board since 2015. Succession arrangements were put in place in 2023, and Belinda Moore, NED, took on the role of SID from October 2024, while Jill Bentley, NED, will take on the role of Chair of the Board Risk & Compliance Committee from 29 April 2025, subject to regulatory approval.

Role of the Board

The Board is accountable to members for the strategic direction and financial soundness of the Society. A governance framework is in place which facilitates both clear oversight of Society activities and effective decision making.

The Board has a formal Terms of Reference ("ToR") which articulates a clear set of roles and responsibilities. Board responsibilities include establishing the Society's purpose, values, and strategy, and satisfying itself that these and its culture are aligned. This is achieved through review and approval of the Corporate Plan and monitoring culture through Board and sub-Committee management information, reviewing measures such as complaints, number of risk events, and feedback from customers and regulators. Additionally, NEDs hold regular "meet and greet" session with colleagues, giving them a greater insight into the culture of the Society.

The Board is also responsible for approving budgets, regulatory assessments of the Society's capital and liquidity positions, its Risk Management Framework, and key supporting policies.

The Board must approve the annual report and accounts, and ensure it is fair, balanced and is both understandable and provides the necessary information for members to assess performance of the Society. The responsibilities of the Directors in relation to the preparation of the accounts and the statement that the business is a going concern are contained on pages 26 and 27.

Board composition

As at 31 December 2024 the Board was comprised of eight Directors, of whom two were Executive Directors and six were independent Non-Executive Directors. This complies with the Code which requires at least half of the Board, excluding the Chair, to be made up of independent Non-Executive Directors.

The Board considers that the current mix of Directors' skills, experience, backgrounds, and opinions is appropriate given the nature of the Society's business and protects members' interests and ensures effective leadership and direction.

Chair of the Board

The Chair leads the Board and is responsible for its overall effectiveness and sets its culture and direction, facilitating and encouraging effective contribution and challenge from Directors, and maintaining constructive relations between the Non-Executive and Executive Directors. The Chair ensures the Board consider the views of the Society's members, using the annual AGM, supported by insights from member communication and comments throughout the year, to gauge member opinion.

The other members of the Board, facilitated by the Senior Independent Director, annually review the experience, commitment and capability of the Chair, whose reappointment as Chair is ratified annually following the AGM. The Board considers that Jeremy Cross, the Society's Chair, has continued to meet the criteria of independence in his role.

Conflicts of interest

All Directors have a statutory duty to avoid any actual or potential conflicts of interest. The Board Governance Manual sets out procedures for declaring and, if appropriate, managing any such conflicts and the Secretary maintains a register of conflicts which is reviewed at least annually. All external appointments must be approved by the Nominations Committee prior to being accepted. Executive Directors are not permitted to accept other paid executive appointments.

The Board considers that neither the Chair nor any other Director had any material conflicts of interest which would have impacted the effective discharge of their responsibilities during the year.

Time commitments and external appointments

All Board members are required to declare at least annually details of their other commitments and to ensure they have sufficient capacity to undertake their role as a Director of the Society. The Board considers that each Director had sufficient time to discharge their duties at the Society, and they did not hold more than the prescribed number of Directorships under Article 91 of the Capital Requirements Directive IV.

Tenure and succession

The Society has a succession plan for Board members and the wider executive team. This includes the timeline for Non-Executive Director succession in the normal course of business.

The Nominations Committee lead the process for Board recruitment, determining the keys skills required and the approach to recruitment. This may include using external recruiters to ensure a broad and diverse pool of candidates is considered. The Board make the final decision on such appointments. All Directors must be elected by members at the next AGM following appointment to the Board.

The typical standard tenure for Non-Executive Directors is a term of nine years. Flexibility is required for Non-Executive Directors to serve beyond the standard tenure and in exceptional circumstances any Non-Executive Director serving for over nine years will require annual re-election at the AGM. The overriding principle is that a Non-Executive Director should only continue in office if this is in the best interests of the Society.

Board meeting arrangements

The Board meet as often as is necessary to discharge its obligations and ensure the smooth running of the Society. In 2024 this comprised 10 meetings, with two additional meetings dedicated to planning and strategy.

For each Board meeting a comprehensive and timely set of papers is provided in advance of the meeting. The Board receive certain items at every meeting such as the minutes of the previous meeting, a schedule of outstanding actions, an update from the CEO on strategic developments and current business performance, the FD on financial performance, supporting updates from each business area including progress on change initiatives, and an overview of risk exposures against agreed risk appetites.

The materials provided to the Board are reviewed regularly to ensure Directors are provided with the information required for effective decision making.

The Secretary is appointed by the Board and ensures that Board members have access to appropriate information and resources, as well as ensuring papers are issued well in advance of meetings to allow Board members sufficient time to prepare for meetings.

All Board members may seek advice from the Secretary on any matter relating to the governance of the Society. If necessary, Board members can seek independent professional advice to support their deliberations at the Society's cost.

Board committees

To assist the Board in carrying out its objectives and in order that specific matters can be discussed and considered in more detail, certain responsibilities are delegated to several Board committees, each one having a clear and detailed ToR. Copies of the Board and sub-committees ToR's are available from the Secretary. The Chair, Senior Independent Director, Board sub-committee chairs, Chief Executive, and Finance Director have specific regulatory responsibilities associated with their roles. Further details are available from the Secretary.

Each Board committee is comprised of a majority of independent Non-Executive Directors, with committee members selected for their relevant skills and expertise.

The Chair of each committee is responsible for ensuring appropriate information is provided to assist with committee discussions and decision making. A brief description of the committees is set out below:

Audit Committee: page 21 contains details of the Committee's composition and duties.

Remuneration Committee: page 23 contains details of the Committee's composition and duties.

Nominations Committee: The Committee meets at least twice a year and comprises Jeremy Cross (Chair), Adam Evetts (Chief Executive), Keith Rolfe, (Non-Executive Director), and Jill Bentley, (Non-Executive Director). It reviews succession plans and carefully considers the skills and attributes necessary for Board appointments, ensuring that candidate selection processes reflect the principles and practices set out in the Society's Equality, Diversity and Inclusion Policy. The Committee also annually reviews this Policy, ensuring that the Society continues to promote an inclusive environment where diversity, in all forms, is encouraged.

The Chair does not chair the Committee when it is dealing with the appointment of their successor. The Committee also leads the process for Board appointments and oversees the appraisals of Directors' performance including assessing their independence.

Risk & Compliance Committee: The committee meets at least four times a year and comprises four Non-Executive Directors, Keith Rolfe (Committee Chair), Jill Bentley, Myron Hrycyk and Janet Chapman. It is responsible for developing and reviewing the Society's risk management and compliance frameworks, including ensuring there is a comprehensive understanding of the risks facing the Society and that the Society complies with its regulatory and legislative obligations. Further details on Risk Management are set out on pages 10 to 14.

Performance and effectiveness reviews

The Code requires boards to undertake a formal and rigorous annual evaluation of their performance. The Nominations Committee is responsible for overseeing and following up this evaluation process along with the annual review of individual Director performance and producing an appropriate Board training plan. The Chair ensures matters relating to both the Board and individual Director performance are suitably addressed.

The Code also requires the Board to seek an external review of its effectiveness on a periodic basis. The last such review was completed in 2020.

All Board committees evaluate their own performance and effectiveness annually. This process serves to identify any areas where committee members may require further training or development to discharge their duties effectively, or where the overall performance or approach of the committee or Chair could be improved.

The outcome of the 2024 review of effectiveness concluded that the Board and its sub-committees were operating effectively.

Non-Executive Directors regularly debate strategy and long-term sustainability at Board and committee meetings and meet periodically, without Executive Directors present, to consider all aspects of Board responsibilities, governance and performance.

Non-Executive Directors also have a prime role in appointing, removing and holding Executive Directors to account for their performance against agreed performance objectives.

Stakeholder engagement

The Board has a duty to engage appropriately with all stakeholders, ensuring their views are, where appropriate, considered within Board discussions and decision making. Key stakeholders include members, colleagues, regulators and third parties.

Members

Engagement with members is carried out in several different ways including via social media, customer surveys, questionnaires, in-branch suggestion boxes and during activities supporting the local community.

Each year members are invited to attend the AGM where Directors, including all Board committee chairs, are available to answer questions.

The AGM pack sent to members includes the Summary Financial Statement and a newsletter which outlines the Society's activity in the community and addresses topical product and service issues.

Members are encouraged to use their vote and attend the AGM and a donation to charity is made for each vote cast.

There is an informal session at the end of the AGM giving further opportunity for members to speak to Directors and the executive team to discuss matters relating to governance of the Society and its performance in general.

At the Society's 2024 AGM over 2,600 members cast their vote in total, representing a turnout of c.12% of total eligible members.

Colleagues

Colleagues can engage with Non-Executive Directors through a programme of regular business visits where NEDs gain insights around the Society's working practices and culture.

Colleagues are regularly asked to complete surveys to enable the Board and executives to better understand their views on key matters. Where required, action plans are developed to improve any weaknesses identified.

Overall, the Board believe that, given the Society's size, the approach outlined above provides them with sufficient insight to understand the views and opinions of the Society's workforce, particularly in relation to the Society strategic direction, colleague engagement and culture.

Corporate Governance Report (continued)

Regulators

We have an open and transparent relationship with both the PRA and the FCA.

Third Parties

Our third-party partners provide an essential role in helping us deliver services to our members. We closely monitor the performance of key third party suppliers, ensuring the services they provide are resilient, effective and provide appropriate value for money. Members of the executive engage with key suppliers regularly, overseeing the completion of ongoing due diligence checks, to ensure they remain the right partner for the Society.

Whistleblowing

The Senior Independent Director is the Society's Whistleblowing Champion, and all colleagues are aware of how to raise concerns with them, anonymously if required, for investigation. A summary report covering the operation and effectiveness of the Society's policy in relation to whistleblowing is submitted annually to the Board for review.

Audit, risk, and internal control

Internal governance arrangements support the ongoing independence and effectiveness of the Internal Audit function and the integrity of financial statements.
The Audit Committee Report on pages 21 to 22 provides further information.

The Risk Management Report on pages 10 to 14 provides further details of the principal risks and an overview of the approach to risk management.

Jeremy Cross
Chair of the Board
27 February 2025

Board and Committee Attendance Record

Director	Board	Audit	Remuneration	Nominations	Risk & Compliance
J Y Bentley	10(10)	4(4)	-	2(2)	4(4)
J P Chapman (appointed 25 April 2024)	7(7)	3(3)	2(2)	-	2(2)
J D Cross	10(10)	-	-	2(2)	-
A J Evetts	10(10)	-	-	2(2)	-
M Hrycyk	10(10)	4(4)	3(3)	-	4(4)
B M Moore	9(10)	4(4)	3(3)	-	-
K A Rolfe	10(10)	-	-	2(2)	4(4)
A J Shand	10(10)	-	-	-	-
S J Veitch (resigned 31 March 2024)	3(3)	1(1)	1(1)	-	1(1)

The figures in brackets represent the maximum number of meetings each Director could have attended.

Audit Committee Report

The Audit Committee ('Committee') is a key part of the Society's governance framework and has oversight of financial reporting, internal audit and external audit. It reports directly to the Board.

The Committee meets at least four times a year and comprises four Non-Executive Directors: Janet Chapman (Chair), Jill Bentley, Myron Hrycyk and Belinda Moore. Other regular attendees at Committee meetings include the Chief Executive, Finance Director, and the Director of Risk & Compliance, along with representatives from the outsourced internal auditor Deloitte LLP, and the external auditor Forvis Mazars, who were appointed in September 2024. Other senior managers are invited to attend as required. The Board is satisfied that at least one member of the Committee has recent and relevant financial services experience, and all members have experience of working in regulated companies.

All meetings conclude with an opportunity for the Committee to discuss matters with the internal and external auditors without Executive's being present. Minutes of meetings are circulated to all Board members and the Chair of the Committee reports to the Board at the next Board meeting.

Financial reporting

The Committee has primary responsibility to review and assess the integrity of the financial statements. It achieves this through:

- Advising the Board on whether the Annual Report and Accounts, when taken as a whole, are fair, balanced and understandable and provide the information necessary for Members to assess the Society's position and performance, business model and strategy;
- Reviewing the appropriateness and consistency of accounting policies;
- Reviewing material areas in which significant judgements and assumptions have been applied by management; and
- Reviewing the going concern assumption.

The main areas of financial reporting judgement considered by the Committee during 2024 were:

- Mortgage Impairment Provision – review and challenge of the assumptions and judgements used to determine the mortgage impairment provision;
- Revenue recognition – review and challenge the estimates and judgements applied to the calculation of interest income and fees under the effective interest rate methodology;
- Other provisions and liabilities – review and challenge of the estimates and judgements made by management when calculating the level of other provisions and liabilities;
- Going concern assumption – evaluation of the application of the going concern assumption for the year ended 31 December 2024 through review of forecast profitability, liquidity position, funding availability and regulatory capital position. The review also considered the results of stress testing completed as part of the annual capital and liquidity assessments; and
- External audit findings – review and assess reports and findings from the external auditor.

Internal controls

The Board is collectively responsible for determining the strategies for risk management and control and the nature and extent of the principal risks the Society is willing to take. Each Board sub-committee is responsible for the risks and controls which fall under its remit. The Executive Team is responsible for designing, operating, and monitoring systems of risk management and control. Further details on the assessment and mitigation of risk can be found in the Directors Report on pages 26 and 27.

The Committee reviews the effectiveness of the internal control systems throughout the year to ensure they continue to be appropriate. Internal Audit provide independent assurance to the Board on the effectiveness of the internal control framework through the Committee. The main areas of internal control which were reviewed by the Committee during 2024 were:

- Conduct and control weaknesses identified by the internal auditor, Deloitte LLP, through delivery of their Audit Plan in relation to the Society's systems and controls;
- Status of conduct and control issues raised in internal audit reports, including volume and age of outstanding issues;
- Control weaknesses identified by the external auditor, Forvis Mazars LLP, in relation to the 2024 financial reporting process (and BDO LLP in relation to the 2023 financial reporting process) and
- Annual Internal Audit plan.

The information received by the Committee provided reasonable assurance that during 2024 there were no material breaches of control or regulatory standards. In addition, Deloitte LLP (as internal auditor) confirmed that an effective internal control framework had been maintained throughout the year.

Audit Committee Report (continued)

Internal audit

The Committee is responsible for monitoring and reviewing the effectiveness of internal audit activities and the adequacy of resources. To provide the level of expertise and depth of resources, the Society has outsourced internal audit work to Deloitte LLP.

Prior to the start of each year the Committee approves the Internal Audit plan and the corresponding audit fee. During the year it considers findings from internal audit reviews designed to monitor and assess the Society's internal control effectiveness and managements responsiveness to recommendations.

On an annual basis the Committee performs an annual appraisal of the effectiveness of the internal audit services provided by Deloitte LLP. The Committee concluded that the services provided during 2024 were in line with that agreed in the Internal Audit plan.

External audit

The Committee is responsible for overseeing the relationship with the external auditor. This role includes:

- Reviewing the auditor independence and objectivity;
- Reviewing the effectiveness of the audit process;
- Recommending to the Board, the appointment, reappointment, or removal of the auditor, along with approving their annual remuneration and terms of engagement; and
- Approving the annual policy on the engagement of the auditor for non-audit services.

The current external auditor is Forvis Mazars LLP, who were appointed in September 2024 following a competitive tender process. BDO LLP resigned during the year – BDO confirmed that there were no circumstances that they considered should be brought to the notice of the members of the Society.

Prior to the commencement of the annual audit, the Committee reviewed the External Audit plan which included audit planning materiality, areas of audit focus, terms of engagement, fees payable, and confirmation of auditor independence.

Audit firms often have specialist skills and expertise and can provide non-audit services competitively. The Society has a policy for the use of external auditors for non-audit work and would not consider the appointment of the external auditor for the provision of non-audit services where it might impair their independence. All material non-audit services require Committee approval to ensure that auditor objectivity and independence is safeguarded.

The Committee carries out an annual appraisal of the external auditor to ensure that their independence and effectiveness is maintained. The Committee concluded that the services provided by Forvis Mazars LLP were in line with the External Audit plan and remained satisfied with their objectivity, independence, and effectiveness.

Committee effectiveness

The Committee conducted an internal review of its own effectiveness during the year. The process involved each Committee member considering how effective the Committee was at performing its role, resources available, and whether it had performed in line with its Terms of Reference. The Committee concluded that it continued to operate effectively.

Janet Chapman
Chair of Audit Committee
27 February 2025

Report of the Remuneration Committee

Introduction

The Society's success is built on having brilliant people working for it. Remuneration practices therefore need to help both attract and retain committed and engaged colleagues which will support the Society's long-term sustainability and represent value to members. The Remuneration Committee is responsible for overseeing the Society's approach, and in doing so ensuring it meets the remuneration requirements set out by the PRA and FCA and has regard for the requirements set out in the UK Corporate Governance Code.

2024 Remuneration review

The development and delivery of our People Plan, supporting policies and working practices helps us ensure we can attract and retain the right people by creating a vibrant workplace that encourages colleagues to thrive. This in turn helps to support our long-term sustainability and strengthen our position as a local employer of choice. Remuneration is one element of this, and our remuneration strategy has been developed around five key objectives:

- Attract, motivate, and retain talented colleagues;
- Promote and reward behaviours that support the Society's values and deliver fair outcomes to customers;
- Keep the Society safe;
- Ensure pay is fair and equitable for all colleagues; and
- Motivate colleagues to increase their engagement, productivity, and performance.

While the inflationary pressures seen throughout much of 2023 eased further during 2024, average earnings remained elevated relative to inflation. As a result, in April 2024 we increased colleague salaries by 5.6% on average, as well as increasing our minimum full-time salary from £21,000 to £22,200. In order to further support our commitment to ensure our pay is fair and equitable, we formally signed up to paying The Living Wage Foundation's Real Living Wage, a minimum hourly wage rate that is based on the actual cost of living.

We continue to keep our approach to remuneration under close review, including benchmarking ourselves against our peers and the wider financial services industry, and monitoring colleague turnover rates and exit interview feedback.

During 2024 the Committee considers that its approach to setting remuneration has been effective and has supported the Society in delivering its wider strategic ambitions.

Role of the Remuneration Committee

The Committee comprises only Non-Executive Directors, all of whom are independent. The Chair of the Board is not permitted to be a member of the Committee. The Chair of the Committee must have previously been a member of a Remuneration Committee for at least 12 months prior to appointment.

The Committee is responsible for the remuneration policy for all colleagues, ensuring it is fair, aligns with the wider organisational culture, and supports the Society's strategic objectives. The Committee also makes independent recommendations to the Board regarding remuneration, incentive schemes and the contractual arrangements for Executive Directors and the other members of the Society's Executive Committee.

The Committee has responsibility for ensuring that the Society complies with the relevant aspects of the regulators' remuneration codes and reviews the Society's Remuneration Policy annually, recommending its approval to the Board.

Where required the Committee will seek external professional advice on matters such as market remuneration trends, remuneration governance best practice and, where appropriate, comparable remuneration packages for specific roles.

In assessing Executive Director remuneration, including that for new appointments, the Committee considers individual performance, information from external sources including comparable building society data, the performance of the Society as a whole, including its performance in delivering fair outcomes to customers, customer feedback scores and complaint levels, and relevant factors from the external economic environment. It then makes recommendations to the Board regarding the level of salaries, benefits, and performance related pay awards.

The Committee annually reviews the Society's gender pay gap report, helping it to determine whether the Society's remuneration practices are fair and equitable, and whether changes are needed to the Society's remuneration strategy or its Remuneration Policy.

The minutes of the Committee are circulated to all Board members and the Chair of the Committee reports to the Board at the next Board meeting.

Report of the Remuneration Committee (continued)

Overview of Executive Directors remuneration

The remuneration for Executive Directors reflects their responsibilities, expertise, experience, and overall contribution to the successful performance of the Society. Their benefits package is designed to motivate decision making in the interests of the Society's members as a whole and is aligned to delivery of the Corporate Plan. This year the overall package comprised basic salary, a performance related pay scheme, and other benefits. Performance related payments are non-contractual and non-pensionable.

The Society does not have a share option scheme and none of the Directors has any beneficial interest in, or any rights to subscribe for shares in or debentures of, any commercial undertaking of the Society.

Executive Director remuneration comprises of three elements:

- **Basic Salary:** The Society requires professional and highly competent individuals in leadership roles each of whom require regulatory approval under the Senior Managers Regime. Basic salary is set having regard for these requirements, the consequential regulatory accountability, and having had consideration of information from external sources including comparable building society data.
- **Performance Related Pay Scheme:** This annual scheme has regard for best practice by emphasising the need for sustainable performance and recognises that ensuring effective risk management and a sustainable business model are vital requirements for the long-term well-being of the Society. It has been aligned to the corporate objectives and provides an incentive to perform at the highest level in a manner consistent with the long-term interests of the Society's members.

The scheme requires high performance across a range of measures before the maximum award of 20% of basic salary can be achieved. The Committee recommends to the Non-Executive members of the Board the scheme target measures, which are designed to ensure the continuing security and financial strength of the Society, recognise corporate and individual performance including good risk management, delivering fair outcomes to customers, upholding excellent customer service and maintaining a high standard of work.

The Non-Executive Directors of the Board have sole discretion on awards made under the scheme which includes overriding formulaic outcomes where such an approach would undermine the aims of the scheme. Such discretion would typically only be applied where performance metrics had been materially impacted by market conditions, or where a material breach of regulations had been identified. For the 2024 reporting period no such adjustments were made.

The Society does not apply any malus or clawback provisions to Executive Director performance related pay awards, reflecting the materiality of the awards payable.

- **Other Benefits:** Executive Directors are members of the Society's Defined Contribution Pension Scheme. The Society makes a contractual contribution of 15% of basic salary for Executive Directors pension payments and this is taken into consideration when assessing their overall remuneration package. The pension scheme provider for the Executive Directors is the same as for other employees.

Executive Directors also receive benefits including a car allowance and private health cover (covering only themselves). The Society does not provide subsidised mortgages.

Each year the Executive Directors are appraised by the Chair of the Board in respect of their individual performance as members of the Board. The Chief Executive assesses the Finance Director's performance in respect of his executive duties, while the Chair of the Board will assess the Chief Executive's executive performance.

Executive Directors have contracts of employment as set out below:

Executive	Date contract signed	Notice required by:	
		Executive	Society
Alastair Shand	05/05/21	6 months	6 months
Adam Evetts	09/11/23	12 months	12 months

There are no special terms in the event of amalgamation, transfer of engagements or transfer of business where employment is to be terminated.

Executive Directors who hold outside directorships do not receive any remuneration from those organisations.

Overview of Non-Executive Directors fees

Fees relating to Non-Executive Directors are considered by the Chief Executive and Finance Director, with the Board Chair in attendance, having regard for the amount permissible under the Society's Rules. No Director is involved in setting their own fees.

The basic fee payable to Non-Executive Directors is assessed using information from comparable organisations, the time commitment required and responsibilities of the role. A supplementary fee is paid to the Chair of the Board, the Chair of Audit Committee, and the Chair of Risk & Compliance Committee to reflect the additional responsibilities and time commitment required of these roles. Non-Executive Directors do not participate in any incentive schemes or receive any other benefits. Non-Executive Directors have a letter of appointment rather than a contract of employment.

Member engagement

The Society presents this Report of the Remuneration Committee to its members to vote on as a Resolution at its Annual General Meeting (AGM). While this is a non-binding vote, the Board considers the results when determining its remuneration policies and practices.

At the last AGM (April 2024) the vote on the 2023 Report of the Remuneration Committee resulted in 94.6% of members voting in favour of it, which the Committee considers an endorsement of its approach.

Myron Hrycyk
Chair of the Remuneration Committee
27 February 2025

Directors' remuneration

Non-Executive Directors (audited)	2024 Total fees	2023 Total fees
	£'000	£'000
J Y Bentley	34	33
J P Chapman (appointed 25 April 2024)	30	-
J D Cross	48	47
M Hrycyk	34	33
B M Moore	34	33
K A Rolfe	39	38
S J Veitch (resigned 31 March 2024)	10	38
Total	**229**	**222**

Executive Directors (audited)	Salary	Performance related pay	Benefits	Sub-total	Pension contributions	Total
2024	£'000	£'000	£'000	£'000	£'000	£'000
A J Evetts	195	37	11	243	41	284
A J Shand	158	32	10	200	44	244
	353	**69**	**21**	**443**	**85**	**528**

Executive Directors (audited)	Salary	Performance related pay	Benefits	Sub-total	Pension contributions	Total
2023	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
R J Newton (resigned 31 December 2023)	182	36	11	229	36	265
A J Evetts	140	28	8	176	24	200
A J Shand	154	31	9	194	29	223
	476	**95**	**28**	**599**	**89**	**688**

All Executive Directors are eligible to be members of the Society's defined contribution pension scheme.

Directors’ Report

The Board is pleased to present its annual report and accounts and annual business statement for the year ended 31 December 2024.

Information on business objectives and activities, business review and future developments, including key performance indicators, financial risk management and principal risks and uncertainties, is provided within the Chief Executive Officer’s Highlights and the Strategic Report on pages 5 to 14.

Creditor payment policy

It is our normal policy to agree the terms of payment at the commencement of trading with each supplier, to ensure that they are aware of those terms and to abide by them. Where terms of payment have not been agreed we settle the supplier’s invoice on being satisfied that the supplier has fully conformed with the terms and conditions of purchase. The creditor days were 13 at 31 December 2024 (2023:14 days).

Going concern

The Directors have prepared forecasts over a four-year time horizon which takes account of the Society’s business activities and future plans as set out on pages 5 to 7, and the principal risks and uncertainties as detailed on pages 10 to 14.

The forecasting process considers various stress tests and scenarios including a range of severe but plausible events. The stress tests and scenarios indicate that the Society has sufficient operating liquidity and capital for the foreseeable future.

As such the Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, the accounts continue to be prepared on the going concern basis.

Directors’ responsibilities in respect of the annual report and accounts, the annual business statement, and the Directors’ report

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

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

The annual accounts are required by law to give a true and fair view of the state of affairs of the Society as at the end of the financial year and of the income and expenditure of the Society for the financial year.

In preparing the annual accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts;
- assess the Society’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

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

Directors’ responsibilities for accounting records and internal controls

The Directors are responsible for ensuring that the Society:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society, in accordance with the Act; and
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The Directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

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

Directors

The names of the Directors of the Society at 31 December 2024, their roles and membership of Board committees are detailed on pages 15 to 16.

The following Director also served on the Board during the year:

- S J Veitch (resigned 31 March 2024)

No Director has any beneficial interest in the shares of any connected undertaking of the Society.

Auditor

In accordance with Section 77 of the Building Societies Act 1986, a resolution to appoint Forvis Mazars as external auditor will be proposed at the annual general meeting of the Society.

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Society's auditor is unaware; and each Director has taken all steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Society's auditor is aware of that information.

Post balance sheet events

The Directors consider that no events have occurred since the year end to the date of this Annual Report that are likely to have a material effect on the financial position of the Society, as disclosed in the Annual Accounts.

Jeremy Cross
Chair of the Board
27 February 2025

Independent Auditor's Report

Independent auditor's report to the members of The Tipton and Coseley Building Society

Opinion

We have audited the annual accounts of The Tipton and Coseley Building Society (the 'Society') for the year ended 31 December 2024 which comprise the Income Statement, Statement of Financial Position, Statement of Changes in Members' Interests, Statement of Cash Flows and notes to the annual accounts, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2024 and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

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 Financial Reporting Council's ("FRC") 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 reasonableness of the Society's 4-year Corporate Plan, ICAAP and ILAAP documentation, which include management's stress testing, and form the base of their going concern assessment;
- Critically assessing the reasonableness of the sensitivity analysis performed by management and the various stress scenarios including reverse stress testing on the capital and liquidity position of the Society;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the current economic situation, including but not limited to, the 'cost of living crisis', inflation, levels and interest rates;
- Assessing the historical accuracy of forecasts prepared by the directors; 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 our 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
Credit Risk – Allowance for impairment losses on loans and advances to customers As at the 31 December 2024 the Society held £1,441k (2023: £1,701k) of provisions against a total mortgage loan book of £514.2m. The Society's total impairment provision consists of an individual provision of £422k (2023: £215k) on loans with impairment triggers and a collective provision of £1,019k (2023: £1,486k) on the performing portfolio. All loans are secured against residential or commercial properties. Refer to Note 1.6 on page 41: Identification and measurement of impairment accounting policy and Note 14 on page 49: Provision for impairment losses on loans disclosures. Credit risk and the calculation of the associated impairment provisions is an inherently judgemental area due to the use of subjective assumptions and a high degree of management estimation. The total impairment provision of the Society consists of individual provisions on loans with default indicators and a collective provision on the performing portfolio, both of which are of loans secured against residential and commercial properties. 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. We consider there to be a fraud risk on this judgement. The collective impairment is derived by management from a model that uses a combination of the Society's historical experience and external credit rating data, adjusted for current conditions and resultant management estimates. The impairment model is most sensitive to movements in the house price index ('HPI'), forced sale discount ('FSD') applied to collateral values and the probability of default ('PD') of the loans. Management judgement is applied in estimating the individual provisions. In particular, estimates of the probability of default to reflect the risk associated with loans in arrears by at least two months, or estimates of the collateral value following repossession.	Our audit procedures included, but were not limited to: • Evaluating the design and implementation and testing the operating effectiveness of the key controls in relation to the credit process (loan origination and approval, loan redemptions, arrears monitoring and forbearance); • Evaluating the design and implementation of the key control(s) in relation to the approval of assumptions used in the impairment provision model; • Critically assessing how management has performed the accounting estimate, including reviewing the reasonableness and appropriateness of external and internal data used. This includes testing of input data (e.g. House Price Index, Probability of Default) used in the model; • Assessing the relevance of external data used in the provisioning model based on our understanding of the Society's portfolio; • Testing the completeness and accuracy of loans that are assessed by management for individual impairment provision including recalculating the provision charge; • Develop an auditor's range estimate of the collective provision using reasonable alternative assumptions relevant to the Society's portfolio; • Engaging our internal property valuation experts to challenge the reasonableness of valuations for a selection of properties held as collateral against loans; • Performing a stand back assessment of the resulting individual and collective impairment estimates to assess their reasonableness; and • Assessing the adequacy of Society's disclosures in relation to the degree of estimation uncertainty involved in arriving at the provision for impairment losses on loans and advances to customers in the annual accounts. **Our observations** Based on the audit procedures performed, we concluded that the approach taken by the Society in respect to allowance for impairment losses on loans and advances to customers is overall consistent with the requirements of FRS 102. We consider management's estimate of the allowance for impairment losses to be reasonable.

Independent Auditor's Report (continued)

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:

Key audit matter	How our scope addressed this matter
Overall materiality	1% net assets
Rationale for benchmark applied	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. Further, net assets as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where net reserves is an approximation of regulatory capital resources.
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 £319,000 (2023: £386,000) was applied in the audit based on 60% (2023: 75%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the effectiveness of the internal control environment and the period being our first period of engagement, and concluded that an amount in the middle of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £16,000 (2023: £18,000) 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 annual accounts 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.

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

We have nothing to report in 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;
- 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.

In light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the Society; or
- the Society's annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

In light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 26, 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.

Independent Auditor's Report (continued)

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 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 identified that the principal risks of non-compliance with laws and regulations related to the regulatory and supervisory requirements of the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA') and we considered the extent to which non-compliance with these laws and regulations might have a material effect on the annual accounts.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to 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 considering 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 the PRA and FCA;
- Attending a bilateral meeting with the PRA;
- Reviewing minutes of directors' meetings in the year;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience and through discussions with the directors, including the director of risk and compliance, from inspection of the Society's regulatory and legal correspondence and review of minutes of the Audit, Board of Directors, Risk and Compliance Committees during the period.

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 annual accounts, 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, in particular in relation to loan loss provisions and revenue recognition (which we pinpointed to the effective interest rate adjustment in relation to fees attributable to loans and advances to customers), and significant one-off or unusual transactions.

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;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates, in particular in relation to loan loss provisions, and performing the procedures described in the "Key audit matter" section of our report.

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.

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 11 September 2024 to audit the annual accounts for the year ended 31 December 2024 and subsequent financial periods. The period of total uninterrupted engagement is one year, covering the year ended 31 December 2024.

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 our 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.

Michael Davidson (Senior Statutory Auditor)
for and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor
3 Wellington Place
Leeds
LS1 4AP

27 February 2025

Financial Statements

Income Statement
for the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Interest receivable and similar income	2	**36,632**	31,740
Interest payable and similar charges	3	**(23,982)**	(17,665)
Net interest receivable		**12,650**	14,075
Fees and commissions receivable		**1,084**	576
Fees and commissions payable		**(940)**	(677)
Net gains / (losses) from derivative financial instruments	4	**32**	(189)
Total net income		**12,826**	13,785
Administrative expenses	5	**(10,609)**	(8,909)
Depreciation and amortisation	15,16	**(200)**	(187)
Impairment release/(charge) on loans and advances	14	**260**	(351)
Profit Before Tax		**2,277**	4,338
Tax expense	8	**(599)**	(1,055)
Total Comprehensive Income	25	**1,678**	3,283

Profit for the financial year arises from continuing operations. Total comprehensive income is the same as the profit for the 2024 and 2023 financial years and is attributable to the members of the Society.

The notes on pages 39 to 69 form part of these accounts.

Statement of Financial Position

as at 31 December 2024

	Notes	2024 £'000	2023 £'000
Assets			
Cash in hand and balances with Bank of England		**64,026**	124,834
Loans and advances to credit institutions	9	**4,964**	5,465
Treasury bills	10	**46,248**	-
Liquid Assets		**115,238**	130,299
Derivative financial instruments	12	**3,355**	5,616
Loans and advances to customers	13	**511,243**	464,249
Intangible fixed assets	15	**43**	169
Tangible fixed assets	16	**1,709**	1,675
Prepayments and accrued income		**1,095**	1,534
Total Assets		**632,683**	603,542
Liabilities			
Shares	17	**523,945**	479,581
Amounts owed to credit institutions	18	**47,310**	61,778
Amounts owed to other customers	19	**5,079**	7,020
Derivative financial instruments	12	**805**	1,735
Current tax liabilities	20	**290**	362
Deferred tax liabilities	21	**200**	169
Accruals and deferred income	22	**1,899**	1,420
Provisions for liabilities	23	**16**	16
Total Liabilities		**579,544**	552,081
Reserves			
General reserves	25	**53,139**	51,461
Total Liabilities and Equity (Members' Capital)		**632,683**	603,542

The notes on pages 39 to 69 form part of these accounts.

These accounts were approved by the Board of Directors on 27 February 2025 and signed on its behalf:

Jeremy Cross Chair
Adam Evetts Chief Executive
Alastair Shand Finance Director

Statement of Changes in Members' Interests
for the year ended 31 December 2024

	Notes	General Reserves £'000	Total £'000
2024			
Balance as at 1 January 2024		**51,461**	**51,461**
Profit for the year		**1,678**	**1,678**
Balance as at 31 December 2024	25	**53,139**	**53,139**
2023			
Balance as at 1 January 2023		48,178	48,178
Profit for the year		3,283	3,283
Balance as at 31 December 2023	25	51,461	51,461

The notes on pages 39 to 69 form part of these accounts.

Statement of Cash Flows
for the year ended 31 December 2024

	Notes	2024 £'000	2023 £'000
Cash flows from operating activities			
Profit before tax		**2,277**	4,338
Depreciation and amortisation		**205**	187
(Profit) on disposal of tangible assets		**(5)**	(7)
Impairment (release)/charge on loans and advances		**(260)**	351
Loans and advances written off net of recoveries		**-**	-
Total cashflow from operating activities		**2,217**	4,869
Changes in operating assets and liabilities			
Decrease/(Increase) in prepayments and accrued income		**439**	(338)
Increase in accruals and deferred income		**2,548**	2,464
Net (increase) in loans and advances to customers		**(46,734)**	(55,055)
Net (increase) in loans and advances to credit institutions		**(1,000)**	-
Net (decrease) in amounts owed to credit institutions		**(14,142)**	(8,070)
Net (decrease)/increase in amounts owed to other customers		**(1,845)**	2,808
Net increase in shares		**41,873**	61,911
Movement in derivative financial instruments		**1,331**	6,950
Taxation paid		**(640)**	(1,131)
Net cash (outflow)/inflow from operating activities		**(15,953)**	14,408
Cash flows from investing activities			
Net increase in non-cash equivalent treasury bills		**(29,497)**	-
Purchase of tangible and intangible assets		**(119)**	(207)
Disposal of tangible and intangible assets		**11**	14
Net cash (outflow) from investing activities		**(29,605)**	(193)
Net (decrease)/increase in cash		**(45,558)**	14,215
Cash and cash equivalents at start of year		**130,299**	116,084
Cash and cash equivalents at end of year	11	**84,741**	130,299

In line with FRS102, interest received was £36,502,000 (2023: £31,369,000) and interest paid was £21,932,000 (2023: £15,136,000).

The notes on pages 39 to 69 form part of these accounts.

Notes to the accounts

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

Basis of preparation
Tipton & Coseley Building Society (the “Society”) has prepared these annual accounts in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”). As permitted in Section 11 of FRS 102, the Society has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU). The presentation currency of these annual accounts is sterling.

All amounts in the annual accounts have been rounded to the nearest £1,000.

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

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the annual accounts and estimates with a significant risk of material adjustment in the next year are discussed in note 1.13.

Included within the notes and financial statements are references to the Income Statements and the profit and loss account. These terms are the same and refer to items included within the Society’s Income Statement reported on page 35.

Going Concern
The accounts have been prepared on the going concern basis. The Society has prepared forecasts for a four-year time horizon, with particular focus on the next 12 months, which considers current and future operating conditions and uncertainties. Furthermore, the Society is required to review annually its Internal Capital Adequacy Assessment Process (ICAAP) and its Internal Liquidity Adequacy Assessment Process (ILAAP) which include the requirement to stress test its capital and liquidity positions respectively over a range of severe but plausible scenarios. The stress tests model the impact of changes to various factors including residential house prices, borrowers’ propensity to default, interest rates and circumstances that may give rise to funding outflows.

Supported by the results of these scenarios and stress tests the Directors are satisfied that the Society has sufficient operating liquidity and capital for the foreseeable future and for a period of at least 12 months from the date of signing these accounts.

1.1 Measurement convention
The annual accounts are prepared under the historical cost basis except for the following assets and liabilities which are stated at their fair value: derivative financial instruments and investment property classified as at fair value.

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

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

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

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

1.4 Expenses
Operating leases
Payments (excluding costs for services and insurance) made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Other Expenses
Other expenses are recognised in the income statement in the period to which the goods are received, or the service is provided.

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

Notes to the accounts (continued)

1.5 Taxation (continued)

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the annual accounts. The following timing difference is not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met, to the extent that it is not probable that they will reverse in the foreseeable future and the Society is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the year-end date. Deferred tax balances are not discounted.

1.6 Financial instruments

Recognition

The Society initially recognises loans and advances, deposits and debt securities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the settlement date, which is the date on which the Society transfers any consideration for an instrument. If any transactions were committed to at the year-end date these are included in contractual commitments. No adjustments to fair values are made for contractual commitments of financial instruments due to the short period between settlement and trade dates.

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

Classification

Financial assets

The Society classifies non-derivative financial assets as Loans & Advances or Held to Maturity assets. Management determines the classification of financial assets at initial recognition. No assets have been classified as Available for Sale. The Society's financial assets include cash in hand and balances held with the Bank of England, Treasury Bills, loans and advances to credit institutions, other liquid assets, loans and advances to customers and derivative financial instrument assets. The Society classifies all its financial assets, other than derivatives, as measured at amortised cost using the effective interest method.

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

a) Loans & Advances and Held to Maturity Assets

Loans & Advances and Held to Maturity Assets are non-derivative financial assets with fixed or determinable payments that the Society does not intend to sell immediately or in the near term. No assets are classified as available for sale.

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

b) At fair value through profit and loss

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

Fair value hedges

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

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

Notes to the accounts (continued)

1.6 Financial instruments (continued)

Financial liabilities
The Society classifies its financial liabilities, other than loan commitments, as measured at amortised cost or fair value through profit or loss.

Derecognition
Financial assets or liabilities are derecognised when the contractual right to the cash flows from the financial asset or liability are discharged, cancelled or expire.

On derecognition of a financial asset or liability the difference between the carrying amount of the asset or liability (or the carrying amount allocated to the portion of the asset or liability derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. The Society has not transferred the risks and rewards of ownership of any financial assets to another party during the year ended 31 December 2024.

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

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

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

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

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

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

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; and
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Evidence of impairment for loans and advances is considered at both a specific asset and a collective level. All individually significant loans and advances are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

In assessing collective impairment, modelling is used, as well as the timing of recoveries and the amount of loss incurred, and an adjustment is made if current economic and credit conditions are such that the actual losses are likely to be greater or less than is suggested by historical trends.

Notes to the accounts (continued)

1.6 Financial instruments (continued)

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

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

- temporary transfer to an interest only mortgage;
- reduced monthly payment;
- product review;
- capitalisation of arrears; and
- extension of mortgage term.

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

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

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

1.8 Tangible fixed assets
Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Tangible fixed assets include investment property. Certain items of tangible fixed assets that had been revalued to fair value on or prior to the date of transition to FRS 102, are measured on the basis of deemed cost, being the revalued amount at the date of that revaluation.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings. All current leases are classified as operating leases. The Society assesses at each reporting date whether tangible fixed assets are impaired.

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

- freehold premises – between 10 to 50 years straight line;
- short leasehold premises - Straight line over the remaining term of the lease;
- motor vehicles - 25% reducing balance;
- equipment and fixtures - 10% to 20% straight line; and
- computer hardware – 20% straight line.

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

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are initially recognised at cost and subsequently carried at fair value. Changes in fair value are recognised in the Income Statement in the period that they arise. No depreciation is provided in respect of investment properties.

1.9 Intangible fixed assets
Intangible assets are stated at cost less cumulative amortisation and impairment losses. Intangible assets are tested for impairment in accordance with Section 27 of FRS 102 Impairment of assets when there is an indication that an intangible asset may be impaired.

Assets are reviewed for impairment at each Statement of Financial Position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount, if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the Asset's fair value less costs to sell, and its value in use.

Notes to the accounts (continued)

1.9 Intangible fixed assets (continued)

Computer Software

Purchased software is capitalised as intangible assets where the software is an identifiable asset controlled by the Society which will generate future economic benefits and where costs can be reliably measured. Costs incurred to establish technological feasibility or to maintain existing levels of performance are recognised as an expense as incurred.

Amortisation begins when the asset becomes available for operational use and is charged to the income statement on a straight-line basis over the estimated useful life of the software, which is generally 3 to 7 years. The basis for choosing these useful lives is dependent on the software asset expected life. The Society reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

1.10 Impairment excluding financial assets and deferred tax assets

The carrying amounts of the Society's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. An impairment loss is reversed if the reasons for the impairment have ceased to apply.

1.11 Employee benefits

Pensions

The Society operates a defined contribution scheme, with contributions charged to the Income Statements as they fall due.

Incentive Schemes

The Society recognises the expected cost of bonus payments only when: (a) the entity has a present legal or constructive obligation to make such payments as a result of past events (this means that the entity has no realistic alternative but to make the payments); and (b) a reliable estimate of the obligation can be made.

1.12 Provisions and contingent liabilities

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

Contingent liabilities are not recognised in the Statement of Financial Position.

1.13 Accounting judgement and key sources of estimation uncertainty

The Society makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are described below:

a) Impairment losses on loans and advances to customers

The mortgage portfolio is reviewed on at least a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded, the Society is required to exercise a degree of judgement. Specific impairment triggers are principally when an account has been in arrears in the 12 months preceding the Statement of Financial Position date, or when forbearance arrangements have been agreed. Impairment provisions are calculated using historical arrears experience, modelled credit risk characteristics and expected cashflows. Estimates are applied to determine prevailing market conditions (e.g. interest rates and house prices), customer behaviour (e.g. default rates) and the length of time expected to complete the sale of properties in possession as at the balance sheet date.

In determining the level of impairment provision any deterioration in economic and credit conditions is considered. The accuracy of the provision would be affected by changes to these assumptions. In the event that a fall in house prices was 5% greater than assumed, the estimated impact would be to increase the impairment provision by £474,000. A 5% decrease in the estimated fall in house prices would reduce the impairment provision by £260,000. A 0.5% movement in the probability of default for all customers would impact the provision by £159,000.

b) Effective interest rate

Amounts related to the EIR adjustment included within the income statement totalled £133,000 (2023: £206,000) with an EIR asset included in the Statement of Financial Position of £82,000 (2023: £51,000 liability). The EIR will affect the carrying values of loans and receivables. One of the key components of the estimates within EIR is the expected mortgage life. In determining the expected life of mortgage assets, the Society uses historical and forecast redemption data as well as management judgement. During the year the expected life of mortgage assets are reassessed for reasonableness. This year the expected average lives are in line with initial product term, reflecting the Society's proactive approach to contacting customers shortly before the end of their initial product term and the competitive nature of the remortgage market. Any variation in the expected life of mortgage assets will change the carrying value in the Statement of Financial Position and the timing of the recognition of interest income.

Notes to the accounts (continued)

1.13 Accounting judgement and key sources of estimation uncertainty (continued)

c) Fair value of derivatives and financial assets

The following techniques are employed in determining the fair value of its derivatives and financial assets:

- derivative financial instruments - calculated by discounted cash flow models using yield curves that are based on observable market data, which is discussed further in note 4.

The impact of interest rate risk sensitivities can be found in note 27 to the financial statements.

2. Interest receivable and similar income

	2024	2023
	£'000	£'000
On loans fully secured on residential property	**24,774**	19,348
On other loans	**95**	121
On liquid assets	**6,492**	5,472
Interest income on derivatives	**5,271**	6,799
At 31 December	**36,632**	31,740

3. Interest payable and similar charges

	2024	2023
	£'000	£'000
On shares held by individuals	**20,907**	13,891
On deposits and other borrowings	**2,925**	3,355
Interest payable on derivatives	**150**	419
At 31 December	**23,982**	17,665

4. Gains/(losses) from derivative financial instruments

	2024	2023
	£'000	£'000
Loss on Derivatives in designated fair value hedge relationships	**(1,496)**	(6,655)
Adjustments to hedged items in fair value hedge accounting relationships	**1,362**	6,761
Gain / (loss) on Derivatives not in designated fair value hedge relationships	**166**	(295)
At 31 December	**32**	(189)

Notes to the accounts (continued)

5. Administrative expenses

	2024	2023
	£'000	£'000
Staff costs		
Wages and salaries	**4,768**	4,094
Social security costs	**525**	444
Pension costs	**594**	357
	5,887	4,895
Operating lease rentals	**25**	25
Other administrative costs	**4,697**	3,989
At 31 December	**10,609**	8,909

Other administrative costs include:

Remuneration of Auditor (excluding VAT):		
Audit of these financial statements	**197**	207

In 2023 remuneration of auditor related to BDO LLP. In 2024 remuneration of auditor relates to Forvis Mazars LLP.

6. Employees

	2024	2023
	Number	Number
The average number of persons employed during the year was:		
Full time	**86**	75
Part time	**34**	30
	120	105

The average number of persons employed during the year was:		
Head office	**90**	74
Branch offices	**30**	31
	120	105

The average number of employees on a full time equivalent basis was 107 (2023: 94) and all of these are employed within the UK.

Notes to the accounts (continued)

7. Directors' loans and transactions

a) Directors' remuneration

Directors' remuneration totalling £757,000 for 2024 (2023: £910,000) is shown as part of the Report of the Remuneration Committee on pages 23 to 25.

b) Directors' loans

There were no loans granted or outstanding to Directors or connected persons in the year (2023: nil).

A register is maintained at the head office of the Society which shows details of all loans, transactions and arrangements with Directors and their connected persons. A statement of the appropriate details contained in the register will be available for inspection at the head office for a period of 15 days up to and including the date of the Annual General Meeting.

c) Other Directors' transactions

Directors and connected persons hold savings balances with the Society; all accounts have the same terms and conditions as available to customers of the Society. The savings balances are not detailed in the register unlike loans and transactions above, due to their sensitive nature. The aggregate amount of all savings balances at 31 December 2024 was £114,793 (2023: £34,470).

8. Taxation

	2024	2023
	£'000	£'000
UK corporation tax at 25% (2023: 23.52%)	**568**	987
(Over) provision in previous year	-	(51)
Total current tax	**568**	936
Deferred tax (note 21)	**31**	119
Total tax expense	**599**	1,055

The total tax charge for the period differs from that calculated using the UK standard rate of corporation tax. The differences are explained below:

	2024	2023
	£'000	£'000
Profit before taxation	**2,277**	4,338
Expected tax at 25% (2023: 23.52%)	**568**	1,019
Effects of:		
Adjustment to tax charge on deferred tax	-	53
Changes in tax rate	-	4
Fixed asset differences	**-**	26
Expenses not deductible for tax purposes	**31**	4
Adjustment for prior years	**-**	(51)
Tax expense for the year	**599**	1,055

Current tax has been provided at the rate of 25%. The Society has reflected the increase in the main rate of corporation tax to 25% from April 2023.

The deferred tax asset at 31 December 2024 has been calculated based on the prevailing tax rate when the timing differences are expected to reverse. The net deferred tax liability expected to reverse in 2025 is £35,000. This primarily relates to the reversal of timing differences on acquired intangible and tangible assets and capital allowances through depreciation and amortisation.

Notes to the accounts (continued)

9. Loans and advances to credit institutions

	2024	2023
	£'000	£'000
Repayable on demand (included in note 11)	3,964	5,465
In more than three months but not more than one year	1,000	-
At 31 December	**4,964**	5,465

10. Treasury Bills

	2024	2023
	£'000	£'000
Repayable on demand (included in note 11)	16,751	-
In more than three months but not more than one year	29,497	-
At 31 December	**46,248**	-

Movements during the year are analysed as follows:

At 1 January	-	-
Additions	64,632	-
Disposals and maturities	(19,353)	-
Movement in Premium	482	-
Accrued interest	487	-
At 31 December	**46,248**	-

11. Cash and Cash Equivalents

	2024	2023
	£'000	£'000
Cash in hand and balances with the Bank of England	64,026	124,834
Loans and advances to credit institutions	3,964	5,465
Treasury Bills	16,751	-
At 31 December	**84,741**	130,299

Notes to the accounts (continued)

12. Derivative financial instruments

	2024		2023	
	Assets	**Liabilities**	Assets	Liabilities
	£'000	**£'000**	£'000	£'000
Unmatched derivatives	**172**	**(10)**	73	(76)
Derivatives designated in hedging relationships	**3,183**	**(795)**	5,543	(1,659)
Total recognised derivative assets/(liabilities)	**3,355**	**(805)**	5,616	(1,735)

Typically unmatched derivatives arise during the final 3 months of an interest rate swap's life where the derivative's change in fair value are immaterial, or where a new interest rate swap contract has been agreed but the corresponding asset or liability is still to be realised on the Statement of Financial Position.

13. Loans and advances to customers

	2024	2023
	£'000	£'000
Loans fully secured on residential property	**513,490**	467,317
Other loans – loans fully secured on land	**719**	1,148
	514,209	468,465
Provision for impairment losses on loans and advances (note 14)	**(1,441)**	(1,701)
Fair value adjustment for hedged risk	**(1,525)**	(2,515)
At 31 December	**511,243**	464,249

Maturity analysis

The remaining maturity of loans and advances to customers including fair value adjustment for hedged risk at the reporting date is as follows:

	2024	2023
	£'000	£'000
In not more than three months	**2,967**	2,821
In more than three months but not more than one year	**8,254**	6,641
In more than one year but not more than five years	**57,094**	51,063
In more than five years	**444,369**	405,425
	512,684	465,950
Provision for impairment losses on loans and advances (note 14)	**(1,441)**	(1,701)
At 31 December	**511,243**	464,249

The maturity analysis above is based on contractual maturity and not expected redemption levels.

Loans and advances totalling £122,211,000 (2023: £146,839,000) have been pledged as collateral with the Bank of England to provide access to contingent liquidity and secured funding (within the Sterling Monetary Framework), including the Term Funding Scheme with additional incentives for SMEs ("TFSME") and Indexed Long-Term Repo (ILTR).

Notes to the accounts (continued)

14. Provision for impairment losses on loans

	Loans fully secured on residential property	Other loans fully secured on land	Total
	£'000	£'000	£'000
Individual provision			
At 1 January 2024	**215**	**-**	**215**
Amounts written off	**-**	**-**	**-**
Charge for the year	**207**	**-**	**207**
At 31 December 2024	**422**	**-**	**422**
Collective provision			
At 1 January 2024	**1,477**	**9**	**1,486**
Amounts written off	**-**	**-**	**-**
(Release) for the year	**(467)**	**-**	**(467)**
At 31 December 2024	**1,010**	**9**	**1,019**
Individual provision			
At 1 January 2023	40	-	40
Amounts written off	-	-	-
Charge for the year	175	-	175
At 31 December 2023	215	-	215
Collective provision			
At 1 January 2023	1,301	9	1,310
Amounts written off	-	-	-
Charge for the year	176	-	176
At 31 December 2023	1,477	9	1,486

The release / (charge) to the income statement comprises:	
Net release for the year above	260
Amounts written off	-
Release to the income statement in 2024	**260**
(Charge) to the income statement in 2023	(351)

Notes to the accounts (continued)

15. Intangible fixed assets

	Purchased Software £'000
2024	
Cost	
At 1 January 2024	**1,119**
Additions	**19**
Disposal	**(113)**
At 31 December 2024	**1,025**
Amortisation	
At 1 January 2024	**950**
Charge for the year	**145**
On disposal	**(113)**
At 31 December 2024	**982**
Net Book Value	
At 31 December 2024	**43**

2023	
Cost	
At 1 January 2023	1,181
Additions	161
Disposals	(223)
At 31 December 2023	1,119
Amortisation	
At 1 January 2023	1,052
Charge for the year	121
On disposal	(223)
At 31 December 2023	950
Net Book Value	
At 31 December 2023	169

Purchased Software
Items disposed of during the year were decommissioned assets; these assets have been fully depreciated in prior periods and do not have a financial impact on the net book value of the assets owned by the business.

Notes to the accounts (continued)

16. Tangible fixed assets

	Freehold Land & Buildings	Short Leasehold	Equipment, Fixtures, Fittings and Vehicles	Total
	£'000	£'000	£'000	£'000
2024				
Cost				
At 1 January 2024	**1,566**	**101**	**1,384**	**3,051**
Additions	-	-	**100**	**100**
Disposal	**(12)**	-	**(39)**	**(51)**
At 31 December 2024	**1,554**	**101**	**1,445**	**3,100**
Depreciation				
At 1 January 2024	**282**	**90**	**1,004**	**1,376**
Charge for the year	**15**	**7**	**38**	**60**
On disposal	**(12)**	-	**(33)**	**(45)**
At 31 December 2024	**285**	**97**	**1,009**	**1,391**
Net Book Value				
At 31 December 2024	**1,269**	**4**	**436**	**1,709**
2023				
Cost				
At 1 January 2023	1,566	101	1,660	3,327
Additions	-	-	46	46
Disposal	-	-	(322)	(322)
At 31 December 2023	1,566	101	1,384	3,051
Depreciation				
At 1 January 2023	267	83	1,275	1,625
Charge for the year	15	7	44	66
On disposal	-	-	(315)	(315)
At 31 December 2023	282	90	1,004	1,376
Net Book Value				
At 31 December 2023	1,284	11	380	1,675

Land and buildings

The net book value of freehold land and buildings occupied for own use at 31 December 2024 was £1,197,000 (2023: £1,212,000). Land and buildings include investment properties held at fair value at 31 December 2024 of £72,000 (2024: £72,000); no gains or losses have been recognised in 2024 (2023: nil).

Notes to the accounts (continued)

17. Shares

	2024	2023
	£'000	£'000
Held by individuals	**523,906**	479,169
Other shares	**6**	6
Fair value adjustment for hedged risk	**33**	406
At 31 December	**523,945**	479,581

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

	2024	2023
Accrued interest	**5,508**	3,017
Repayable on demand	**314,370**	276,967
In not more than three months	**110,933**	83,226
In more than three months but not more than one year	**72,271**	79,893
In more than one year but not more than five years	**20,830**	36,072
Fair value adjustment for hedged risk	**33**	406
At 31 December	**523,945**	479,581

18. Amounts owed to credit institutions

	2024	2023
	£'000	£'000
Amounts owed to credit institutions are repayable at the reporting date in the ordinary course of business as follows:		
Accrued interest	**550**	876
In not more than three months	**10,260**	10,902
In more than three months less than one year	**36,500**	10,000
In more than one year but not more than five years	**-**	40,000
At 31 December	**47,310**	61,778

Amounts owed to credit institutions include £40,000,000 (2023: £55,000,000) of secured funding within the Sterling Monetary Framework, including £40,000,000 (2023: £50,000,000) under the Term Funding Scheme with additional incentives for SMEs (TFSME) and £nil (2023: £5,000,000) under Indexed Long-Term Repo (ILTR), secured against certain loans and advances to customers.

At 31 December 2024, £3,260,000 (2023: £4,902,000) had been received from credit counterparties as collateral against derivative contracts.

19. Amounts owed to other customers

	2024	2023
	£'000	£'000
Amounts owed to other customers are repayable at the reporting date in the ordinary course of business as follows:		
Accrued Interest	**63**	96
Repayable on demand	**1,228**	1,589
In not more than three months	**538**	835
In more than three months less than one year	**3,250**	4,500
At 31 December	**5,079**	7,020

Notes to the accounts (continued)

20. Current tax liabilities

	2024	2023
	£'000	£'000
Falling due within one year		
Corporation tax	**290**	362
At 31 December	**290**	362

Corporation tax		
As at 1 January	**362**	557
Current year corporation tax charge (note 8)	**568**	936
Payments made in year	**(640)**	(1,131)
At 31 December	**290**	362

21. Deferred tax liability

	2024	2023
	£'000	£'000
At 1 January	(169)	(50)
Increase in liability for the year (note 8)	(31)	(119)
At 31 December	(200)	(169)

Tax effect of timing differences due to:		
FRS102 transitional adjustments	-	(7)
Accelerated capital allowances	(200)	(193)
Collective loss provision	-	31
	(200)	(169)

The deferred tax liability at 31 December 2024 has been calculated based on the prevailing tax rate when the timing differences are expected to reverse.

22. Accruals and deferred income

	2024	2023
	£'000	£'000
Accruals	**1,899**	1,420
At 31 December	**1,899**	1,420

Notes to the accounts (continued)

23. Provision for liabilities

	2024	2023
	£'000	£'000
At 1 January	16	16
At 31 December	**16**	16

Provision for liabilities

Provisions for liabilities have been made in respect of various customer claims, including claims in relation to previous sales of payment protection insurance.

24. Retirement benefit obligations

Defined contribution schemes

The Society operates a defined contribution scheme, the assets of which are held separately from those of the Society. The total cost for the year was £594,000 (2023: £357,000). There were no outstanding or prepaid contributions at either the beginning or end of the year.

25. General reserves

	2024	2023
	£'000	£'000
At 1 January	51,461	48,178
Profit for the financial year	1,678	3,283
At 31 December	**53,139**	51,461

26. Capital

	2024	2023
	£'000	£'000
Tier 1 Capital		
General Reserves	53,139	51,461
Less: Intangible Assets	(43)	(169)
Total Tier 1 Capital	53,096	51,292
Tier 2 Capital		
Collective Provision	1,019	1,486
Total Tier 2 Capital	1,019	1,486
Total Regulatory Capital	54,115	52,778

The Society's policy is to maintain a strong capital base to maintain Member, creditor and market confidence and to sustain future development of the business. The formal ICAAP process assists the Society with its management of capital. The Board monitors the Society's capital position to assess whether adequate capital is held to mitigate the risks it faces in the course of its business activities. The Society's actual and expected capital position is reviewed against stated risk appetite which aims to maintain capital at a specific level above its Total Capital Requirement (TCR).

Notes to the accounts (continued)

26. Capital (continued)

The Board manages the Society's capital and risk exposures to maintain capital in line with regulatory requirements, which includes monitoring of:

Lending decisions

The Society maintains a comprehensive set of sectoral limits on an overall and 12-month rolling basis to manage credit risk appetite. Individual property valuations are monitored against House Price Index (HPI) data and updated quarterly.

Concentration risk

The design of lending products takes into account the overall mix of the loan portfolio to manage exposure to risks arising from the property market and other markets the Society is active in.

Counterparty risk

Wholesale lending is only carried out with approved counterparties in line with the Society's lending criteria and is subject to a range of limits that reflect the risk appetite of the Society.

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

The Society's capital requirements are set and monitored by the Prudential Regulation Authority (PRA). During 2024, the Society has continued to comply with the EU Capital Requirements Regulation and Directive (Basel III) as amended by the PRA. Further details of the Society's approach to Risk Management are given in the Strategic Review under Principal Risks and Uncertainties.

Regulatory capital is analysed into two tiers:

Tier 1 capital

which is comprised of retained earnings, less net book value of intangible assets held.

Tier 2 capital

which includes collective provisions.

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.

Notes to the accounts (continued)

27. Financial instruments

A financial instrument is a contract which gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Society is a retailer of financial instruments in the form of mortgage and savings products, and also uses wholesale financial instruments to invest liquid asset balances, raise wholesale funding and to manage the risks arising from its operations.

The Society has a formal structure for managing financial risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Society's Executive Assets & Liabilities Committee (ALCO), which is charged with the responsibility for managing and controlling balance sheet exposures. Instruments used for risk management purposes include derivative financial instruments (derivatives), which are contracts or agreements whose value is derived from one or more underlying price, rate or index inherent in the contract or agreement, such as interest rates.

Derivatives are only used by the Society in accordance with the Building Societies Act 1986, 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 and all derivatives are, therefore, designated as hedging instruments. The principal derivatives used in balance sheet risk management are interest rate swaps which are used to hedge balance sheet exposures arising from fixed rate mortgage lending and from fixed rate savings accounts.

The Society applies fair value hedging techniques to reduce its exposure to interest rate risk as follows:

Activity	Risk	Fair value interest rate hedge
Fixed rate mortgages	Increase in interest rates	Society pays fixed, receives variable SONIA
Fixed rate savings accounts	Decrease in interest rates	Society receives fixed, pays variable SONIA

The fair values of these hedges at 31 December 2024 and 31 December 2023 are shown in note 12.

Summary terms and conditions and accounting policies of financial instruments:

Financial instrument	Terms and conditions	Accounting policy
UK Government Debt Instruments (Treasury Bills)	Fixed interest rate Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Loans and advances to credit institutions	Fixed interest rate Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Loans and advances to customers	Secured on property or land Standard contractual term typically 25-35 years Fixed or variable rate interest	Loans and receivables at amortised cost Accounted for at settlement date
Shares	Fixed or variable term Fixed or variable interest rates	Amortised cost Accounted for at settlement date
Amounts owed to credit institutions	Fixed interest rate Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Amounts owed to other customers	Fixed or variable term Fixed or variable interest rates Short to medium term maturity	Amortised cost Accounted for at settlement date
Derivative financial instruments	Fixed interest received/paid converted to variable interest paid/ received Based on notional value of the derivative	Fair value through profit and loss

Notes to the accounts (continued)

27. Financial instruments (continued)

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. The tables below analyse the Society's assets and liabilities by financial classification:

Carrying values by category 31 December 2024	Held at amortised cost		Held at fair value		
	Loans and receivables	Financial assets and liabilities at amortised cost	Derivatives designated as fair value hedges	Unmatched derivatives	Total
	£'000	£'000	£'000	£'000	£'000
Financial assets					
Cash in hand & balances with Bank of England	-	64,026	-	-	64,026
UK Government Debt Instruments	-	46,248	-	-	46,248
Loans and advances to credit institutions	-	4,964	-	-	4,964
Derivative financial instruments	-	-	3,183	172	3,355
Loans and advances to customers	511,243	-	-	-	511,243
Total financial assets	**511,243**	**115,238**	**3,183**	**172**	**629,836**
Non-financial assets	-	2,847	-	-	2,847
Total assets	**511,243**	**118,085**	**3,183**	**172**	**632,683**
Financial liabilities					
Shares	-	523,945	-	-	523,945
Amounts owed to credit institutions	-	47,310	-	-	47,310
Amounts owed to other customers	-	5,079	-	-	5,079
Derivative financial instruments	-	-	795	10	805
Accruals and deferred income	-	1,899	-	-	1,899
Total financial liabilities	**-**	**578,233**	**795**	**10**	**579,038**
Non-financial liabilities	-	506	-	-	506
Total liabilities	**-**	**578,739**	**795**	**10**	**579,544**

Notes to the accounts (continued)

27. Financial instruments (continued)

Carrying values by category 31 December 2023	Held at amortised cost		Held at fair value		
	Loans and receivables	Financial assets and liabilities at amortised cost	Derivatives designated as fair value hedges	Unmatched derivatives	Total
	£'000	£'000	£'000	£'000	£'000
Financial assets					
Cash in hand & balances with Bank of England	-	124,834	-	-	124,834
Loans and advances to credit institutions	-	5,465	-	-	5,465
Derivative financial instruments	-	-	5,543	73	5,616
Loans and advances to customers	464,249	-	-	-	464,249
Total financial assets	**464,249**	**130,299**	**5,543**	**73**	**600,164**
Non-financial assets	-	3,378	-	-	3,378
Total assets	**464,249**	**133,677**	**5,543**	**73**	**603,542**
Financial liabilities					
Shares	-	479,581	-	-	479,581
Amounts owed to credit institutions	-	61,778	-	-	61,778
Amounts owed to other customers	-	7,020	-	-	7,020
Derivative financial instruments	-	-	1,659	76	1,735
Accruals and deferred income	-	1,420	-	-	1,420
Total financial liabilities	**-**	**549,799**	**1,659**	**76**	**551,534**
Non-financial liabilities	-	547	-	-	547
Total liabilities	**-**	**550,346**	**1,659**	**76**	**552,081**

There have been no reclassifications during either year.

Notes to the accounts (continued)

27. Financial instruments (continued)

Fair values of financial assets and liabilities

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 fair value hierarchy when deriving fair values is split into three levels, as follows:

- **Level 1** – quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2** – inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly
- **Level 3** – inputs for the asset or liability that are not based on observable market data

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

		Level 1	Level 2	Level 3	Total
	Note	£'000	£'000	£'000	£'000
31 December 2024					
Financial assets					
Derivative financial instruments					
Interest rate swaps	12	-	**3,355**	-	**3,355**
		-	**3,355**	-	**3,355**
Financial Liabilities					
Derivative financial instruments					
Interest rate swaps	12	-	**805**	-	**805**
		-	**805**	-	**805**
31 December 2023					
Financial assets					
Derivative financial instruments					
Interest rate swaps	12	-	5,616	-	5,616
		-	5,616	-	5,616
Financial Liabilities					
Derivative financial instruments					
Interest rate swaps	12	-	1,735	-	1,735
		-	1,735	-	1,735

Valuation techniques

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

Interest rate swaps

The valuation of interest rate swaps is based on the 'present value' method. Expected interest cash flows are discounted using the prevailing yield curves. The yield curves are generally observable market data which is derived from quoted interest rates in similar time bandings which match the timings of the interest cash flows and maturities of the instruments.

Notes to the accounts (continued)

27. Financial instruments (continued)

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 governance framework involving delegated approval authority levels and credit procedures, the objective of which is to build and maintain asset portfolios of high quality.

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

	2024	2023
	£'000	£'000
Credit Risk Exposure		
Cash in hand and balances with Bank of England	**64,026**	124,834
UK Government Debt Instruments	**46,248**	-
Loans and advances to credit institutions	**4,964**	5,465
Derivative financial instruments	**3,355**	5,616
Loans and advances to customers	**514,209**	468,465
Total Statement of Financial Position exposure	**632,802**	604,380
Off Statement of Financial Position Exposure – mortgage commitments	**28,622**	18,453
Total	**661,424**	622,833

27. Financial instruments (continued)

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

The Board 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 single counterparty, or group of counterparties, and to industry sectors. This is monitored daily by the Finance Director and reviewed monthly by the ALCO.

Policy only permits lending to central government (which includes the Bank of England), banks with a high credit rating and building societies. The Finance Director performs regular analysis of counterparty credit risk and monitoring of publicly available information to highlight possible indirect exposures.

An analysis of the treasury asset concentration, which is all located within the United Kingdom, is shown in the tables below:

	2024	**2024**	2023	2023
	£'000	**%**	£'000	%
Industry sector				
Banks and Building Societies	**4,964**	**4.31**	5,465	4.19
UK Government Debt Instruments	**46,248**	**40.13**	-	-
Central Bank	**64,026**	**55.56**	124,834	95.81
Total	**115,238**	**100.00**	130,299	100.00

	2024	AA	A	Other
Geographic region	£'000	%	%	%
United Kingdom	**115,238**	**95.75**	**3.37**	**0.88**

	2023	AA	A	Other
Geographic region	£'000	%	%	%
United Kingdom	130,299	95.81	4.19	-

There is no exposure to foreign exchange risk. All instruments are denominated in Sterling.

There are no impairment charges against any of the Society's treasury assets at 31 December 2024 (2023: £nil).

27. Financial instruments (continued)

b) Loans and advances to customers

All mortgage loan applications are assessed with reference to the Society's credit risk appetite statement and lending policy which are approved by the Board. When deciding on the overall risk appetite that is to be adopted, both numerical and non-numerical considerations are taken into account, along with data on the current UK economic climate and competitor activity. The lending policy must comply with all the prevailing regulatory requirements. The lending portfolio as originated is monitored by the Board to ensure that it remains in line with the stated risk appetite, including adherence to the lending principles, policies and lending limits.

For new customers the first assessment of credit risk is achieved through individual case underwriting, which assesses the credit quality of potential customers prior to making loan offers. The customers' credit assessment combines demographic and financial information. A second element is lending policy rules which are applied to new applications to ensure that they meet the risk appetite of the Society. All mortgage applications are overseen by the Underwriting department who ensure that lending criteria are applied and that all information submitted within the application is validated.

To ensure good customer outcomes and responsible lending the Society ensures at the outset that the customer can meet the mortgage repayments. This is achieved by obtaining specific information from the customer concerning income and expenditure but also with reference to external credit reference agency data. The maximum credit risk exposure is disclosed in the table on page 60.

Loans and advances to customers are predominantly made up of £513.5m retail loans fully secured against UK residential property, which is split between primarily residential loans and buy-to-let loans. The remaining £0.7m being secured on commercial property.

The Society operates throughout England & Wales and an analysis of the geographical concentration of the loan book is shown in the table below:

Geographical analysis	**2024**	2023
	%	%
East Anglia	**3.47**	3.53
East Midlands	**5.30**	5.62
Greater London	**30.83**	29.34
North	**1.49**	1.37
North West	**5.47**	4.99
South East	**13.70**	12.43
South West	**8.71**	10.04
Wales	**2.11**	2.04
West Midlands	**24.67**	26.48
Yorkshire and Humberside	**4.25**	4.16
	100.00	100.00

27. Financial instruments (continued)

The average loan to value (LTV) is the mean LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage loan to the value of collateral held and adjusted by a house price index (HPI) for loans which are on residential property.

The weighted average LTV of mortgage loans is 57.68% (2023: 57.80%). Mortgage Indemnity Insurance is taken out for all residential loans above 80% LTV at origination for a five year period from inception with a Lloyds of London insurance firm. Total mortgage loans of £101,107,000 are covered by mortgage indemnity guarantees which covers 10.52% of the outstanding credit exposure (2023: £96,053,000, 10.38%).

Further LTV information on the mortgage portfolio is shown below:

	2024	2023
	%	%
LTV analysis		
>0% - 50%	**35.20**	34.83
>50% - 60%	**16.00**	15.75
>60% - 70%	**19.48**	19.79
>70% - 80%	**12.96**	14.90
>80% - 90%	**12.25**	9.70
>90% +	**4.11**	5.03
	100.00	100.00
Weighted average loan to value of mortgage loans	57.68	57.80

Notes to the accounts (continued)

27. Financial instruments (continued)

The table below provides information on loans by payment due status and allowance for impairment:

	2024	2024	2023	2023
	£'000	%	£'000	%
Arrears analysis				
Not impaired:				
Neither past due nor impaired	**502,858**	**97.79**	459,223	98.03
Past due up to 3 months but not impaired	**6,685**	**1.30**	7,229	1.54
Past due over 3 months but not impaired	**200**	**0.04**	553	0.12
Impaired:				
Not past due	**708**	**0.14**	-	-
Past due up to 3 months	**1,857**	**0.36**	754	0.16
Past due 3 to 6 months	**703**	**0.14**	-	-
Past due 6 to 12 months	**995**	**0.19**	706	0.15
Past due over 12 months	**203**	**0.04**	-	-
Possessions	-	-	-	-
	514,209	**100.00**	468,465	100.00
Allowance for Impairment				
Individual	**(422)**		(215)	
Collective	**(1,019)**		(1,486)	
	(1,441)		(1,701)	
Loans and advances to customers (net of impairment)	**512,768**		466,764	

	Indexed	Unindexed	Indexed	Unindexed
	£'000	£'000	£'000	£'000
Value of Collateral held:				
Neither past due nor impaired	**1,097,547**	**971,681**	989,834	876,870
Past due but not impaired	**20,836**	**16,066**	19,994	15,566
Impaired	**7,706**	**6,126**	1,975	1,653
	1,126,089	**993,873**	1,011,803	894,089

Notes to the accounts (continued)

27. Financial instruments (continued)

The Society uses HPI indexing to update the property values of its residential and buy-to-let portfolios on a quarterly basis. Collateral values are adjusted by the Nationwide house price index to derive the indexed valuation at 31 December. This is a UK house price index and takes into account regional data from the 12 standard planning regions of the UK. The collateral consists of UK property and land.

With collateral capped to the amount of outstanding debt, the value of collateral held against loans 'past due but not impaired' at 31 December 2024 is £6,885,000 (2023: £7,782,000) against an outstanding debt of £6,885,000 (2023: £7,782,000). In addition, the value of collateral held against 'Impaired' assets at 31 December 2024 is £4,466,000 (2023: £1,460,000) against outstanding debt of £4,466,000 (2023: £1,460,000).

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

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 action to realise the underlying security. Various forbearance options are available to support customers who may find themselves in financial difficulty.

Forbearance
Temporary transfer to an interest only concession is offered for a set period for customers in financial difficulty. The concession allows customers to reduce monthly payments to cover interest only, and if made, the arrears status will not increase.

In addition, the Society is a signatory to the Mortgage Charter, whereby customers are able to self-identify concerns about their ability to make mortgage payments and are granted for up to 6 months an interest only concession.

Capitalisations occur where arrears are incorporated into the capital balance outstanding for the purposes of re-structuring the loan.

The term of the mortgage can be extended in order to reduce payments to a level which is affordable to the customer based on their current financial circumstances.

Product reviews for mortgages are undertaken if a change of product is appropriate; this could be due to a customer not switching product on the maturity of their fixed or discount term. All customers are contacted by the Society on maturity of their discount or fixed product rate.

All forbearance arrangements are formally discussed with the customer and reviewed by management 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.

The level and different types of forbearance activity is reported to the Board 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.

The table below details the number of forbearance and payment deferral cases:

	2024	2023
	Number	Number
Type of Forbearance		
Interest only concessions at year end	**5**	10
Mortgage Charter concessions at year end	**10**	31
Total	**15**	41

In total £4,004,000 (2023: £11,793,000) of loans are subject to a forbearance arrangement. Individual impairment provisions of £98,000 (2023: £34,000) are held in respect of these loans. In addition, a collective provision of £1,019,000 (2023: £1,486,000) is held.

27. Financial instruments (continued)

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. A significant amount of liquid assets are carried in the form of cash and other readily realisable assets in order to:

i) meet day-to-day business needs;
ii) meet any unexpected cash needs;
iii) maintain public confidence; and
iv) ensure maturity mismatches are provided for.

Monitoring of liquidity, in line with the Society's Internal Liquidity Adequacy Assessment Process (ILAAP) document is performed daily. Compliance with the policy is reported to ALCO and to the Board monthly.

The ILAAP demonstrates 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 liquidity risk assessment process. They include scenarios that fulfil the specific requirements of the PRA (the idiosyncratic, market-wide and combination stress tests). The stress tests are performed monthly and reported to the Board. On a quarterly basis ALCO confirm that the liquidity policy remains appropriate.

The Society's liquid resources comprise high quality liquid assets, including a Bank of England reserves account, supplemented from time to time by deposits with credit institutions and UK Government Treasury bills. At the end of the year the ratio of liquid assets to shares and deposits was 20.00% compared to 23.76% for 2023.

The table below analyses the Society's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity at the Statement of Financial Position date. This is not representative of the Society's management of liquidity. Loans and advances to customers rarely run their full course. The actual repayment profile is likely to be significantly different from that shown in the analysis. For example, most mortgages have a contractual maturity of around 25-35 years but are generally repaid much sooner. Conversely, retail deposits repayable on demand may remain on balance sheet for an extended period.

Notes to the accounts (continued)

27. Financial instruments (continued)

The following is an analysis of remaining contractual maturities at undiscounted amounts.

31 December 2024	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial liabilities and reserves						
Shares	**319,878**	**111,117**	**74,270**	**22,538**	**-**	**527,803**
Amounts owed to credit institutions	**3,271**	**7,185**	**38,096**	**-**	**-**	**48,552**
Amounts owed to other customers	**1,291**	**538**	**3,410**	**-**	**-**	**5,239**
Derivative financial instruments	**-**	**1,869**	**8,669**	**15,344**	**6**	**25,888**
Total financial liabilities	**324,440**	**120,709**	**124,445**	**37,882**	**6**	**607,482**

31 December 2023	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial liabilities and reserves						
Shares	279,983	83,312	82,288	39,544	-	485,127
Amounts owed to credit institutions	4,930	6,166	10,611	43,943	-	65,650
Amounts owed to other customers	1,685	835	4,775	-	-	7,295
Derivative financial instruments	-	1,355	5,927	8,892	12	16,186
Total financial liabilities	286,598	91,668	103,601	92,379	12	574,258

The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates, for the average period until maturity on the amounts outstanding at the Statement of Financial Position date. The derivative financial instrument cash flows include the payable leg of all interest rate swap derivatives held by the Society at the Statement of Financial Position date.

Notes to the accounts (continued)

27. Financial instruments (continued)

Market risk

Market risk is the risk of changes to the Society's financial condition caused by interest rate risk, other price risk and currency risk. The Society is exposed to market 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 balance sheet elements (basis risk).

The Society has adopted the 'Matched' approach to interest rate risk, as defined by the PRA. Societies adopting the Matched approach should have a balance sheet where assets and liabilities are entirely in sterling and use hedging contracts (or internal matching of assets and liabilities with similar interest rate and maturity features) to neutralise the risk arising from loans or funding other than at administered rates, on a tranche by tranche, product by product basis. By implication, societies adopting this approach should not be taking an interest rate view for the purposes of determining a hedging strategy.

The management of interest rate risk is monitored by assessing the sensitivity of the Society's financial assets and liabilities to a 2% parallel movement in interest rates along with other non-parallel movements in interest rates. The results are reported to ALCO and the Board monthly. In addition, management review interest rate basis risk which is also reported to ALCO and the Board monthly. Both sets of results are measured against the risk appetite for market risk which is currently set at a maximum level of capital.

The table below summarises the Society's sensitivity to an increase or decrease in interest rates, after allowing for hedged items, assuming a parallel movement of 2% in yield curves and a constant financial position:

	2024	2023
	£'000	£'000
Net interest income sensitivity		
Parallel increase of 2%	**(1,125)**	(524)
Parallel decrease of 2%	**1,231**	619

All financial assets and liabilities are presented on a gross basis in the Statement of Financial Position. The Society does not have any financial assets or liabilities that are offset with the net amount presented in the Statement of Financial Position as FRS 102 Section 11.38A requires both an enforceable right to set off and the intention to settle on a net basis or to realise the asset and settle the liability simultaneously. Neither of these conditions are met by the Society.

The Society has Credit Support Annexes (CSA) for its derivative instruments which typically provides for the exchange of collateral on a daily basis to mitigate net mark to market credit exposure. At 31 December 2024 £3,260,000 of collateral had been deposited by counterparties with the Society for derivative contracts (2023: £4,902,000).

The Society is not exposed to foreign currency risk.

28. Guarantees and financial commitments

	2024	2023
	£'000	£'000
a) Capital commitments		
Capital expenditure contracted for but not provided for in the accounts	-	-
b) Total of future operating lease commitments at the year end		
Not later than one year	**41**	25
Later than one year and not later than five years	**46**	17

Notes to the accounts (continued)

29. Related Party Transactions

During the year ended 31 December 2024 there were no related party transactions (2023: £nil), except for those set out in Note 7.

Directors and connected persons hold savings balances with the Society; all accounts have the same terms and conditions as available to customers of the Society. The savings balances are not detailed in the register due to their sensitive nature. The aggregate amount of all savings balances at 31 December 2024 was £114,793 (2023: £34,470).

30. 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 Capital Requirements Directive IV requires credit institutions and investments firms in the EU to disclose annually, specifying by Member State in which it has an establishment, the following information for the year: name, nature of activities, geographical location, turnover, number of employees, profit before tax, corporation tax paid and public subsidies received.

The principal activities of the Society is the provision of residential mortgages and retail savings products. Tipton & Coseley Building Society operates only in the United Kingdom.

Average employee numbers are disclosed in Note 6. Turnover is £12,826,000 (2023: £13,785,000), Profit before tax is £2,277,000, (2023: £4,338,000), and corporation tax paid was £640,000 (2023: £1,131,000). Turnover consists of net interest income, net fees and commissions received or paid and other income.

No public subsidies were received by the Society.

Basis of preparation

The Country by Country information for the year ended 31 December 2024 has been prepared on the following basis:

The number of employees has been calculated as the average number of full and part-time employees, on a monthly basis, as disclosed in note 6.

Turnover represents total net income as disclosed in the Income Statement. Total net income comprises net interest income, fees and commissions receivable and payable and other income.

Pre-tax profit or loss represents the Society profit or loss before tax, as reported in the Income Statement.

Corporation tax paid represents the cash amount of corporation tax paid during the year, as disclosed in the Statement of Cash Flow.

No public subsidies were received during the year, however the Society was a participant of the Term Funding Scheme with additional incentives for SMEs in the year. Borrowings from the scheme are shown in note 18.

Statement of Directors' responsibilities in relation to the Country by Country Reporting (CBCR) Information

The Directors of the Society are responsible for preparing the CBCR Information for the year ended 31 December 2024 in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013. In preparing the CBCR Information, the Directors are responsible for:

- interpreting the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013;
- determining the acceptability of the basis of preparation set out above to the CBCR Information;
- making judgements and estimates that are reasonable and prudent; and
- establishing such internal control as the Directors determine is necessary to enable the preparation of CBCR Information that is free from material misstatement, whether due to fraud or error.

31. Subsequent Events

At the date of signing these financial statements, the Directors do not consider that there have been any events since the end of the financial year that have a significant effect on the financial position of the Society.

Annual Business Statement

1. Statutory percentages

	2024	Statutory limit
	%	%
Lending limit		
Proportion of business assets not in the form of loans fully secured on residential property	**0.70**	25
Funding limit		
Proportion of shares and borrowings not in the form of shares held by individuals	**9.09**	50

The percentages are calculated in accordance with, and the statutory limits are those prescribed by, sections 6 and 7 of the Building Societies Act 1986 and are based on the Statement of Financial Position.

Business assets are the total assets of the Society as shown in the Statement of Financial Position plus impairment for losses on loans and advances (note 14), less property, plant and equipment, intangible assets and liquid assets.

Loans fully secured on residential property are the amount of principal owing by borrowers and interest accrued not yet payable.

Total 'shares and borrowings' are the aggregate of 'shares,' 'amounts owed to credit institutions' and 'amounts owed to other customers' in the Statement of Financial Position. Shares held by individuals are set out in note 17.

2. Other percentages

	2024	2023
	%	%
As a percentage of shares and borrowings:		
Gross capital	**9.22**	9.38
Free capital	**9.09**	9.32
Liquid assets	**20.00**	23.76
As a percentage of mean total assets:		
Profit after taxation	**0.27**	0.57
Management expenses	**1.75**	1.59

The above percentages have been calculated from the accounts.

'Shares and borrowings' are the aggregate of 'shares,' 'amounts owed to credit institutions' and 'amounts owed to other customers' in the Statement of Financial Position.

'Gross capital' are the reserves as shown in the Statement of Financial Position.

'Free capital' is gross capital plus collective impairment for losses on loans and advances (note 14) less property, plant and equipment and intangible assets in the Statement of Financial Position.

'Mean total assets' are calculated by halving the aggregate of total assets at the beginning and end of the financial year.

'Liquid assets' are the total of cash in hand and balances with the Bank of England, Treasury Bills and loans and advances to credit institutions.

'Management expenses' are the aggregate of administrative expenses, depreciation and amortisation taken from the Income Statement.

Annual Business Statement (continued)

3. Information relating to Directors as at 31 December 2024

Directors

Name and Age	Appointment date	Occupation	Other directorships
J Y Bentley (Age: 55)	4 November 2022	Non-Executive Director	ACT Medical Ltd
J P Chapman (Age: 61)	25 April 2024	Non-Executive Director	Geffrye Museum Trust Ltd Regal Tenbury Trust Ltd Stoer View Ltd
J D Cross (Age: 57)	28 April 2022	Non-Executive Director	Harrogate & District NHS Trust Harrogate Healthcare Facilities Management The Forget Me Not Children's Hospice Ltd The Grammar School at Leeds Roseville Court Management Ltd
A J Evetts (Age: 55)	1 September 2022	Building Society Chief Executive	Roseville Court Management Ltd
M Hrycyk (Age:68)	20 November 2017	Non-Executive Director	Rooftop Housing Association Ltd HMG Birmingham City Council Commissioner
B M Moore (Age:62)	1 February 2020	Non-Executive Director	Benenden Healthcare LGPS Central Moat Housing
K A Rolfe (Age:63)	1 June 2015	Non-Executive Director	None
A J Shand (Age:56)	14 June 2021	Building Society Finance Director	None

Documents may be served on the above named Directors at 70 Owen Street, Tipton, West Midlands DY4 8HG. We do not accept service of documents by email.

Details of the Directors' service contracts are shown in the Report of the Remuneration Committee on page 24.

Glossary

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

Arrears	A customer is in arrears when they are behind in meeting their contractual obligations with the result that an outstanding loan payment is overdue. The value of the arrears is the value of any payments that have been missed.
Basel III	The Basel Committee on Banking Supervision issued the Basel III rules text in December 2010, which presents the details of strengthened global regulatory standards on bank capital adequacy and liquidity. Basel III became effective from 1 January 2015 through CRD IV.
Buy to let loans	Buy to let loans are those loans which are offered to customers buying residential property specifically to let out.
Contractual maturity	The date at which a loan or financial instrument expires, at which point all outstanding principal and interest has been paid.
Credit risk	This is the risk that a customer or counterparty fails to meet their contractual obligations.
Capital Requirements Directive (CRD IV)	CRD IV is the European legislation which came into force from 1 January 2015 to implement Basel III. It has revised the capital requirements framework and introduced liquidity requirements, which regulators use when supervising firms.
Debt securities	Assets representing certificates of indebtedness of credit institutions, public bodies or other undertakings excluding those issued by central banks.
Deferred tax asset	Corporation tax recoverable (or payable) in future periods resulting from timing differences, between the accounting value of assets and liabilities and the tax base of those assets and liabilities.
Derivative financial instruments	A derivative financial instrument is a contract between two parties whose value is based on an underlying price or index rate it is linked to, such as interest rates or exchange rates of stock market indices. The Society uses derivative financial instruments to hedge its exposure to interest rates.
Effective interest rate method (EIR)	The method used to measure the carrying value of a financial asset or liability and to allocate associated interest income or expense over the relevant period. The calculation includes all fees and penalties paid and received between parties which are integral to the contract.
Financial Services Compensation Scheme (FSCS)	The UK's compensation fund of last resort for customers of authorised financial services firms. The FSCS may pay compensation to customers if a firm is unable, or likely to be unable, to pay claims against it, usually because it has stopped trading or has been declared in default. The FSCS is funded by the financial services industry. Every firm authorised by the FCA is obliged to pay an annual levy, which goes towards its running costs and compensation payments.
Forbearance strategies	Strategies to support borrowers in financial difficulty, such as agreeing a temporary reduction in the monthly payment, extending mortgage terms and a conversion to an interest-only basis. The aim of forbearance strategies is to avoid repossession.
Free capital	The aggregate of gross capital and provisions for collective impairment losses on loans and advances to customers less property, plant and equipment and intangible assets.
Funding limit	Measures the proportion of shares and borrowings (excluding the fair value adjustment for hedged risk) not in the form of shares held by individuals. The calculation of the funding limit is explained in the Annual Business Statement.
General reserves	The accumulation of the Society's historic and current year profit.
Gross capital	The aggregate of general reserves, and available for sale reserves.
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 later than they are contractually due.

Glossary (continued)

Individually/collectively assessed impairment	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 rate risk	The risk of loss due to a change in market interest rates. Interest rate risk can have an impact on Society's mortgages and savings products.
Internal Capital Adequacy Assessment Process (ICAAP)	The Society's own assessment, as part of Basel III requirements, of the levels of capital that it needs to hold in respect of its regulatory capital requirements for risks it faces under a business as usual scenario including stress events.
Internal Liquidity Adequacy Assessment Process (ILAAP)	The Society's own assessment, as part of CRD IV requirements of the levels of liquidity that it needs to hold in respect of its regulatory requirements for risks it faces under a business as usual scenario including stress events.
Lending limit	Measures the proportion of business assets not in the form of loans fully secured on residential property.
Liquid assets	Total of cash in hand, loans and advances to credit institutions, and debt securities.
Liquidity risk	Liquidity risk is the risk that the Society is unable to meet its financial obligations as they fall due or can only secure them at excessive cost. This risk arises from timing mismatches of cash inflows and outflows.
Loan to value (LTV)	LTV expresses the amount of a mortgage as a percentage of the value of the property.
Loans past due	Loans are past due when a loan payment has not been made as of its due date.
Management expenses	The aggregate of administrative expenses, depreciation and amortisation. The management expense ratio is management expenses expressed as a percentage of mean total assets.
Mean total assets	Represents the amount produced by halving the aggregate of 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 Charter	The Mortgage Charter is a code introduced by HM Treasury in response to the recent economic challenges. Those lenders which are signed up to the Mortgage Charter have agreed that any of their customers who are worried about their mortgage repayments can contact them for help and guidance, without any impact on their credit file.
Net interest income	The difference between interest receivable on assets and similar income and interest paid on liabilities and similar charges.
Operational risk	The risk of loss arising from inadequate or failed internal processes, people and systems, or from external events.
Prudential Regulation Authority (PRA)	The statutory body responsible for the prudential supervision of banks, building societies, insurers and small number of significant investment firms in the UK from the 1 April 2013. The PRA is a subsidiary of the Bank of England.
Residential loans	Loans that are loaned to individuals rather than institutions. Residential mortgage lending is secured against residential property.
Risk appetite	The articulation of the level of risk that the Society is willing to accept (or not accept) in order to safeguard the interests of the Society's members whilst also achieving business objectives.
Risk weighted assets	A regulatory measure which adjusts the value of assets as recorded in the statement of financial position to reflect the relative level of risk. This measure is used in calculating regulatory capital requirements.
Shares	Funds deposited by a person in a retail savings account with the Society. Such funds are recorded as liabilities for the Society.
Shares and borrowings	The aggregate of shares, amounts owed to credit institutions and amounts owed to other customers.
Tier 1 capital	Tier 1 capital consists of internally generated capital from retained profits less intangible assets and other regulatory deductions.
Tier 1 ratio	Tier 1 capital as a percentage of Risk Weighted Assets (RWA's)

We monitor and record phone calls for your security and training purposes.

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