Annual Report & Accounts

2024

SERVICE WITH EFFICIENCY

Saffron Building Society

For years to come...

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Our 2024 Hightlights

Profit After Tax
£4.1m

Community Link Usage
1,777
hours

CET1 Ratio
15.1%

Total Assets
£1.48bn

Gross Mortgage Lending
£244.0m

Staff Engagement
8.5 out of 10

Chair's Welcome

Mark Preston

"This year, I am particularly looking forward to our Annual General Meeting (AGM), which will be held in person for the first time since COVID. These interactions are incredibly important to me, as they allow me to hear your thoughts, understand your needs and strengthen our community ties."

Welcome to Saffron Building Society's 2024 Annual Report & Accounts.

This is the first report that I have written as Chair of the Society, having joined the Board in 2024. I first would like to thank Geoffrey Dunn who rejoined the Board as Interim Chair to provide stability in leadership for the Society. I would also like to thank Jenny Ashmore, who extended her term as Senior Independent Director and Vice Chair to ensure that the transition period was a smooth one. I am very proud to have been appointed as the Society's Chair and am looking forward to steering your Society over the coming years.

In my short time as Chair, I have observed that the Society is performing effectively, maintaining strong controls and actively working to deliver a clear strategic plan. Over recent years, its strong trading and financial performance means it is well positioned to make the changes necessary to ensure its continued success.

In my interactions with colleagues all around the Society, I have been truly impressed by the vibrant culture, especially the remarkable energy and unwavering focus dedicated to delivering outstanding service for our Members. The Society understands that it must stand out from other financial service providers, and it is this culture that provides the foundations from which we will build.

As Colin, our CEO, outlines in his report, there are several challenges and uncertainties that the Society, alongside others, must navigate in the coming years. It is highly likely that trading conditions will become more challenging as a result of increasingly fierce competition in an interest rate environment that will likely remain difficult. Moreover, the Society must actively evolve and invest in a broader range of capabilities, including innovative service offerings, advanced technology and enhanced people skills to meet the growing demands of our Members in the dynamic market we serve.

Whilst acknowledging the challenges, this is an exciting time to be at the Society. Many of the necessary foundations are already in place. The Society has a strong culture, clear focus on its members and understands the importance of its broader community impact.

To guide the Society through this transformative period, I am pleased to announce the appointment of three new Non-Executive Directors to the Board. Their diverse skills and extensive experience will complement and strengthen the existing expertise of our current Board members, positioning us for continued success and innovation. Each new director brings significant business acumen and specialist skills that will be invaluable in shaping and overseeing the Society's strategic direction, as well as providing essential support and constructive challenge to the management team. You can read more about the appointment process of the new Non-Executive Directors in the Nominations Committee Report on page 54.

Louise Wilson brings a wealth of skill and experience to help support the development of our People Strategy.

Angela Cha has legal and governance expertise, coupled with sector experience gained previously at another Society.

Alexandra Hatchman brings digital strategy and leadership skills that are highly relevant to support the path of the Society during its transformation.

You can read more about them in Meet the Directors on page 48.

During my ten years on the Board of another Society, I developed a deep respect and appreciation for the principles of the mutual sector. Understanding clearly whose interests we serve is a powerful motivator for us. It drives us to create products and services specifically designed to support you, our valued Members, as you navigate the challenging financial landscape we face today.

We are committed to ensuring that your needs are at the forefront of everything we do, empowering you to thrive even in these difficult times.

I am genuinely excited about the opportunity to meet as many of you as possible at our Member events and during my branch visits. This year, I am particularly looking forward to our Annual General Meeting (AGM), which will be held in person for the first time since COVID. These interactions are incredibly important to me, as they allow me to hear your thoughts, understand your needs and strengthen our community ties. I believe that engaging with you first-hand is essential for fostering a vibrant and supportive environment, and I look forward to building lasting relationships that enhance our collective experience within the Society. Your insights and feedback are invaluable, and I cannot wait to connect with you all! Details on how to attend our AGM can be found on our website or in the Annual Members Review.

Mark Preston
Chair

Chief Executive's Report

Colin Field

> My colleagues have always excelled at the service they provide for our Members. I have frequently been reminded of the passion they demonstrate to help members achieve their goals.

In my report last year, I outlined the substantial progress that the Society had made to deliver its "For Years to Come" strategy, which encompassed Members, colleagues, community and our broader environment. Over 2024, I am delighted that we have made further progress to support each of these groups, progress made possible by another year of strong trading, demonstrating how by generating profit for purpose we can make a real and sustainable impact.

In the time that I have been at the Society, my colleagues have always excelled at the service that they provide for our Members. I have frequently been reminded of the passion they demonstrate to help Members achieve their goals, and this translated into the vision of 'money happiness' that we have kept in focus for several years now.

It is on these strong foundations that we have built out the impact that we make as a Building Society. Our colleagues have volunteered more than 1,000 hours for good causes in their communities, a contribution that we are looking to grow further in 2025. Our Community Link, which opened in 2022, was used for 1,777 hours by charities, not-for-profit and community groups during the year, allowing them to focus their resources on supporting the causes they hold dear. Charitable giving is the third area where we seek to make a sustainable difference to good causes in our community, and I am delighted that we have been able to make £52k of grants during the year, taking our total grant allocation past £250k.

We continue to grow our provision of financial education through our long-standing partnership with Wizeup, with delivery to 11 schools scheduled for 2025. In addition to this, we launched a partnership with MyBnk in Essex to support financial education for young people leaving care, a group that until now has slipped through the net of financial education provision.

Both my colleagues and I are proud that through the continued development of our business, we can demonstrate such a positive impact. As I highlight our contributions to the community, I want to emphasise our unwavering commitment to providing exceptional service to our Members. This dedication is clearly reflected in the valuable feedback we receive through our Smart Money People tool.

In particular, I was delighted by the response we received to our second Members' Month in June 2024. Angela Rippon was our headline speaker at our Members Tea Party, which was a resounding success, drawing enthusiastic participation from our Members. Her engaging insights and experiences resonated deeply, fostering lively discussions about the importance of community and support within financial cooperatives. The event not only provided an opportunity for our Members to connect with one another but also reinforced our commitment to creating meaningful experiences that empower and enrich our community. We are grateful to Angela for her inspiring contribution and to all our Members for making the event such a memorable occasion.

The whole Society was thrilled to once again win both Building Society of the Year and Mortgage Lender of the Year at the MoneyAge Awards.

The Society continues to trade well, growing both our mortgage lending and our savings balances, under market conditions that have presented several challenges to navigate. Over the past year, we have seen increased competition for savings balances maintaining interest rates at relatively high levels, whilst competition for mortgage customers has driven down mortgage interest rates. This competition has worked well for both Savings and Mortgage Members but has seen a resulting compression to the margin that we can achieve as a Society.

Whilst inflation has now returned to more normal levels, we all continue to feel the impact of the higher prices that we now pay, and the Society is no different. All our costs have increased over recent years, including charges levied by third parties and our employment costs that have increased to maintain real wages. In these conditions, it is essential that the Society grows its balances to offset the reduction in margin and increase in costs that we see from inflation and the necessity to invest for the future; a topic that I will touch on later in this report.

Arrears and consequent impairment continue to be at a low level, a credit to our underwriting decisioning and the additional prudence that was implemented by regulators following the global financial crisis.

We were pleased to be able to provide voluntary financial support to members who were affected by the collapse of Philips Trust Corporation. Though there was no legal or regulatory obligation to do so, together with three other Building Societies, we chose to provide this support to alleviate the significant hardship that would otherwise have occurred.

Bringing all the aspects of our financial performance together, whilst the headline profit number is once again lower than the prior year, the underlying performance, which is outlined in the Strategic report on page 14, is broadly in line with prior years.

Developments in the year

We recognise that our Members want to do business with us how and where they want to, whether at physical branch locations, online or over the phone. With the completion of our Ware concept branch in December, we have now refreshed all our branch locations. During the year, we have also updated our mobile app, which now provides much greater functionality, allowing Members to move money, send messages and select their maturity instructions. We also improved the way that our telephone service works, making sure that Members and customers can get their issues resolved more easily.

We introduced two new product ranges last year to provide better value for money to business customers and community groups, following research that we commissioned that highlighted that they are underserved by other financial service providers.

As most of our Members are savers, it is true that we have the most frequent contact with this group. However, we also continue to support our mortgage Members with their service needs and to provide service if their circumstances change. Nearly all our mortgage Members have been introduced to us by their mortgage or financial advisors and we recognise the importance of continuing to improve our service to this group. Over 2024, we made several improvements: we enabled brokers to help Members transfer to a new deal with the Society, and we recognised the service that brokers provide through provision of a retention fee to them and, perhaps most importantly, through further enhancing the support that we provide to brokers from/through our dedicated business development managers and underwriters.

I mentioned earlier that some changes that we make are largely invisible. We successfully completed two projects in 2024 that were needed to meet our regulators' needs. They involved compliance with the Consumer Duty and Operational Resilience requirements. The Society has also made great progress in replacing both our data infrastructure and tools – a key project that will enable the Society to better understand customer needs, improve decision making and develop better propositions for Members in the future.

In total, we delivered 24 projects to improve service, meet regulatory compliance or improve internal capability. This activity, often unseen, underpins the development of our Society, and I want to thank all the colleagues involved.

The year ahead

As I look back to this time last year, it is easy to suggest that not a great deal has changed. In January 2024, the Bank of England base rate was 5.25%. Meanwhile, inflation was at 4.2%, still somewhat ahead of its long-term target of 2%. Twelve months on, the latest data reports inflation standing at 3.5% and the Bank of England base rate is 4.5%.

The market continues to view the long-term interest rates as trending downwards. However, the anticipated pace of this reduction has shifted, and it is now expected that interest rates will remain slightly elevated for longer than previously thought.

The UK economy is not performing strongly, with GDP at the time of writing remaining stubbornly flat. Inflation increased towards the end of last year, but this was anticipated in response to the change to the energy price cap, and it still seems likely that inflation will continue to move towards its 2% target level. What is not clear is the impact that the recent budget measures will have on the wider economy. They are, however, generally viewed as being both inflationary and damaging to economic growth.

At the Society, we remain cautiously optimistic. As a niche lender, we believe that we can leverage the momentum that we have built to continue to grow our lending over the coming year. We also believe that we can continue to build our savings balances, supported by our retail offerings and our new savings propositions for SME and community groups. We do believe that the next couple of years will not be easy. We anticipate that the pressures that we have seen on margin will continue, if not intensify, as the funding provided through Bank of England schemes during the pandemic are withdrawn.

We will continue to develop our strategy and the business model that supports it. We will continue on our journey of IT transformation that will ensure that we have systems capability that will maintain our business today, and be fit for the needs of our Members in the future.

I do hope that this report gives you a flavour of what we are doing to develop and improve your Society. I would like to thank all my colleagues for their energy, skill and commitment, as well as you, our Members, for your continued support.

Colin Field
Chief Executive Officer

Our Awards Cabinet

We are always delighted when our hard work is recognised by Members and industry professionals. During 2024, we were thrilled to receive the following awards for our mortgage and savings products:

MoneyAge

Building Society of the Year

Mortgage Provider of the Year

Financial Reporter

Business Development Manager of the Year

Savings Champion

Best Children's Account Provider

Strategic Report

Strategic Highlights 2024

- Strong underlying financial performance and liquidity with a strengthening capital position.
- Continued strong Member and broker satisfaction based on high levels of customer service and process improvement.
- Progress built to support the Society's future relevance through delivery of 'For Years to Come' strategy.

Introduction to our Strategic Report

As a Member-owned building society, our priority is always you - our Members. Everything we do is focused on delivering long-term value, providing financial security and ensuring we remain a strong and sustainable Society for years to come. Over the past year, we have continued to invest in enhancing our products and services, supporting our colleagues and making a positive impact in our community.

Since 1849, Saffron Building Society has been dedicated to helping people achieve two fundamental financial goals: owning their own home and providing a secure place for their savings. Our vision of creating 'money happiness' means empowering our Members to feel confident, positive and in control of their finances, enabling them to get more out of life. This vision, which remains as relevant today as it was 175 years ago, is the guiding force behind everything we do.

Our mutual status means we do not make dividend payments to external shareholders; instead, our profits are reinvested into the Society for the long-term benefit of our Members. We believe this model offers a better approach than many of our competitors, allowing us to retain enough profit for investment and growth while returning surplus profits to our members through improved products, rates and services.

In 2024, we took the opportunity to wind up several non-trading dormant entities, leaving only one non-trading subsidiary, Saffron Mortgage Finders. Additionally, our wholly owned trading subsidiary, Crocus Home Loans Limited, continues to manage mortgage assets acquired up to 2007, with balances naturally reducing through redemption or repayment.

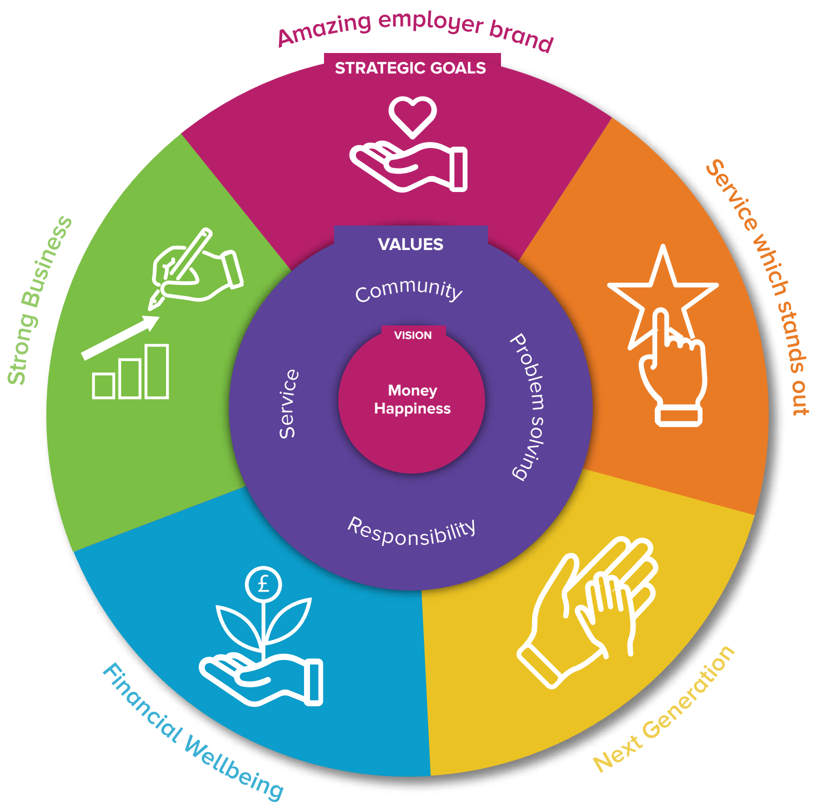
The Strategic Report outlines our financial performance, strategic progress, and future priorities, ensuring we continue to serve you with fairness, integrity and a commitment to our mutual status.

The Society offers mortgages to meet a wide range of needs. These include residential owner-occupier products, options for first-time buyers and buy-to-let mortgages. In addition, we have continued to build on our capability to assess more complex cases where we can leverage our bespoke underwriting capabilities to serve borrowers that are not catered for by more mainstream lenders. We support individuals who are self-employed or contracting, looking to renovate their home or even build a new home and people either entering or already in retirement that find it difficult to obtain support. In each case, the Society's philosophy is to consider individual circumstances, apply common sense and provide a personal, reliable service to borrowers and their brokers.

Our wide range of award-winning savings products can be serviced in-branch, by telephone and, in most cases, online. Our offerings include instant access, fixed-term, tax-free and regular savings, as well as corporate savings and newly launched community products. We also have a range of accounts designed for children to encourage saving from a young age. Through a network of partner organisations, we offer financial advice, annuities, funeral planning, estate planning, inheritance tax planning and whole-of-market mortgage advice. The Group has assets of £1.5bn and operates from its head office in Saffron Walden, Essex. We have eight branches in total and employ 204 people.

Our Strategy

In 2024, the Society was Guided by our Vision... Powered by our Values... and Driven by our Strategic Goals.



Our Vision

Our vision is for everyone to achieve 'money happiness'. This means helping people to feel confident, positive and in control of their money, so they get more out of life. Think of our vision as the 'why' Saffron Building Society exists, and the Strategic Goals as the 'what' we need to do to deliver Money Happiness.

Our Strategic Goals

The Society has identified five strategic goals that it is prioritising in order to achieve its vision of 'money happiness'. They are:

- Running a strong business that is a safe and secure place for Members to benefit from throughout their lives.
- Creating an amazing employer brand that people are proud of and motivated to work for.
- Offering our Members a service which stands out, so that they love dealing with us and recommend us to others.
- Helping the next generation get started in life with saving and owning their first home.
- Driving financial wellbeing initiatives that help our Members, communities and colleagues prosper.

Our Values

Our values are the deep-rooted things we believe in and stand for, as defined by our colleagues and Members. These values drive our behaviours, which you can think of as the 'how' we work together to deliver the Strategic goals, for you our members.

Our Behaviours

We want our people to be successful in what they do, but we also want them to be confident, engaged and happy at work. We believe that how we behave towards each other is often the most important factor in achieving these aims. That's where #BuildingHappy comes in. We have defined our core values so everyone in the Society knows what we stand for, and we have aligned these values to the behaviours we want to recognise in our staff.

Our Values

Responsibility

Members trust the Society with the financial things that matter most: their homes and their savings. The Society repays this trust by always acting with the highest level of responsibility, taking care to get things right, and always acting in Members' best interests.

Problem Solving

Money happiness flourishes when problems are solved. That's why everyone at Saffron is focused on solving problems with skill, knowledge and empathy. Big or small, every challenge is an opportunity to create more benefits for Members.

Service

Great service leaves people feeling valued and understood. It can't be faked - it comes from within and is something the Society expects its people to demonstrate in every role.

Community

The Society is inspired to leave a legacy in the communities it serves. By building connections with local groups and nurturing relationships that last generations, the Society aims to be an integral part of our Members' communities for years to come.

Our Behaviours

Building Connections

We're inspired to leave a legacy for our communities and each other. We are, we belong. It's what makes us shine. We nurture relationships that are built to last.

Building Solutions

We're creating a culture that's ready to challenge. We don't mean by being rebels, but staying curious and one step ahead. We think on our feet to solve the problem, and if we don't know the answer, we'll find someone that does.

Building Trust

With trust, comes responsibility. We don't mean taking on the world, but taking real ownership of everything we do, so when a problem comes calling, we answer it.

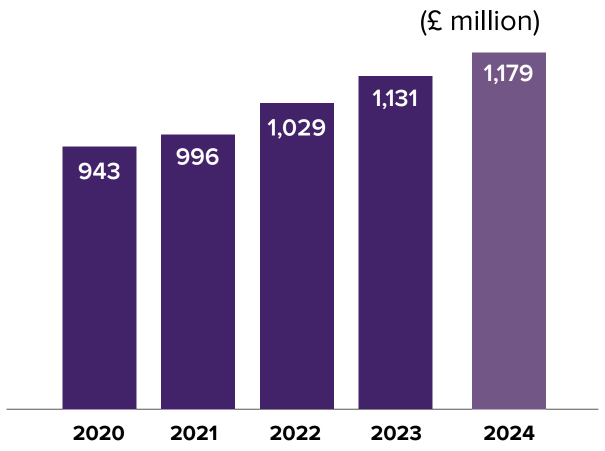
Building Excellence

We're committed to giving it our best, our ultimate-true-feel-it-in-your-heart beat. We don't mean never making mistakes, but keeping it real by learning, respecting and growing together. As one team, the way we treat each other sets the tone for how we treat our members.

Financial Review

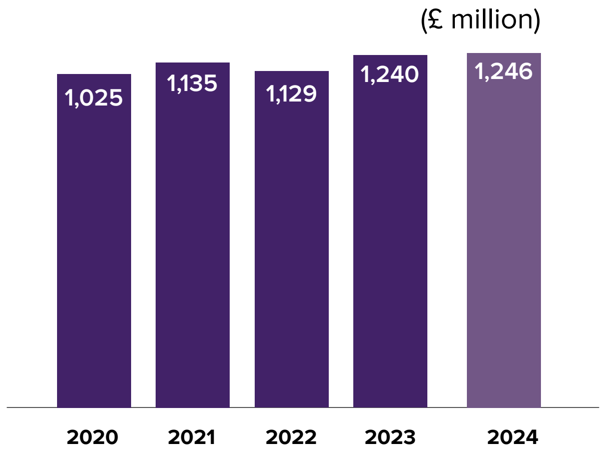
While profit is an important element of running a sustainable member owned business, it is only one of a number of financial measures that the Board considers. Some of these measures are outlined below. Further details on these and other measures can be found on the following pages.

Mortgage Balances



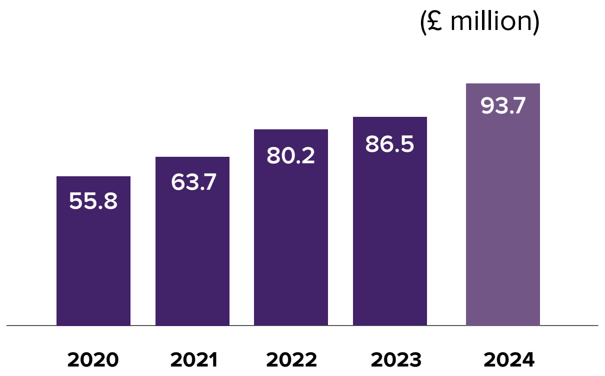
We achieved gross lending of £244m to mortgage customers (2023: £266m) with net lending of £47m (2023: £102m).

Savings Balances



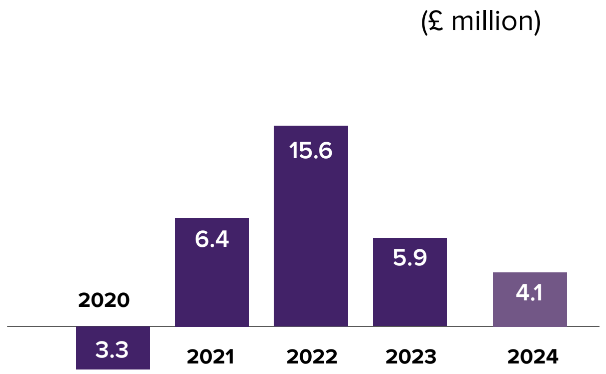
We have steadily grown our savings balances over the years to £1,246m (2023: £1,240m).

Regulatory Capital



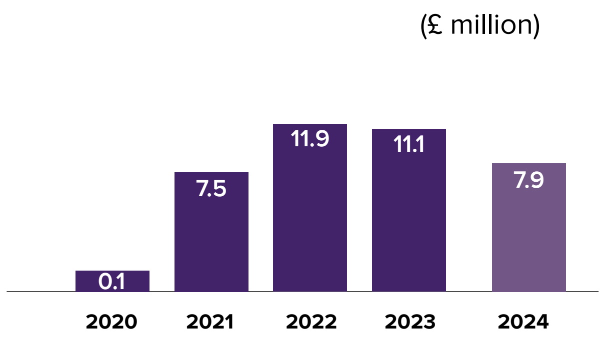
CET 1 ratio increased to 15.1% (2023: 15%) as a result of lower mortgage book growth.

Profit after tax



We continue to maintain a solid profit after tax of £4.1m in 2024 (2023: £5.9m), reflecting our ongoing financial resilience.

Underlying profit before tax



Underlying profit before tax of £9.1m was achieved (2023: £11.1m)

Key Performance Indicators

The KPIs adopted throughout 2024, with comparison against 2023, are presented in the table below, together with explanatory comment to follow on the corresponding pages.

	2024	2023
Trading performance		
Gross mortgage advances	£244.0m	£265.8m
Total mortgage balances	£1,178.5m	£1,131.3m
Total savings balances	£1,246.0m	£1,239.9m
Colleague experience		
Engagement	8.5	8.3
Member experience		
Customer net promoter score	+58.9	+43.7
Customer satisfaction	89.4%	88.7%
Broker net promoter score	+55.3	+50.0
Broker satisfaction	87.7%	83.9%
Financial sustainability		
Profit before tax	£5.6m	£7.7m
Net interest margin	2.02%	2.41%
Management expenses ratio	1.46%	1.50%
Common equity Tier 1 ratio	15.1%	15.0%
Total capital ratio	17.6%	16.9%
Liquidity coverage ratio	177%	223%

Key Performance Indicators: 2024 Performance vs Target

Measure	Explanation	2024 performance	Trend compared with 2023
Gross mortgage advances	Our lending policy and underwriting criteria are designed to ensure lending is responsible and affordable. Each year the Board approves a lending plan in line with risk appetite, anticipated demand for the Society's lending products and as part of broader capital management strategy. In line with the Society's long-term growth plan, a target of £250m was set this year, with actual performance falling just short of this.	Total advances of £244m – slightly behind budget of £250m.	↓
Total mortgage balances	The total size of the Society's Group mortgage assets. The Society needs to maintain sufficient balances of quality mortgage assets to meet demand from Members and generate sufficient income, balanced with associated capital requirements. Total lending was slightly below target. This was a conscious decision, with the Society seeking to prioritise lending at acceptable returns ahead of lending volume.	Mortgage asset below plan at £1,179m.	↑
Shares and deposit balances	With the exception of TFSME drawings, the Society remains almost entirely funded by retail shares and deposits. The Society was successful in growing its savings balances to support mortgage book growth and its planned refinancing of TFSME drawings.	Growth ahead of plan at £1,246m (£42m ahead).	↑
Engagement	The Board strives to make Saffron a great place to work with high levels of colleague engagement, motivation and commitment. A regular survey of all employees measures multiple aspects of employee satisfaction as well as overall engagement. The Society's long-term goal is to achieve engagement in the top 10% of financial services firms. The Society is making good progress towards this goal. Currently the Society is achieving a level within the top 25%, at a score of 8.5.	Score of 8.5 – ahead of target.	↑
Customer net promoter score	This is a measure of how likely our Members are to recommend the Society to others and reflects their satisfaction with our service to them. It is measured as the difference between the number of Members who would recommend the Society (promoters) and those who would not recommend the Society (detractors). Creators of NPS, Bain & Company, suggest a score above 0 is good, above 20 is favourable, and above 50 is excellent. As a Society, we target a score of over 35. The Society has worked hard to maintain and improve its net promoter score in the face of increasing mortgage interest rates, and savings rates that have plateaued and started to reduce.	An average score of 58.9 was achieved across the year.	↑
Customer satisfaction	The Society seeks to always serve its Members through the delivery of good value products with a consistent high level of service. Customers visiting the branches, using our phone-based services or transacting online are requested to provide feedback on their experience with the Society. The score is an average of all customer ratings, and we target a score of more than 90% customer satisfaction.	Score of 89.4%.	↑
Broker net promoter score	This is a measure of how likely our brokers, who act as intermediaries for new mortgage customers, are to recommend the Society to others. It represents the difference between the number of Brokers who would recommend the Society (promoters) and those who would not recommend the Society (detractors). Our target is to exceed an NPS score of 30. In 2024, the Society put in place measures ensuring communication between the broker network and the underwriting team was improved, aiding the pace of offers and building stronger relationships.	An average score of 55.3 was achieved across the year.	↑
Broker satisfaction	An improved way to measure broker satisfaction was launched last year to capture and respond to this channel's important feedback more accurately. Our target is to exceed the 80% satisfaction rate which has been achieved this year due to the increased communication between the Society and the broker network and improvements in overall service, including the application decision process.	Score of 87.7%.	↑
Profit before tax	This represents the amount earned by the Society after taking into account all expenses and provisions excluding taxation. Profits are the principal source of capital for the Society. Profits in the year remained strong as a result of maintaining a net interest margin above target in the face of more challenging market conditions.	Profit before tax of £5.6m, which is ahead of the original budget of £4.2m	↓

Measure	Explanation	2024 performance	Trend compared with 2023
Net interest margin	This represents the difference between interest received by the Society from its mortgages and other loans less interest paid on its deposits and other borrowings. This needs to be sufficiently high to generate a profit while providing consistent, competitive and fair rates to Members.	Net interest margin of 2.02% which is higher than the target of 1.89%.	↓
Management expenses ratio	Management expenses comprise both administrative expenses and charges for depreciation and amortisation. They represent the costs of running the Society's business. This ratio measures the proportion that these costs bear to the mean average total assets of the Society and is an indicator of efficiency. The cost base of the Society has increased over recent years due to inflation and investment. The Society seeks to offset the increase in expenses through profitable growth.	Management expense ratio of 1.45%, which is above the target 1.41%.	↓
Common equity Tier 1 ratio	Growing the Society's capital strength relative to its size is a key element of the Board's strategy. Common Equity capital is the highest quality capital available and, for the Society, primarily comprises accumulated profits held in reserves. This ratio represents the relationship between Common Equity capital and total assets, weighted by the level of risk they carry. The Board seeks business growth to be balanced with maintaining this metric around an agreed level, currently 15%. In 2024, the metric improved because capital accretion exceeded the additional capital required by the business growth. Our transformation strategy, coupled with continued growth in lending, is likely to reduce this metric slightly over the near-term.	15.1% which is ahead of the budgeted position.	↑
Total Capital Ratio	Total Capital Ratio represents the amount of regulatory capital available to the Society as a percentage of its risk weighted assets. This ratio comprises Tier 1 capital (Common Equity Tier 1, CET1) and Tier 2 capital. For the Society, Tier 2 capital includes general provisions and subordinated instruments. The Total Capital Ratio has increased to 17.5%, reflecting the same capital accretion as the Common Equity Tier 1 ratio. Additionally, the refinancing of the Society's subordinated debt to a value of £12m has contributed to this growth.	17.5% which is in line with the budgeted position.	↑
Liquidity coverage ratio	This ratio represents the regulatory assessment of liquidity adequacy. Liquidity is maintained throughout the year at levels necessary to fund lending, repay Bank of England facilities and regulatory requirements. The Society operated significantly above these requirements throughout the year.	176.7% was above the regulatory minimum but below with the target of 204.2%.	↓

Sustainability Report

As we reflect on the past year, we are proud to present our Sustainability Report, which highlights our ongoing commitment to responsible and sustainable practices. At the Society, we recognise that our success is intertwined with the well-being of our communities and the environment.

In recent years, the Society has developed a distinctive approach to sustainability by using the lens of mutuality to define the positive impact it aims to make across Environmental, Social and Governance (ESG) matters. By leveraging its mutual business model, the Society can balance profit with purpose by making decisions in the best long-term interests of its key stakeholder groups.

The Society firmly believes that focusing on the longer-term impact of its actions leads to better decision making, stronger results and a more sustainable business for years to come.

In last year's annual report, the Society outlined the progress made across the three ESG pillars and remains committed to further enhancing its ESG reporting to improve visibility of its impact in these areas.

Environmental Initiatives:

2024 Highlights

- All head office lighting changed to LED lightbulbs
- All branches and head office now have recycling facilities for glass, plastic, paper and cardboard through Restore
- 100% electrical supply from renewable resources via our supplier
- 100% of vehicles electric or hybrid in the company car & van fleet
- 4,654 kg of paper recycled
- Approval of the plan to change the heating, cooling, ventilation and most importantly, the replacement of the 40-year-old boilers at head office

The Society continues to be mindful of the need to help address global climate change, both to comply with new and forthcoming regulations but also because our Members and Colleagues tell us it is a key concern of theirs. Although a relatively small lender, the Society recognises the impact its housing stock and its wider operations can have on the planet. For a number of years, the Society has partnered with Groundwork East, an independent sustainability charity and consultancy, to advise the Society on how best to approach its ESG strategy.

During 2025, the Society will review its metrics, setting goals and targets to which it can hold itself accountable. One of the areas the Society will look to develop and enhance over the year is the environmental impact of the mortgage book. A plan is being developed as to how the Society does this, against the information it already measures.

During 2024, the Society undertook many key activities to build on its plan for sustainability and it is committed to do so during 2025. The Society will not only continue to work with Groundwork East in 2025, but will also build on its plan to manage and reduce its carbon footprint. A plan has already been approved to change the heating, cooling, ventilation and, most importantly, the replacement of the 40 year-old boilers at head office.

In 2024, Saffron Building Society reported a Greenhouse Gas emissions inventory for the year, calculated at 443 tonnes of carbon dioxide. When normalised for the increase in headcount, this represents a 1% reduction in emissions. To enhance the accuracy of our reporting, the Society expanded the 2024 assessment to include business travel, specifically air travel, and overnight accommodation within the UK.

Our emissions data was categorised into three scopes, in accordance with the Government's Environmental Reporting Guidelines.

Additionally, we partnered with Restore Datashred, resulting in the recycling of 4,654 kg of paper throughout the year. This achievement is equivalent to saving 148,933 litres of water or preserving 79 trees, demonstrating our commitment to sustainability and responsible resource management.

The Society is on a zero-to-landfill waste journey. We have a number of activities planned for 2025 to help us towards this goal. In 2024, we managed to reduce our overall waste by 10%.

As part of our commitment to sustainability, we are actively monitoring the environmental impact of our mortgage portfolio. Currently, our portfolio has a carbon footprint of 18,887 tonnes of carbon dioxide. Additionally, the average annual energy cost for properties within the portfolio stands at £1,522. As mentioned above, the Society is further investigating the environmental impact of the mortgage book. By supporting initiatives that encourage greener living, we aim to reduce our overall carbon impact and contribute to a more sustainable future for our communities.

Also during 2024, the Society carried out a major refurbishment of our Ware branch. A number of key environmental factors were carefully considered when building the plan, including enhanced recycling facilities to move toward the aim of zero-to-landfill, energy saving LED lights and the use of sustainable materials. You can read more about our Ware branch in the case study later in this report.

Social Contributions:

Saffron is inspired to leave a legacy for the communities it serves. By building connections with local groups and nurturing relationships that last generations, the Society aims to be an integral part of our Members' communities for years to come.

Community engagement and charitable activities:

2024 Highlights

- £160,800 donated to 60 charities
- 1,077 volunteering hours donated
- 1,777 hours used in our Saffron Walden Community Link
- Opening of the second Community Link

Our Community Business Partner

At the heart of our strategic values lies an unwavering commitment to community support, a principle that Claire Hunnable has embodied since she took on the role of Community Business Partner in 2019. Her leadership has been instrumental in reinforcing our mission to nurture the growth and resilience of local communities for years to come.

In 2024, we proudly surpassed £250,000 in grants distributed through the Saffron Community Fund, supporting charities across our branch locations. This financial commitment exemplifies our dedication to community engagement, further demonstrated by our volunteering efforts with local charities, schools and organisations.

The Saffron Community Choir, established in 2007, has transformed from a small ensemble of staff members into a vibrant hub of more than 40 participants in 2024. Meeting every Friday in Saffron Walden, the choir is entirely free to join, with the Society covering all associated costs. This inclusive approach, which requires no auditions, has garnered recognition from local GPs for its positive impact on mental health and well-being, fostering connections and combating loneliness within the community.

In our commitment to empowering the next generation, we have fully funded Financial Education workshops in partnership with WizeUp. Last academic year, we worked with 1,695 students across nine local high schools, equipping children with essential life skills. In 2025, we look forward to extending this support to two additional schools.

In 2024, we made a significant two-year investment of £200,000 to introduce MyBnk's money management training to Essex for the first time. This initiative specifically targets care leavers and NEETs (Not in Education, Employment or Training), providing 300 hours of training per year to enhance the financial literacy of young people.

Through these initiatives, the Society demonstrates a profound commitment to community support and development, making a lasting impact on the lives of individuals and the broader community.

Our collective efforts continue to foster a spirit of collaboration and resilience, ensuring that our communities thrive.

Colleague Volunteering

At Saffron Building Society, it's more than money. Volunteering is a key part of our community strategy, bringing benefits to our colleagues, business and local communities. By connecting with local partners, we bring people together and nurture a sense of community which helps us support our strategic goals and values.

Volunteering offers many benefits to colleagues, supporting their personal growth and professional development, as well as encouraging team building, cross-functional interaction and wellbeing. Volunteering can bring new insights, provide opportunities for new experiences and create positive impact through working with diverse groups of people on social issues.

Each Saffron colleague is eligible for up to three days of paid leave each calendar year to participate in the volunteering programme. This can be taken either as full-day blocks or in smaller chunks.

Throughout 2024, Saffron donated more than 1,000 hours to the community.

Community Link

A cornerstone of our community engagement efforts is the Saffron Community Link, a fully refurbished, self-service facility designed to provide a versatile space for charities, non-profits, and community groups at no cost. Since its opening in 2022, the Link has become an indispensable resource, operating seven days a week. In 2024 alone, it was utilised for an impressive 1,777 hours by 60 different organisations, including 27 local clubs and groups, 26 local charities and seven national charities.

Colleagues

2024 Highlights

- Introduction of the People Champion Network
- Appointment of Liz Raczi as the Chief People Officer
- Launch of the People Manager Essentials Programme
- Upgrade of the learning management system to provide on-demand training
- Enhancements to our Colleague Wellbeing Programme

Wellbeing Programme

Our colleagues remain central to the Society's success – we know they are the key ingredient that differentiates us from other financial institutions. As such, we continue to focus on ensuring we have colleagues who feel connected to our purpose, bring their best selves, feel supported and united in their goals to support our Members, and are valued and supported by leaders who help them grow.

In 2024, we delivered on our plan to introduce better people systems to improve colleague experience, including offering self-service functionality with the addition of mobile apps to enable ease of use. We moved to a more modern, simple digital learning platform designed to make completion and tracking of mandatory and compliance training more efficient, as well as offering increased options for self-development to our colleagues and managers.

We continued to focus on the health and wellbeing of colleagues with two 'moments for movement' sessions for everyone in the Society to focus on the importance of mental and physical health and wellbeing. We also enhanced our family friendly and sickness policies.

We remain committed to investing in colleague rewards by ensuring they receive market-competitive pay increases at all levels.

We recognise the pivotal role of managers in ensuring Society success. To support them, we launched a new Management Development Programme in 2024. This programme provides ongoing training to help managers set standards and demonstrate best practices. This includes the launch of the People Manager Essentials Programme aimed at equipping leaders with essential management skills.

Our regular internal engagement survey demonstrates that colleagues feel the Society is a positive place to work and helps us identify further opportunities to provide support. In addition to the engagement survey, we formed a People Champions Network in October 2024 to help enable the business strategy by supporting the delivery of transversal initiatives that are important to - and have an impact on - colleague engagement.

In 2025, we will continue to evolve our people proposition by:

- Focusing on skills and capabilities to support colleagues' future careers.
- Launching a new total rewards platform with increased options, including additional salary sacrifice schemes.
- Improving our recognition scheme linked to our values and behaviours to further build on our current approach, through modernisation, increased choice and greater visibility.
- Enhancing our wellbeing agenda to educate colleagues and help them maintain happy and healthy lifestyles.
- Continuing with the delivery of the Management Development Programme as well as investing in coaching and development for our leaders.
- Improving awareness of internal opportunities through enhanced talent management initiatives.

Members

2024 Highlights

- Overall Member Satisfaction of 89.4%
- Net Promoter Score of 58.9
- 150 Members in attendance at our Members Tea Party

MyBnk partnership

When surveyed, our Members told us they thought we could make an impact in the community space by focusing our efforts on financial education. We share that view, which holds true to our values. We know that money management can bring happiness today, protect us against life's surprises and support future security. We strongly believe that everyone should have the opportunity to develop these financial skills. Sadly, those young people most at risk often lack financial resilience. In 2024, we made an investment of £200,000 to bring MyBnk's essential money management training to Essex for the first time. MyBnk is the UK's largest charity dedicated to financial education for young people in need. The hands-on training is targeted specifically at young people in Essex leaving care and those not in Education, Employment or Training (NEET). Research highlights that while 18-34 year-olds make up just 27% of the population, they account for a staggering 55% of those seeking debt advice. The funding provides 300 hours of training per year and, as part of the two-year programme, participants have the chance to apply for grants of up to £100 to fund educational materials or vocational tools. Previously, MyBnk has seen participants achieving a 60% reduction in debts after participating in their programme, so we hope our impact makes a similar difference to vulnerable young people's lives.

Members' Month

We do not take our Members' loyalty for granted and always look for ways to show our appreciation for it. Our annual Members Month initiative is one way we do this. In its second year we developed a month-long programme of rewards – exclusive to Members. We wanted it to reflect the personality of Saffron, its unique relationship with its Members and their life stage and interests. The programme was designed to ensure that every Member – be they a two-year savings product customer in Newcastle or a lifelong multi-account-holding Member living close to a branch – had the opportunity to enjoy and be a part of the initiative. We were able to reach 60,000 Members to make them aware of the initiative. One of the highlights was a Member-only savings account with a market-leading 8% interest rate. Another was the Celebrity Tea Party, which was the most sought-after, featuring celebrity guest Angela Rippon at a country hotel on Tuesday 25th June. It also included two prize draws, where our mortgage Members were automatically given the opportunity to be one of four winners, each receiving funds to cover a month's mortgage payment (up to £2,000), and all Members had the chance to enter an ATG theatre voucher prize draw. The feedback from our Members has been positive and we intend to build on this initiative in 2025.

Governance Practices

2024 Highlights

- Building a diverse and independent Board of Directors, ending 2024 with a 50% gender split and 25% ethnicity representation amongst our Non-Executive Directors.
- 38% of senior managers and roles above this, were held by women, exceeding our Women in Finance target of 35%.
- Engaging with Members through the Member tea party, other Member events and surveys to ensure their voices shape our decision-making processes.

You can read more about our corporate governance, and the Board's and Committee's responsibilities on page 46, and about our remuneration on pages 64-67.

Committee Responsibilities

Board Audit Committee

The Board Audit Committee has responsibility for oversight on non-financial disclosures, which include disclosures for sustainability matters.

It is additionally responsible for the Society's Whistleblowing Policy and receives a report from the Whistleblowing Champion.

Board Risk Committee

The Board Risk Committee is responsible for reviewing management updates related to climate change. Additionally, it oversees the review of the Anti-Money Laundering, Bribery, and Corruption Policy, ensuring the Society's adherence to its requirements.

Executive Risk Committee

The Executive Risk Committee has responsibility for executive oversight of climate related risks.

Policies

Policies and standards underpin the delivery of our strategy. They set out how our colleagues are expected to behave and govern how decisions are made, ensuring there is transparency and trust throughout the whole Society.

The Society has a Third-Party Management Policy which outlines the expectations we have of our suppliers. This extends to the provisions made in our Modern Slavery Statement which outlines the actions the Society takes annually to ensure it does not have any modern slavery in its supply chain.

Case Study: Sustainable Transformation at Our Ware Branch

As part of our ongoing commitment to Member service, our Ware branch has undergone a significant transformation. This presented an opportunity to reduce its environmental footprint and enhance its positive impact on the local community. This case study highlights the initiatives undertaken, the challenges faced and the benefits achieved.

Environmental Initiatives

To align with our ESG strategy, the Ware branch has implemented several eco-friendly measures, including:

- **Energy Efficiency:** Installation of LED lighting throughout the whole branch.
- **Renewable Energy:** the branch is powered entirely by renewable electricity – managed through a third-party supplier.
- **Waste Reduction:** Introduction of a comprehensive recycling program working towards the aim of zero-to-landfill.
- **Water Conservation:** Implementation of water-efficient fixtures.
- **Resources:** Use of local suppliers who use recycled materials and environmentally friendly transport.

Social Impact

Beyond environmental sustainability, the Ware branch has focused on community engagement and social responsibility by:

- **Community Link**: The opening of a second Community Link location which provides an event space for local people to connect and thrive.
- **High Street Presence**: Retaining access to cash and face-to-face services on the high street (the last financial services provider in town)
- **Layout:** The new layout provides an open, friendly and relaxed environment for Members.

Overcoming Challenges

Implementing sustainability initiatives at the Ware branch required strategic planning and collaboration. We wanted to ensure that it was the right refurbishment not only for our Members and the community but also our colleagues. By providing an inspiring and efficient place to work, we have been able to do this.

During the refurbishment of the branch, we also supported our Members with access to branches by offering a shuttle mini-bus service each week. This allowed Members to access the Royston branch every Tuesday and Thursday, accompanied by a Ware employee.

By engaging employees, educating key internal stakeholders and demonstrating the long-term financial and environmental benefits, we successfully integrated sustainable practices into daily operations. The strong commitment from our team and the support from our Members played a crucial role in making this transformation a success.

The Society has learnt from the process, and we will use these lessons to support our journey on future developments.

Key Outcomes

- Reduced annual carbon emissions.
- Enhanced employee and customer satisfaction.
- Strengthened community ties, leading to increased Member engagement.

Looking Ahead

Sustainability is not just a project — it is the future of responsible banking, and we are proud to be contributing to that journey.

Building on the success of the refurbishment of Ware branch (pictured below), we plan to roll out similar sustainable initiatives across other branches. Our commitment to environmental stewardship and social responsibility will continue to drive positive change, benefitting both our Members and the planet.

External Environment

Over the course of 2024, global inflationary pressures began to ease. In the UK, inflation moved closer to the Bank of England's 2% target, paving the way for the first two interest rate cuts in four years. In February 2025, the Bank of England announced a further rate cut to 4.5%, reflecting continued progress in managing inflationary pressures.

From a political perspective, 2024 was a year of change globally, with incumbent governments generally suffering in elections. Domestically, a new Labour government was elected in the July general election. In the USA, President Trump was elected for his second term. At the time of writing, global markets and policymakers are watching carefully to determine how these and other changes will impact global economies and relationships.

Geopolitical influences continue to shape domestic challenges. The prolonged war in Ukraine and continuing tensions in the Middle East cast a shadow over energy markets and whilst the initial shock to energy prices has passed, gas prices still track higher than pre-conflict levels. Recently, they have edged higher due to seasonal factors and ongoing supply disruption.

The UK economy outperformed expectations in the first half of 2024, with real GDP growing by 0.8% in Q1 and 0.6% in Q2. Momentum slowed in Q3, with growth of 0.1% as confidence in the economy fell back.

On a positive note, house prices rose by 4.6% in the year to December 2024 and affordability eased as earnings growth marginally outpaced house price growth.

Meanwhile, the labour market has begun to soften, with unemployment rising to 4.4% in December. Consumer confidence has also declined, reflecting concerns over economic outlook. Consumers are adopting a cautious approach to spending while building up savings.

In the face of a slowing economy and building pressures within public sector finances, the UK's autumn budget sought to navigate a narrow path to increase public revenue and investment spending, increase borrowing and taxation whilst creating the conditions to return the economy to growth. Whilst the ultimate result of this change in direction is still not clear, the immediate impact has been to increase costs for business, which will likely lead to lower margins and higher costs for consumers.

Globally, potential new tariffs or trade restrictions pose risks to global trade, which in turn could result in lower domestic output and higher input and factory-gate prices. Business confidence remains muted amid these uncertain conditions.

The Board monitors these external indicators and others throughout the year to ensure they are factored into the Society's decision-making and strategy development.

Financial Performance of the Business

The Society prepares its financial results under Financial Reporting Standard (FRS) 102, 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and elects to apply the measurement and recognition provisions of IAS39 'Financial instruments: Recognition and measurement'.

The Chief Executive's Report on pages 8-10, contains information on the Society's financial performance for the year and factors affecting the results should be read alongside this section. Profits are the principal source of new capital available to the Society. As a mutual, any profits are retained within the business, contributing to capital strength and providing the platform for continued investment in service improvements for Members. During 2024, the Society refinanced its legacy £10m Subordinated Debt capital instrument with £12m of long dated listed bonds, further strengthening the capital position of the Society.

The Board monitors both reported and underlying profit before tax. Underlying profit before tax equates to reported results, adjusted to exclude net gains or losses from fair value movements and exceptional items that are one-off in nature. Fair value movements are principally movements in derivatives, hedge accounting adjustments and fair value changes in the lifetime mortgage portfolio. Exceptional items in 2024 include the £1.7m cost of voluntary financial support provided to members affected by the collapse of Phillips Trust Corporation and a gain of £0.4m arising from the repayment of subordinated debt which was refinanced in the year.

Excluding these one-off items, the Society achieved strong trading and resilient financial performance in 2024 despite challenges faced in the market.

A reconciliation of the underlying profit to statutory profit is provided below and the rest of this report will focus on the statutory profit.

Overview of Income Statement

£millions	Group 2024	Group 2023	Group 2022
Net interest income	29.5	32.9	30.3
Other income and charges	(0.5)	(0.2)	(0.3)
Administrative expenses	(20.6)	(19.0)	(15.9)
Depreciation and amortisation	(0.8)	(1.5)	(2.2)
Impairment losses	0.3	(0.7)	(0.2)
(Loss)/profit on disposal of property, plant and equipment	-	(0.4)	0.2
Underlying profit before tax	**7.9**	**11.1**	**11.9**
Exceptional items	(1.3)	-	-
Fair value movements	(1.0)	(3.3)	6.8
Reported profit before tax	**5.6**	**7.8**	**18.7**
Tax	(1.5)	(1.9)	(3.1)
Reported profit after tax	**4.1**	**5.9**	**15.6**

Income

The Group's income is derived from interest and fees arising from loans secured on residential property. It also earns interest on its liquidity portfolio, rental income from its freehold properties and fees from third parties with whom the Society partners and acts as introducer.

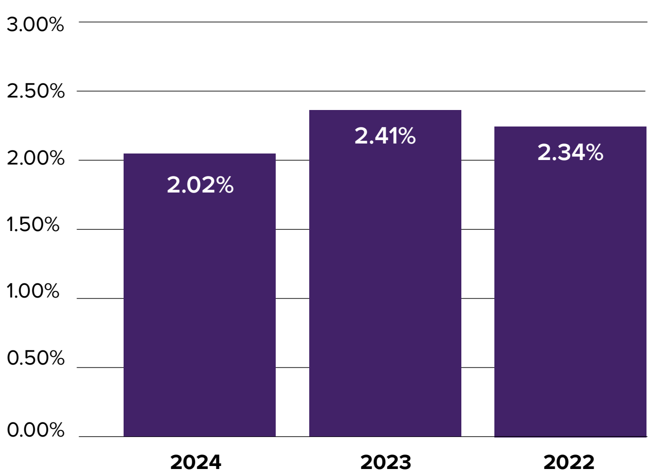
Net interest income
Net interest income for the year ended 31 December 2024 decreased to £29.5m (2023: £32.9m). Net interest income is the principal component of the Group's income, representing the difference between interest received from mortgage Members and the Society's liquidity portfolio and interest paid to Members or other stakeholders providing funding to the Group. The level of interest income varies depending on the volume of assets and liabilities, as well as the applicable interest rates.

Net interest margin represents net interest income divided by average assets for the year. It reflects the Society's ability to balance the offering of competitive rates for savers and borrowers with the need to generate sufficient profits to support the Society's ongoing growth and investment plans. This balance also accounts for the annual impact of product-related fees and expenses, which are recognised under the Effective Interest Rate methodology. The Society continues to balance its net interest margin to ensure financial sustainability while meeting the needs of its Members.

Net Interest Margin

The Net Interest Margin (NIM) for the year ended 31 December 2024 was 2.02% (2023: 2.41%).

Net Interest Margin



The Society's NIM has decreased in 2024 primarily due to the maturity of older swaps on fixed rate mortgages. New mortgages booked and hedged with interest rate swaps in the current market provide lower returns than the older mortgages that have now run off.

The reduction in NIM also reflects the competitive dynamics within the mortgage market, with increased competition placing downward pressure on pricing. Additionally, reductions in Bank Base rate, SONIA linked derivatives and the Society's SVR rate had a depressing impact on margin, as interest receivable decreased more rapidly than funding costs.

In managing these challenges, the Society remains committed to its mutual values, striving to balance the needs of savers and borrowers. The Society has taken steps to offer competitive and sustainable savings rates across a range of products, ensuring adequate funding to support lending activity and TFSME repayment in a challenging market environment.

Other income and charges

Other operating income as of 31 December 2024 was £559k (2023: 285k). This includes a £400k discount received on the early repayment of the legacy subordinated debt originally due in 2028. It also incorporates the Society's rental income from the Society's investment properties and movements in their fair values. These properties were professionally revalued on an open market value basis in November 2024, resulting in an increase in value of £60k (2023: increase of £220k).

Other operating charges for the year ended 31 December 2024 amounted to £1.8m (2023: £211k). This includes £1.7m of voluntary support provided to Members affected by the failure of the Phillips Trust Corporation, for which the Society made a provision during the year. It also includes administrative and interest costs incurred by the Society's closed defined benefit pension scheme, but borne by the Society, of £142k (2023: £80k).

Fees
Fees receivable was £182k (2023: 394k) and consists of mortgage-related income not accounted for under the Effective Interest Rate (EIR) accounting policy, along with commissions from sales of insurance and financial planning products through our partner network. Fees payable was £697k (2023: £628k) and includes other (non-EIR) mortgage-related costs and bank charges.

Management expenses

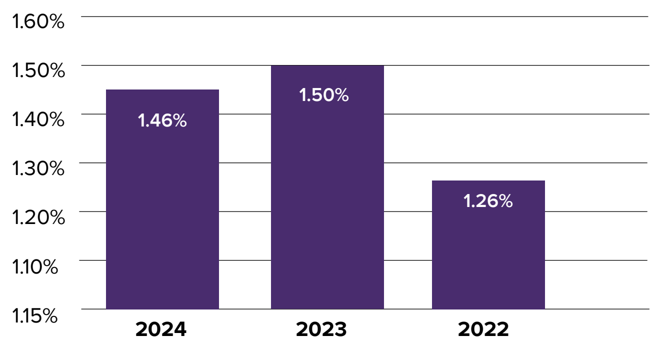
Management expenses cover all necessary operating costs and overheads, including depreciation and amortisation. Effective management of expenses is a key strategic objective. It balances the growth of the Society's capital with the ongoing investment needed to enhance member services, address technological advancements and comply with evolving regulatory and legal requirements.

Administrative expenses were £20.6m, compared with £19.0m in 2023. The Society has taken action to support colleagues and ensure that salaries remain fair and competitive in the current economic climate. The rise in expenses is also linked to overhead costs associated with the investment in IT infrastructure, as the Society enhances its core systems and implements a new data and information platform to improve customer service and facilitate future growth.

Further charges for depreciation and amortisation of £0.7m (2023: £1.5m) principally reflect the amortisation of the Society's IT investments in recent years.

The Society's management expenses ratio, expressing total Society management expenses as a percentage of average Society assets is presented below.

Management expenses ratio



Impairment and provisions

The Society's collective impairment charge has improved in the year, resulting in a credit of £340k (2023: charge of £694k), reflecting an increase to the House Price Index (HPI) across the UK and the continued resilience of our Mortgage customer base. The individual impairment charge represents specific provisions against accounts that have defaulted and for which a loss is anticipated.

The Society is a Receiver of Rents on four properties (2023:5) representing balances of £0.72m (2023: £0.5m). Three properties were disposed of in the year ended December 2024 and two new repossessed properties were added.

Impairment charges	Group	
£000s	2024	2023
Collective impairment charge	(340)	694
Individual impairment charge	63	56
Total	**(277)**	**750**

Disposal of the remaining properties is planned for in 2025. The arrears ratios (number of loans >3 months in arrears) as a percentage of the total loan book has increased slightly to 0.67% as of 31 December 2024 (2023: 0.58%). Further information on the quality of the Group's loan portfolio, including information on loan forbearance activities, can be found in Note 29 to the Accounts.

Net fair value movements

This category includes the movements in fair value of derivatives and, where applicable in hedging relationships, the net movements in the value of the hedged items. The category also includes the Equity Release mortgage portfolio which is recorded at fair value.

Some derivatives are not accounted for as hedging underlying assets or liabilities. This category includes derivatives that are economically hedging the pipeline of mortgages that have yet to complete but which are not allowed to be hedge accounted for until the underlying mortgage assets complete; swaps taken out to protect the Society from basis risk; and the movement in the valuation of the No Negative Equity Guarantee (NNEG), relating to the Lifetime Mortgages.

Changes in fair value due to Lifetime mortgages

This category includes the impact to profit and loss that comes from the Lifetime Mortgage portfolio. A Lifetime Mortgage (also referred to as an equity release mortgage) is one where a loan is taken out against the value of a property but where the interest charged is not paid during the life of the loan. Instead, the interest is added to the loan balance and, at the end of the term (which typically comes on the move into residential care of the borrower or their death), the loan balance (including the rolled-up interest) is deducted from the sale proceeds of the house. To protect the borrower from the possibility that the loan balance is greater than the property value at the end of the loan, the loans include what is referred to as a No Negative Equity Guarantee (NNEG). This is a promise that the borrower will not be charged for any excess of the loan value over the property value. The inclusion of a NNEG promise in a Lifetime Mortgage is a normal feature of such a product.

The value of the portfolio is determined by factors such as the prevailing long-term cost of funds, house price inflation, house price volatility and actuarial factors such as expected mortality rates. The valuation of the portfolio can be quite sensitive to changes in these assumptions. The value of the derivative hedging these mortgages is principally impacted purely by long-term interest rate movements.

In 2024, the decrease in value of derivatives was £2.4m, compared with a decrease in mortgage portfolio fair value of £3.2m, resulting in a charge to the income statement of £0.8m. During the year we continued to adjust our hedging arrangements for our Lifetime Mortgage book with the counterparty to match the level of prepayment that we have seen, with the aim of reducing any impact to our results in future years.

Taxation

The statutory rate of corporation tax was 25% throughout the year. The Group had corporation tax charges in respect of operating profits in the year ended 31 December 2024 of £1.5m (2023: £1.9m). A reconciliation of the effective rate to the statutory rate of taxation is provided in Note 9 to the accounts.

Overview of Financial Position

	Group	
£millions	2024	2023
Liquid assets	276.4	277.8
Loans and advances to customers	1,178.5	1,131.3
Fixed and other assets	25.5	31.6
Total assets	**1,480.4**	**1,440.7**
Shares	1,121.1	1,034.1
Deposits	254.1	300.6
Other liabilities	10.5	18.0
Subordinated liabilities	12.3	9.8
Total liabilities	**1,398.0**	**1,362.5**
Reserves	82.4	78.2
Total liabilities and reserves	**1,480.4**	**1,440.7**

The Group's principal income generating activity is the generation of new assets through the origination of mortgage loans secured on residential property. As of 31 December 2024, total assets amounted to £1,480.4m, compared to £1,440.7m as of 31 December 2023.

Liquid assets

The Group's liquid assets primarily consist of cash deposits, debt securities and other high-quality liquid assets. These assets are held to ensure the Group can consistently meet its payment obligations as they fall due. The type and volume of liquid assets held is determined by the Board's risk appetite and regulatory requirements. This includes the outcome from periodic stress testing of liquidity requirements. The Society has increased its liquid assets throughout 2024 to facilitate the refinancing of the Bank of England's TFSME funding that reaches maturity in Q4 2025. As of 31 December 2024, the Group's portfolio of liquid assets totalled £276.4m (2023: £277.8m) and comprised the following:

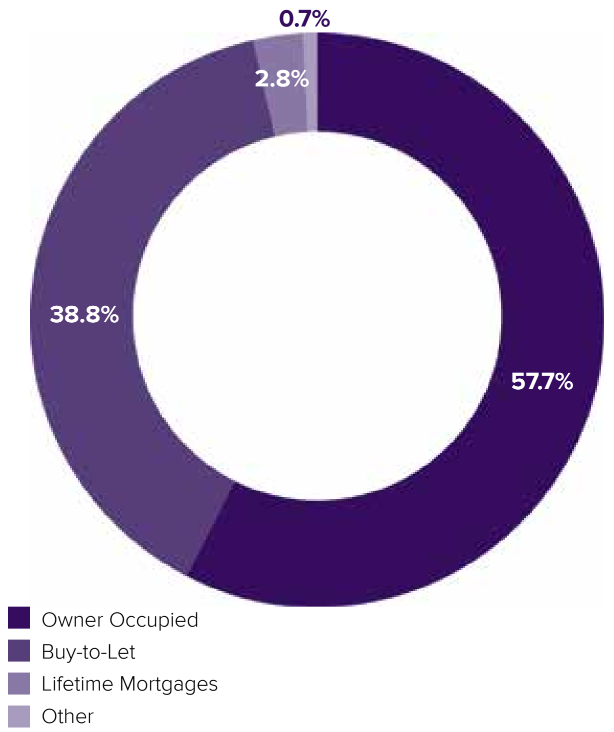
	Group		
£millions	2024	2023	2022
Bank of England deposits	82	155	104
UK Government debt	36	42	20
Other bank deposits	17	18	22
Supranational debt	141	63	66
	276	**278**	**212**

As of 31 December 2024 the ratio of liquid assets to shares and deposits stood at 20.1% (2023: 20.8%). A key measure of liquidity under CRD IV is the Liquidity Coverage Ratio (LCR), which ensures that the Group could survive a short-term, severe, but plausible liquidity stress. As of 31 December 2024, the Group's LCR was 177% (2023: 223%), above the regulatory minimum of 100%.

The Group also monitors the longer-term stability of its funding, and hence liquidity, through the NetStable Funding Ratio (NSFR). As of 31 December 2024, the Group's NSFR was 136.1% (2023: 149%), above the regulatory minimum of 100%.

Mortgages

The Group's total portfolio of loans and advances mostly comprise owner-occupied and buy-to-let mortgages. The Group also has a small portfolio of Lifetime Mortgages and non-residential loans but is not currently looking to expand these portfolios.

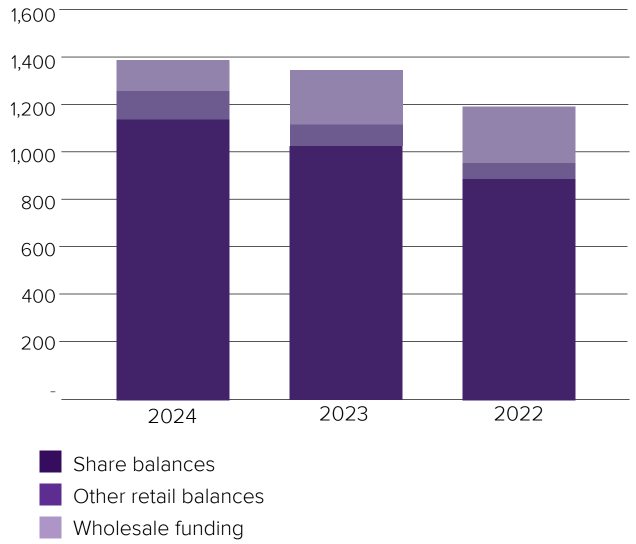


The Group lends almost exclusively through mortgage intermediaries. The Society recorded gross lending of £244m in the year ended 31 December 2024 (2023: £265.8m). After accounting for the impact of mortgage repayments, voluntary redemptions and other movements, total loans and advances to customers (net of impairment) as of 31 December 2024 was £1,178.5m, compared with £1,131.3m as of 31 December 2023.

The Group lends throughout England and Wales and its exposures are geographically spread across the regions, although its location in the South East of England leads to an intentional concentration towards London and the South East reflecting our regional heartland. There has been no change in mortgage concentration in 2024.

Funding the business

Access to a diverse range of funding sources is critical to the Group's effective management. Members' retail savings remain the most important element of the Group's funding, supplemented as appropriate by corporate savings, deposits and limited use of wholesale facilities. The Group is also a participant in the Bank of England's Sterling Monetary Framework and has signed a statement of commitment to adhere to the principles of good market practice outlined in the UK Money Market Code, produced by the Bank of England's Money Market Committee. The Group's funding requirements are driven by a combination of factors, including mortgage demand, regulatory requirements and the Board's risk appetite. This balanced approach ensures the Society can continue to meet its operational and strategic objectives while maintaining financial resilience.



Retail funding

Retail savings and deposits remain the foundation of the Society's funding strategy. The Society is focused on offering a diverse range of high-quality savings products, providing competitive interest rates in line with prevailing market conditions.

As of the year ended 31 December 2024, the Society's savings and deposits balance increased by £40.5m (2023: £142m), bringing the total shares and deposits balance to £1,375m (2023: £1,335m).

Retail funding performed strongly, contributing significantly to the Society's overall funding position. Instant-access products have seen substantial growth, reflecting customer preference for flexibility, while notice and one-year fixed rate bond balances have also increased steadily. Conversely, two-year fixed rate balances have declined, highlighting shifts in customer demand across savings products and the perceived unattractiveness of longer term fixed rates that reflect the negative yield curve of a falling interest rate environment.

The Society has repaid £60m of TFSME funding in the year, utilising its growing retail funding base to do so, demonstrating the Society's ongoing ability to manage its funding requirements efficiently.

The Society has achieved an increase in total funding balances across all channels, demonstrating an ability to support its lending growth and liquidity needs effectively.

Wholesale funding

The Society remains an active participant of the Bank of England's Sterling Monetary Framework (SMF), accessing the Term Funding Scheme for Small and Medium Entities (TFSME), which is term funding linked to Bank of England base rate and due to be refinanced in late 2025. As of 31 December 2024, the Society held £100m (2023: £160m) of TFSME funding, following a repayment of £60m in 2024 and is planning its full repayment in 2025. The Society also has access to shorter (six months duration) funding through the Bank of England's Indexed Long-term Repo (ILTR) facility which supports further funding diversification.

Outside of SMF funding, other wholesale funding is obtained from a diverse range of counterparties, typically other financial institutions and local authorities and typically for periods of up to two years in duration.

Asset encumbrance

The Group uses certain assets as collateral to support the raising of secured funding under the terms of the Bank of England's SMF. Collateral, entirely in the form of cash deposits, is also used to support financial derivative contracts entered into by the Society as part of its management of interest rate risk. At 31 December 2024, 24.9% of the Group's assets were encumbered (2023: 17.1%) representing £369.3m of mortgage assets (2023: £230.1m) and £15.0m of other assets (2023: £16.8m).

Pensions

The Society operates a final salary scheme pension scheme (the Scheme) that was closed to staff who joined after 4 August 2003 and to future accrual from 1 January 2008. The Scheme is funded based on triennial actuarial valuations, the most recent being 30 April 2023, at which point the Scheme was £26k in surplus on the trustee basis of valuation. However, it is subject to annual valuation for the purposes of inclusion in the financial statements. The Society was not required to make any contribution to the Scheme in 2024 (2023: nil). For accounting purposes, an FRS 102 valuation is undertaken at the balance sheet date using a corporate bond-based discount rate (unlike the trustee basis). The net asset and liability movements resulted in a benefit of £489k, which was taken to Other Comprehensive Income.

As of 31 December 2024, the Scheme is shown as a pension liability of £48k (2023: liability of £641k). Further details on the Scheme can be found in note 28 to the Accounts.

Capital

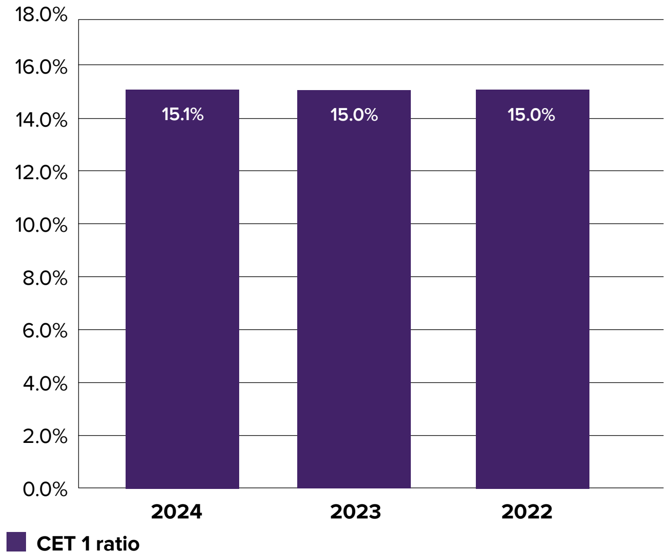
The Group holds capital to protect its Members from the effect of shocks or stresses, whether arising from the broader economy, the financial sector as a whole or the Society itself. The Group's capital requirements are set and monitored by the Prudential Regulatory Authority (PRA). Throughout the year, all the Society's capital ratios remained significantly above regulatory requirements.

The Society's regulatory capital consists of general reserves, accumulated profits and losses, the available for sale reserve, collective provisions for impairment and the revaluation reserve in respect of the Society's freehold properties. Additionally, the Group refinanced its previous tier 2 subordinated debt with newly issued subordinated bond liabilities that expire in January 2034.

The Group's total regulatory capital increased from £86.5m to £93.7m. This increase was driven by retained profit after taxes, as explained above, and the refinancing of legacy subordinated debt with a new £12m subordinated debt instrument, which contributed to the rise in capital. Further details on the capital position, including reconciliation to Group reserves, is provided in Note 30 to the Accounts.

A measure of capital strength commonly reported amongst financial institutions is the Common Equity Tier 1 (CET1) ratio. This ratio represents the relationship between our strongest form of capital (accumulated profits held in reserves) and our assets, weighted by the level of risk they carry.

The CET1 ratio has remained stable because increases in resources from retained profits and the amortisation of intangible assets have been offset by a £20.5k (4.0%) growth in risk weighted assets. This growth was primarily driven by mortgage lending and treasury instruments. The benefits of this increased lending and treasury investment are expected to generate improved net interest income in 2025 and beyond.



The Society recently issued a new Tier 2 capital instrument in the form of subordinated debt, replacing the legacy issuance, which has been fully repaid. This newly issued instrument is recognised as regulatory capital under prudential requirements and will begin to amortise from 2029. Its inclusion in the capital base strengthens the Society's overall capital position, enhancing its resilience against financial and operational risks. Furthermore, the availability of Tier 2 capital provides the Society with greater flexibility to support book growth in a sustainable manner while investing in the technology projects required to improve service for current and future Members.

In addition to its capital composition, the Society is required to outline its capital position, risk exposures and risk assessment frameworks in the Pillar 3 disclosure document. This comprehensive document aims to promote transparency and enable stakeholders to better understand the Society's approach to managing capital and risks. It is available to the public and can be accessed through the Society's website.

A summary of the Society's unaudited capital metrics are presented below. Audited metrics can be found in Note 30.

	2024 (£000)	2023 (£000)
Risk weighted assets (UNAUDITED)	533,464	512,918
Common equity tier 1 ratio	15.1%	15.0%
Total capital ratio	17.6%	16.9%
Leverage ratio	6.0%	6.0%

Principal Risks and Uncertainties

The Society's Risk Management Framework and Risk Appetite is explained within the Board Risk Committee Report on page 60. The Group faces various potential risks and uncertainties which could have a material impact on the Group's performance, lead to deviations from expected or historical results, and potentially threaten its business model, solvency or liquidity. The principal risks that arise from the Group's operations, and which are managed under the Risk Management Framework, are described below.

Risk	Description	Mitigation
Credit risk	Credit risk is the risk that a customer is unwilling or unable to honour their obligations to the Society as they fall due, resulting in an actual or potential loss exposure for the Society. The Society segments credit risk into two categories: Retail and Treasury. As a primary lender, the Group faces credit risk as an inherent component of its lending activities. Adverse changes in the credit quality of the Group's borrowers, a general deterioration in UK economic conditions or adverse changes arising from systemic risks in UK and global financial systems could reduce the recoverability and value of the Group's assets.	The Society operates within a defined credit risk appetite, accepting niche lending sectors while managing risk by carefully monitoring property types, locations and borrower characteristics.
Interest rate risk	Interest rate risk arises from fluctuations in interest rates and changes in the value of instruments used to manage interest rate risk, which could impact the Society's capital and earnings. The principal exposures faced by the Society are significant repayment or product switches within the Society mortgage portfolio which have an additional downside impact on the carrying value of the Effective Interest Rate (EIR) fair value asset attached to the mortgage asset. A further risk is the impact to the equity release mortgage book of movements in the long-term discount rate (although this portfolio is also exposed to risks related to house price movements and mortality experience).	The Society manages the risk through on balance sheet matching of assets and liabilities or derivative financial instruments. Movements in interest rates and other indices have a direct impact on the value of certain balance sheet items, which, in turn, creates volatility in reported earnings that cannot be completely mitigated. These balances are monitored on an ongoing basis with action taken when required.
Liquidity / funding risk	Liquidity risk is the risk that the Society is unable to make available sufficient resources to meet its current or future financial obligations as they fall due, or is only able to do so at a premium cost. This includes the risk that the Society attracts excessive liquidity through poor product management, acting as drag on financial performance. The Group relies on its access to sources of funding to finance the origination of new business and working capital. If access to funding became restricted, through either market movements or regulatory or government action, this might result in the scaling back or cessation of new lending.	The Group mitigates this risk through its treasury operation, overseen by the Assets and Liabilities Committee. It also does this by actively managing the Group's liquidity portfolio and actively seeking alternative funding sources. Note 29 to the Accounts, 'Financial Instruments' contains additional narrative and numerical information in respect of the Group's approach to the management of this portfolio.
Operational risk	Operational risk is the risk of incurring losses due to failures in processes, systems or human error as well as from external events. This definition includes legal risk and environmental risk together with events or circumstances where disaster recovery planning does not work. The activities of the Group expose it to risks relating to its ability to implement and maintain effective systems to process, its transactions with Members, and customers. A significant breakdown in IT systems of the Group might adversely impact the ability of the Group to operate its business effectively.	To address these risks, the risk department maintains department-specific Risk and Control Self-Assessments (RCSAs) covering the operations of the entire Society. RCSAs are reviewed and tested on a regular basis and the results reported to the Executive and Board Risk Committee. Incidents and near misses are assessed for their potential impact, with root causes identified. Additionally, the Group's internal audit function (provided externally by PwC) carries out targeted reviews of critical systems and processes to ensure that they are properly designed and operate effectively. The Group has a Business Continuity Plan which is kept under regular review and is designed to ensure that any breakdown in systems would not cause significant disruption to the business.
IT security / cyber-crime	Cyber-crime leading to the loss of systems and/or data is a constant threat. Potential impacts of a successful attack include financial loss, customer impact and reputational damage.	The Society invests in technology development and maintenance, focusing on cyber-risk reduction initiatives, maintaining Cyber Essentials certification and alignment of the Society's information security management system with industry standards such as ISO27001:2013.
Compliance risk	Compliance risk is the risk of financial loss, reputational damage and/or regulatory censure arising from failure to comply with regulatory or legislative requirements. The market sectors in which the Group operates and the markets from which it receives its funding have been subject to regulation by the UK government, the European Union and other regulatory bodies. Ultimately, there are three risks when it comes to ensuring that we comply with regulations: a) Failing to identify new or developing regulatory requirements / guidance; b) Failing to comply with all regulatory requirements; c) Failing to identify breaches and take appropriate action.	The Society has a dedicated compliance function, reporting to the CRO. The team regularly updates executive management on key issues, monitors regulatory compliance and provides assurance that the Society is meeting requirements through departmental and thematic reviews. The Board Risk Committee oversees the activity of the compliance function.
Conduct risk	Conduct risk is the risk that actions taken by the Society deliver outcomes for customers that do not meet the level expected by conduct regulators and accepted market practise. These expectations and principles include Treating Customers Fairly and the recently established Consumer Duty.	Every colleague in the Society is made aware of their responsibility to ensure that the highest standards of conduct are upheld. Regular mandatory training is provided to ensure these principles are embedded in the culture of the Society. The compliance team acts as second line of defence and reports to the Board Risk Committee on conduct matters.
Business risk	The Group faces competition in all the core markets in which it operates. There is a risk that its profitability and/or market share may be impacted by the actions of its competitors.	To mitigate this risk, the Group maintains close relationships with its Members and customers, business introducers and other significant participants in the markets in which it is active. This allows market trends to be identified and addressed within the Group's business strategy.

Viability Statement

In accordance with Provision 31 of the Corporate Governance Code, the Board is required to assess and explain the Group's long-term prospects and viability. This includes evaluating the Group's ability to continue operating and meet its liabilities as they fall due, while taking into account its financial position, principal risks and uncertainties.

The Board and Board Risk Committee regularly consider the risks that are outlined on pages 38 to 39. The Directors have undertaken a detailed assessment of the Group's long-term viability, focusing on its ability to navigate principal and emerging risks over the short to medium-term. This risk assessment is a key input to, and consideration in, the Society strategy and five-year plan.

Although a five-year outlook is considered, viability is formally assessed over a three-year period due to the increased uncertainty associated with longer-term forecasts. This assessment considered the following financial and operational factors:

Forecasting

The Group's process for forecasting financial performance considers our strategic objectives, the risk involved in meeting those objectives and our strategic risk appetite. The corporate planning and alternative scenario modelling processes assess these forecasts under different macroeconomic scenarios, which reflect the current uncertainty in the macroeconomic environment and the behaviours and needs of current and potential future members. This is demonstrated through sensitivity analysis on various key areas of the plan to inform the Board of the exposure to changes in the plan.

Key Performance Indicators

Over the viability period, management focuses on net interest margin, asset quality, risk weightings and cost management. The Group's performance, including strong lending and funding performance, most recently delivering pre-tax profits ahead of plan of £5.6m in 2024, supports the Board's confidence in the ability of the Society to manage delivery of future plans.

Stress Testing

The processes capture changes to regulation, where a basis of assessment can be made. Mitigating management actions and the ability of those actions to minimise the impacts of the applied stresses are also evaluated, and trading options are tested to gain comfort over their effectiveness.

The ICAAP modelled various scenarios, including the Bank of England's severe macroeconomic stress test, combined with high prepayments on the equity release mortgage portfolio and concentration risk to the South and South East of England. The stress testing concluded that capital reserves held by the Society are sufficient to withstand significant economic shocks, including inflationary pressures, unemployment increases and declines in house prices.

The ILAAP also concluded that the Society is able to meet liquidity risk capacity requirements under modelled stress scenarios such as cyber attacks and macroeconomic pressures on Member savings levels.

Reverse stress testing considers a range of specific scenarios which would cause the Society to fail. They conclude that the likelihood of such events happening are remote and pose a remote risk to the viability of the Society.

Stress testing of operational resilience is carried out. This is centred around the resilience of key Important Business Services (IBS) that have been identified as being of critical importance to Members. Testing is performed using several severe but plausible scenarios, including, but not limited to, third-party failure and IT and system failures. The testing demonstrated that resilience is broadly in line with expectations and supports the ongoing viability of the business. Outsourcing continues to be an area of focus, requiring more detailed information on the operational viability of key suppliers to strengthen overall resilience.

Assessment of viability

The Board has assessed the financial impact of the modelled stress scenarios and the outcomes from operational resilience testing. Based on these assessments, the Board believes that:

- The Society's business model and overarching strategy remain appropriate and will continue to be relevant and resilient as the operating environment evolves.
- The Society has sufficient current capital resources, in excess of regulatory requirements, and has viable plans to meet known future requirements, under both central and modelled stress scenarios.
- The Society maintains an appropriate level of liquidity, sufficient to meet both the normal demands of the business and requirements, which might reasonably arise in modelled stress circumstances.
- The availability and quality of liquid assets are structured so that funds can reasonably be expected to be available to repay maturing wholesale funds and pressures generated by exceptional demand for funds from our Members. While it is understood that not all risks can be eliminated, the Society has implemented effective operational measures to manage and mitigate the impacts of risk events within acceptable limits.

The Board has a reasonable expectation that the Society will be able to continue in operation and to meet our liabilities as they fall due, over the three-year period to December 2027.

Future Outlook and Uncertainties

Climate change and environmental risk

The Society is committed to building a more sustainable and greener future. We are on a journey to better understand the risk posed to us as a building society by climate change and have taken steps to reduce our impact. We recognise that climate change is likely to increase the frequency of flooding and subsidence, accelerate coastal erosion and potentially lead to government regulations that may impact our business and business model.

The Society continues to monitor and manage these risks. While the Society is currently too small to fall under the regulatory scope of the Financial Stability Board's Task Force on Climate Related Financial Disclosures (TCFD), we are committed to improving and increasing the reporting of climate-related financial information. More details on the steps we are taking to address our environmental impact can be found in the Sustainability Report section of the Strategic Report on pages 22-27.

Regulatory developments

There are several significant future regulatory developments that can be expected to have a material impact on the Society's business model and operations if implemented.

Basel III reform

In September 2024, the PRA published the near-final UK rules on Basel 3.1 reforms, introducing reduced capital requirements for certain sectors. The PRA has since announced a delay in the implementation timeline to allow more time for clarity on US implementation plans. The implementation of Basel 3.1 in the UK is now scheduled for 1 January 2027, representing a one-year delay from the previous implementation date. This delay reflects the PRA's intention to ensure a smooth and effective transition.

The Society is currently reviewing the potential impacts of Basel 3.1 and the Small Domestic Deposit Takers (SDDTs), which will take effect from 1 January 2027, with interim transitional rules available during the intervening period. These proposals aim to streamline all elements of the capital framework, including Pillar 1 and Pillar 2 requirements, buffers and the calculation of regulatory capital.

The Society is currently reviewing the potential impacts of Basel 3.1 and the SDDT framework on its capital surplus. While these publications aim to enhance regulatory clarity, some elements within the consultation remain uncertain, potentially creating capital headwinds for the Society.

Economic outlook

Global uncertainty persists as conflicts in Ukraine and the Middle East continue to affect economies worldwide. While inflation has now started to abate, dropping below the 2% target in September 2024, elements of persistent inflation remain. In particular, it remains uncertain whether the measures taken against inflation will yield lasting results or whether further spikes could emerge. Domestically, the Bank of England has responded to reduced inflation with reduced base rate, and whilst we believe the UK has entered a period of gradually declining interest rates, we will continue to monitor this closely. In February 2025, the Bank of England announced a further rate cut to 4.5%, reflecting continued progress in managing inflationary pressures.

The political landscape is equally dynamic, with recent elections in the UK and the US introducing new challenges. The UK's autumn budget emphasised high borrowing and spending, while in the US, the Trump administration's policies may have inflationary implications due to protectionist measures, including potential tariffs. These developments could have significant ripple effects on global trade and knock-on impacts for the domestic economy. The Society will carefully assess these external forces on our operations and broader market stability.

Competition

The competitive pressures on the Society continue to intensify from large clearing banks, challenger banks and FinTech firms which are leveraging digital innovations to attract savers and borrowers. Consumer expectations for seamless online services and rapid decision-making drive an ongoing requirement to invest in technology. The cost of delivering the level of change necessary to keep pace with rapidly changing technology will place additional financial and operational pressure on the Society.

Financial performance

The Society faces challenging economic conditions heading into 2025, with competitive pressures in both the mortgage and savings markets, driving margin compression. Whilst the Society's five-year plan forecasts sufficient profitability to support growth and investment, the expected downward trend in interest rates could add further pressure to margins and impact overall profitability.

Credit risk:
Economic conditions and employment prospects significantly affect the performance of the Society's mortgage assets. Rising unemployment typically increases arrears and default risks, while elevated interest rates pose affordability challenges for borrowers. This risk is mitigated by the Society's underwriting process that incorporates loan affordability stress tests, ensuring Members can sustain repayments even under higher rates. The Society continues to closely monitor asset performance, focusing on proactive borrower engagement to mitigate risks and minimise repossessions.

Funding costs:
The Society participates in the Bank of England's Sterling Monetary Framework and holds £100m liability under the TFSME scheme, which is due for repayment in the second half of 2025. Plans are in place to steadily grow retail funding to replace the TFSME funding in an orderly and controlled manner. However, further changes in Bank of England base rate or long-term market rates could increase funding costs alongside competition for funds in the market, as others approach TFSME repayments deadlines at the same time as the Society.

Lifetime mortgages:
The Society's portfolio of lifetime mortgages presents specific risks and uncertainties that if realised could impact financial performance. These include reduction in house prices and changes in life expectancy, which could trigger losses due to the negative equity guarantee. Although the portfolio is held at fair value to account for such risks, market volatility – driven by factors such as SONIA-linked indices and voluntary prepayment assumptions – can impact carrying values. The Society's focused hedging strategy has helped mitigate accounting risks, but market volatility remains a consideration in assessing performance.

Pension Scheme obligations:
The Society has an obligation to fund the Saffron Building Society Pension Scheme (the 'Scheme'), which closed to new employees in August 2003 and ceased future accrual for existing employees in January 2008. Despite being closed, the scheme still poses a risk that the Society may be required to provide additional funding if its liabilities exceed its assets. The funding obligation is based upon regular triennial actuarial valuations, with the most recent on 30 April 2023 reporting a surplus of £26k. The Scheme is also subject to annual valuation for FRS102 purposes and was reported in the financial statements for the year ended 31 December 2024 at a deficit of £48k (2023: deficit of £641k).

Colin Field
Chief Executive Officer
On behalf of the Board 11 March 2025

Corporate Governance Report

Corporate Governance Highlights 2024

- Chair appointment of Mark Preston.
- 50% Gender Split within the Non-Executives for the first time in our Board’s history.
- Appointment of Louise Wilson, Angela Cha and Alexandra Hatchman.
- Senior Independent Director (SID) succession, with Caroline Cartellieri taking over the role of Vice Chair and SID from Jenny Ashmore.

Corporate Governance Report

Corporate Governance Report

At Saffron, we are committed to maintaining high standards of corporate governance. While, as a mutual organisation, we are not legally required to adhere to the UK Corporate Governance Code, we actively consider its principles alongside other relevant legislation and guidance to ensure the Society follows best practice.

We said goodbye to Jenny Ashmore, who served nine years at the Society as the Senior Independent Director and Remuneration Committee Chair. Throughout her time at the Society, Jenny's dedication and commitment supported the Society through challenging times. The Board shares its sincere thanks to Jenny for all her hard work.

Jenny is succeeded by Caroline Cartellieri as Senior Independent Director. Caroline, who is a very experienced Non-Executive Director joined the Society in 2023. Caroline will be invaluable in this role, providing an impartial oversight to protect Members' interests and ensuring strong and balanced governance. You can read more about Caroline on page 49.

We also said goodbye to interim Chair of the Board Geoffrey Dunn. The Society thanks him for stepping into the role whilst it completed the appointment process of its new Chair.

The Nominations Committee ran a thorough and transparent Chair recruitment process. You can read more about this in the Nominations Committee Report on page 54. The Society was pleased to appoint Mark Preston into the role of the Chair in August 2024. Mark brings with him a wealth of experience that will enhance the Board's capabilities. His experience combines strategic insight with strong leadership, making him an invaluable addition to the Board. You can read more about Mark on page 48.

We also welcomed three new Non-Executive Directors. Louise Wilson joined the Board and succeeded Jenny Ashmore as the Chair of the Remuneration Committee in December 2024. Angela Cha and Alexandra Hatchman also both joined the Board during 2024. All bring valuable new skills to the Board and enhance our ability to navigate challenges, seize opportunities and make well-rounded decisions. This helps to ensure that the Society continues to thrive for the benefit of our members. You can read more about each of the Non-Executives on pages 48-50. There is also an article about the new additions to the Board in the Annual Members Review.

Board Composition

The Board is comprised of eight Non-Executive Directors and three Executive Directors. The Non-Executive Directors are considered to be independent under the UK Corporate Governance Code. The tenure of the Board is laid out in the diagram to the right. This is a critical aspect of our governance framework, ensuring a balance between continuity and fresh perspectives.

Board Meetings

The Board meets at least six times a year in order to fulfil its legal and regulatory obligations as well as oversee the effective management of the Society.

The Board has four Committees that support its work, allowing it to consider specific areas in more detail. These are covered in the following pages.

The Board's meeting timetables are planned 12 months in advance. They receive comprehensive management information and a summary of key discussions from Board and management committees, which cover internal performance alongside external updates such as environmental, social, legal, governance and regulatory change.

The Chair

The Chair ensures that Directors receive accurate, timely and clear information, which includes Board Reports with information on Society performance, including operational matters, technology, people, risk and legal and governance. The Chair ensures that information is provided to all Directors where required. The Board has access to the Society Secretary for advice at any point.

Board Strategy Days

The Board had a collaborative strategy planning day in July, where it met to review progress against strategic goals and to set the future direction for the Society.

Conflict of Interest

The Society maintains a detailed register of any conflicts of interest. Each year, the Directors must reaffirm this list to ensure it remains up to date. The Board notes any new conflicts at the start of each meeting in addition to this.

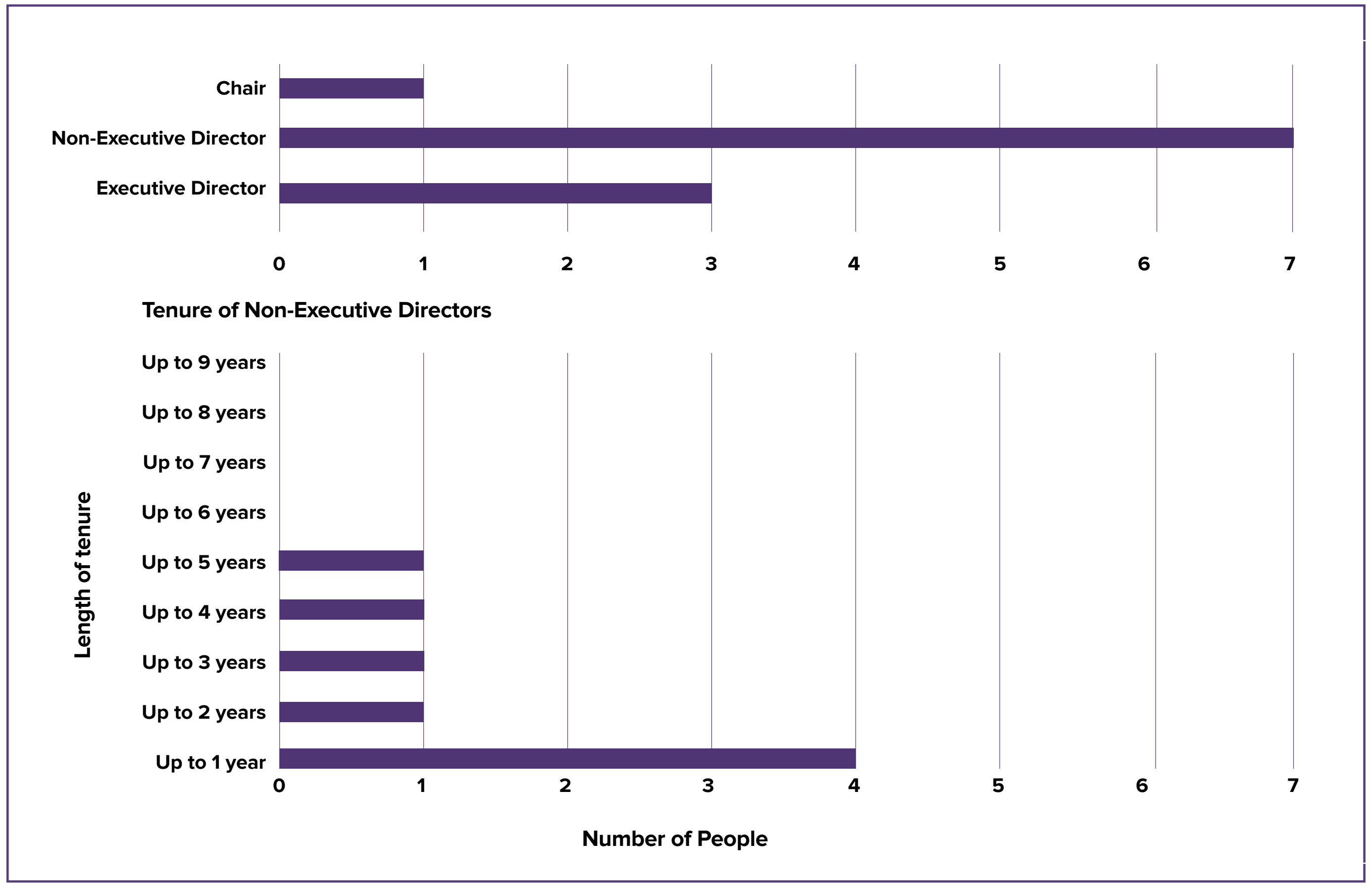
Any additional appointments which a Director wishes to take up should first be referred to the Nominations Committee for consideration and, if appropriate, to the Board for approval.

Board Meetings

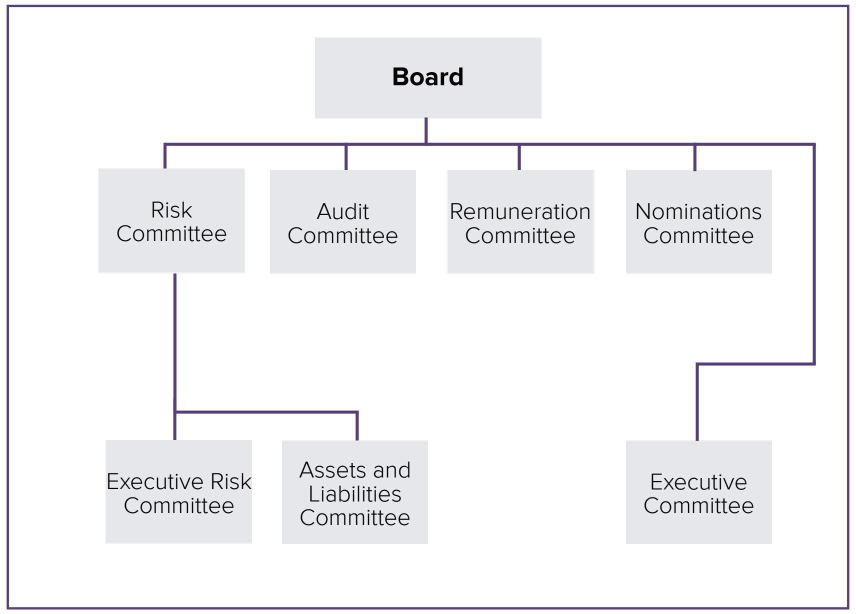
Members	Mark Preston*	Caroline Cartellieri	David Rendell	Jaz Saggu	Robin Litten	Colin Field	John Penberthy-Smith	Maurice Mills	Louise Wilson**	Angela Cha**	Alexandra Hatchman***	Geoffrey Dunn****	Jenny Ashmore *****
Meetings Attended	5/5	12/12	12/12	12/12	12/12	12/12	12/12	12/12	2/2	1/2	1/1	5/6	5/5

* Mark joined the Board in August 2024
** Louise and Angela joined the Board in October 2024
*** Alexandra joined the Board in December 2024
**** Geoffrey resigned from the Board in September 2024
***** Jenny retired from the Board in April 2024

Board Tenure



Board Committee Structure



Meet the Directors

Mark Preston – Chair

Appointment: August 2024.

Experience: After graduating in 1983, Mark joined Barclays Bank on a graduate training scheme and after that spent much of his career with various North American banks in senior investment banking positions, latterly being Chief Executive Officer for the Products and Markets Division of Lloyds TSB and Co-Head of the Bank's Corporate Markets. Over the last 15 years, he has performed various corporate workouts whilst taking on Non-Executive Director positions in the mutual and private equity sector.

Committee Membership: Board, Nominations Committee (Chair) and Remuneration Committee.

External Appointments: Aria Finance, West One Loans, University of Kent.

Louise Wilson– Non-Executive Director

Appointment: October 2024.

Experience: Louise has 30 years' experience in HR, People, Culture, Operating Model, Purpose-led Leadership & Culture, Organisation Design and Development & Transformation across various global consumer brands, retail, omni-channel, aviation and multi-site services and people businesses. Her executive career includes CHRO/Global HRD with Clarks for 7 years and The Body Shop for 4 years. Her retail roots are grounded in the Marks & Spencer graduate training scheme, and her aviation experience with British Airways, Menzies Aviation and Emirates (having lived and worked in Dubai for 3.5 years).

Committee Membership: Board, Remuneration Committee (Chair), Risk Committee and Nominations Committee.

External Appointments: Non-Executive Director, Board Member, Audit & Risk Committee Member and Chair of Remuneration & People Committee at Vertas Group. Non-Executive Director, Board Member and Chair of Governance & Remuneration Committee at A2 Dominion Housing. Board Trustee, Services Committee Member, and Governance & People Committee Member at Thames Reach Housing. Advisor and Associate for a number of organisations, delivering strategic HR projects, leadership development and facilitation, and coaching and mentoring.

Angela Cha – Non-Executive Director

Appointment: October 2024.

Experience: Angela has had a career working with the financial services sector in the capacity of a Non-Executive Director and as a Legal Advisor. Before joining the Saffron, Angela was a Non-Executive Director at Bath Building Society, where she was Chair of the Remuneration Committee and Senior Independent Director. In her executive career, Angela was a solicitor and partner at Pinsent Masons where she advised financial services sector clients in business change and transformation projects. After retiring from the partnership, she continued advising clients in the sector on a consultancy basis.

Committee Membership: Board, Audit Committee and Nominations Committee.

External appointments: Non-Executive Director and Deputy Chair of the Conduct Committee at the Financial Reporting Council.

Alexandra Hatchman – Non-Executive Director

Appointment: December 2024.

Alex is a seasoned professional who specialises in strategy and transformation. In addition to her work at Saffron, she is a Non-Executive at Mastercall and NHS Aqua, and a Board Director of the Teenage Cancer Trust in the North West. She is also a senior advisor to investment firms on M&A in the law.

As an executive, Alex was the CEO of two law firms. Prior to this, she spent more than a decade in retail working as an executive for Marks & Spencer in the UK and Coles in Australia. Alex started her career with Accenture, where she spent seven years advising clients.

Alex received a First Class Master's degree in Engineering from Oxford University in 1997 and an MBA from INSEAD in 2003. She completed the Strategic Leadership Executive Programme at Oxford in 2013 and received a Certificate in Innovation from Cambridge University in 2022.

In 2018, Alex became the first person to win the Law Society's Excellence in Practice Management Award, and in 2023 Alex was included in the North West Business Insider Professional Powerlist.

Committee Membership: Board and Audit Committee.

External Appointments: Mastercall, NHS Aqua, Teenage Cancer Trust and M&A Advisor.

Meet the Directors continued

Caroline Cartellieri – Senior Independent Director

Appointed: September 2023.

Experience: Caroline is a seasoned C-level Executive with over 25 years' experience in retail, consumer goods and hospitality. Leveraging technology to optimise the customer experience, she brings deep expertise in digital transformation, marketing and business strategy. She holds a BSc (Econ) from the London School of Economics and an MBA from the Wharton School of Business.

Committee Membership: Board, Remuneration Committee, Risk Committee and Nominations Committee.

External appointments: Non-Executive Director at Europ Assistance; Trustee of Asthma + Lung UK; Non-Executive Director of the Museum of London Trading Board; Director of C-Squared Consulting Ltd.

David Rendell – Non-Executive Director

Appointed: April 2020.

Experience: David has 40 years' experience in financial services across both consumer and corporate lending in the UK and across Europe. His executive career includes both risk management and business leadership roles within Lloyd's Banking Group (1988-2000) and GE Capital (2000-2016) where latterly he was CRO of the European Leasing division, Managing Director of the Green Financing division and CRO and Management Board Member of GE's Dutch bank, Artesia.

Committee Membership: Board, Risk Committee (Chair) and Audit Committee.

External appointments: Director of Richmond Place Consulting Ltd.

Jaz Saggu – Non-Executive Director

Appointed: September 2022.

Experience: Jaz has over 30 years' experience in financial services, with extensive expertise in data, digital and cultural transformation as an Executive, Main Board and INED, at Aviva, Benfield, GE Money, HBOS, NPG Wealth Management, Prudential, WTW and with PE-backed firms. He also held roles as an INED and Trustee with RiverStone Insurance Ltd, Network Homes Ltd, British Foreign Schools Society and Council Member of the British Heart Foundation, and previously held a visiting professorship in Digital Change Management.

Committee Membership: Board, Risk Committee and Remuneration Committee.

External appointments: Independent Chairman of Watmos Ltd; Independent Non-Executive Director of A2 Dominion; Independent Non-Executive Director of BHSF Group Ltd, BHSF Management Services Ltd and BHSF Employee Benefits Ltd; and Independent Non-Executive Director and Member of Council at Cranfield University.

Robin Litten – Non-Executive Director

Appointed: January 2021.

Experience: Following his early career in consulting and retail, Robin has 25 years' experience in senior financial service roles. He has held senior finance roles in Barclays Bank in its credit card and private banking businesses. Robin has served in executive board positions at a number of building societies, completing his executive career as CFO at Leeds Building Society.

Committee Membership: Board, Risk Committee, Remuneration Committee and Audit Committee (Chair).

External Appointments: None.

Meet the Directors continued

Colin Field – Chief Executive Officer

Appointed: April 2014.

Experience: Colin has held a number of senior finance positions with Barclays, Caudwell Group and Willis Group, having previously qualified with PwC. Colin is a Chartered Accountant (FCA). He joined the Board in 2014 as Chief Financial Officer before being promoted to Chief Executive Officer in September 2015.

Committee Membership: Board.

External appointments: Member of BSA Council.

John Penberthy-Smith – Chief Commercial Officer

Appointed: January 2022.

Experience: John is a customer-centric commercial leader with a track record of connecting businesses with their consumers. His executive career spans retail, telecoms, public sector and financial services, including senior roles at Dixons Stores Group, Vodafone, Three, Eircom and the Money Advice Service.

Committee Membership: Board.

External appointments: None.

Maurice Mills – Chief Financial Officer

Appointed: July 2023.

Experience: Maurice has been with the Society for six years and heads up the finance and property departments. He is a Certified Chartered Accountant (FCCA) and had an extensive career as a practice accountant and auditor before his time at Saffron, working in various industries such as tech, financial services, retail and construction. He joined the Society in 2017 as the Financial Controller before being promoted to Deputy Chief Financial Officer in 2020 and Chief Financial Officer in January 2023.

Committee Membership: Board.

External appointments: None.

Stakeholder Engagement

Members

As a Member, you are a part owner of the Society and it is run on your behalf by the Board. The Annual General Meeting is an opportunity to hear how your Society is performing and ask the Board any questions.

This is only one of many opportunities to speak to our Members as a more regular dialogue is very important to us. We use an independent organisation to collect and summarise reviews from our Members every month. You are able to complete these reviews through various different channels and tell us how you feel about the service you receive. We value all feedback our Members give us, and we use it to improve the service we provide and the products we offer. We also review social media to see what members are saying about us, and we build this into our thinking too.

People

Jaz Saggu is the Society Employee Champion. The Employee Champion provides independent oversight of our people, particularly around engagement and culture. They spend time with colleagues over the year and, in doing so, provide them with a direct link to the Board.

During 2024, we appointed a new Chief People Officer to the Society, Liz Raczi. The appointment will support the Society in the leadership of its colleague agenda and ensure that we continue to make progress towards our goal of being an Amazing Employer Brand.

As part of our business strategy and in particular our focus on people and building an Amazing Employer Brand, we launched a new Saffron People Champions Network in October 2024.

With twenty four colleagues representing all parts of our Society, the network has been created to help us to drive forward the business strategy by focusing on the transversal initiatives that are important to - and have an impact on - colleague engagement.

Why a People Champions Network?

Change and transformation initiatives need input from colleagues – particularly when trying to develop culture and enhance people experiences. Champions engage with their teams and can provide invaluable input from a colleague perspective. The Network provides a forum where ideas that add value to the Society and our colleagues can be usefully considered. It is a network of colleagues who are genuinely reflective of the Society who are consulted by the Executive and departments around the business to feedback on initiatives and solutions to improve transparency and problem solving.

Whilst the network does not constitute any part of our formal governance structure, it is designed to be an informal and collaborative communication vehicle for engaging, exchanging, debating and driving forward people-related topics. The Champions are already working on refining our colleague engagement survey and have identified a number of Society-wide topics that are both important and meaningful to our colleagues which will be developed into concrete actions in 2025 and beyond.

Environment

We work with a company called Groundwork who help manage and monitor our environmental impact. With Groundwork, we will explore effective strategies for improving our environmental impact. This collaboration will not only enhance the Board's knowledge and understanding of environmental considerations within the Society's future strategy, but will also play a crucial role in shaping policies and the risk management framework. By broadening the Board's perspective on environmental factors, it ensures a more sustainable and responsible approach moving forward.

Community

At the core of our strategic values is a steadfast commitment to community support, a principle exemplified by Claire Hunnable since her appointment as Community Business Partner in 2019. Initiatives such as the Saffron Community Link, a self-service facility launched in 2022, highlight our dedication to providing essential resources at no cost to charities and community groups. In 2024, the Link was utilised for an impressive 1,777 hours by 60 different organisations, demonstrating its critical role in addressing local needs, particularly as hire costs and availability become increasingly challenging. This success has prompted the creation of a new Community Link space in our Ware Branch, further underscoring our commitment to community engagement.

Our financial contributions and volunteer efforts illustrate the importance of community to us as stakeholders. In 2024, we surpassed £250,000 in grants distributed through the Saffron Community Fund, supporting numerous charities across our branch locations. Additionally, our initiatives, such as the Saffron Community Choir and fully funded Financial Education workshops, empower individuals and foster connections within the community. The recent investment in MyBnk's money management training for care leavers and NEETs reflects our commitment to enhancing the financial literacy of young people. Through these collective efforts, we not only support individual growth but also contribute to the overall resilience and wellbeing of the communities we serve, ensuring a lasting impact on their development.

Brokers

Saffron Building Society distributes its mortgage products via mortgage intermediaries. The Society's mortgage intermediary panel spans the entire mortgage market, providing access to all. Saffron are not a typical lender: we embrace different . As MoneyAge Mortgage Provider of the Year 2024, our understanding of complex needs in the market shows through our adaptable criteria, large loan sizes and case-by-case approach.

Suppliers

Our Chief of Staff and Relationship Managers maintain close contact with our key suppliers, conducting regular due diligence check-ups and comprehensive contract reviews to ensure compliance and performance standards are met. This ongoing communication fosters strong relationships and allows for timely identification of any potential issues that may arise.

Regulators

We maintain a transparent and open relationship with our regulators, engaging in regular dialogue both directly and through industry bodies. This includes regular updates to the Prudential Regulation Authority (PRA).

Additionally, we actively monitor regulatory publications from both the regulators and wider stakeholder groups, ensuring that we remain informed and responsive to any developments.

Nominations Committee Report

Mark Preston

"Dear Member,

I started chairing the Committee in September 2024, and present the work covered by the Committee in 2024. Caroline Cartellieri chaired the committee from March-September 2024.

The Committee is comprised of independent Non-Executive Directors. During 2024, the Committee met six times and the attendance is detailed below.

The Committee provides reports to the Board on its work throughout the year.

Its terms of reference are available on the Society's website at: https://www.saffronbs.co.uk/about/corporate-information/board-and-its-committees and are also subject to annual review."

Members	Mark Preston*	Caroline Cartellieri**	Angela Cha***	Colin Field ****	David Rendell ****	Robin Litten ****	Jaz Saggu ****	Geoffrey Dunn *****
Meetings Attended	1/1	4/4	1/1	5/5	3/3	3/3	3/3	3/3

* Mark took over a Committee Chair in September 2024.
** Caroline chaired the Committee from March-September 2024. Caroline continues to be a member of the Committee.
*** Angela joined the Committee in November 2024.
**** Colin, David, Jaz and Robin retired from the Committee in November 2024.
***** Geoff retired from the Committee in September 2024.

Details of our work, key issues considered and our conclusions are summarised as follows :

The Committee

The Committee is responsible for overseeing:

- succession planning of senior roles;
- SMCR & responsibility map;
- Committee membership;
- the balance of Board skills, independence, experience and knowledge;
- any new appointments; and
- the performance of Directors.

Appointments

The Nominations Committee leads the process for Board appointments and makes recommendations to the Board.

In the appointment of new Directors, the Committee is driven by the need for diversity around the Board table and sets high expectations when engaging with professional search agencies to encourage a diverse range of applicants. The Committee considers diversity across a broad range of attributes and characteristics, both visible and invisible. These can include experience, skill and thought in addition to more visible characteristics such as gender and ethnicity.

The Board advertises externally or uses a professional search agency for Board candidates. The appointment of Directors is based on objective criteria, including the ability to meet the requirements of the regulatory Senior Manager Regime.

The Nominations Committee ensures that Directors can commit the time required to effectively fulfil the role, both at the time of appointment and on an ongoing basis.

The Committee oversaw the appointment process of the new Chair, Mark Preston, who was appointed in August 2024, and three new Non-Executives Angela Cha and Louise Wilson in October 2024, and Alexandra Hatchman in December 2024.

Succession Planning

The Nominations Committee monitors Board succession to ensure that the appropriate mix of skills, experience, independence, and knowledge of the business continues to be represented on the Board and committees.

SMCR Compliance & Responsibility Map

The Committee reviewed the allocation of responsibilities under the Senior Manager & Certification Regime and approved the Society's Responsibilities Map.

The Committee will continue to monitor applications under the Senior Manager & Certification Regime and review the Society's Responsibilities Map at least annually.

Performance of Directors

The Non-Executive Directors operate an annual appraisal scheme in which all the Directors appraise the performance of their colleagues, including the Chair. The Senior Independent Director carries out the formal appraisal of the Chair.

The Chair carries out the formal appraisal of the CEO and the CEO appraises any other Executive Directors. The consolidated results are used to evaluate any overall weaknesses. The results of the exercise inform the Nominations Committee's decision to recommend the Director for re-election to the Board.

Concluding remarks

The Committee conducted its annual review of effectiveness, incorporating feedback from members and attendees. The review concluded that it had operated effectively and in accordance with its terms of reference.

In 2025, the Committee intends to continue its attention to key matters of Board succession and the future of the Board.

Mark Preston
Chair of Nominations Committee
11 March 2025

Board Audit Committee

Robin Litten

“

Dear Member,

As Chair of the Audit Committee, I am pleased to present the report of our work during 2024.

The Committee was comprised of three independent Non-Executive Directors appointed by the Nominations Committee to provide the broad range of financial and operational expertise necessary to perform our duties.

Over the course of 2024, the Committee met five times, with attendance detailed below. Members of the management team including the Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer, Chief Risk Officer and Internal Auditor also attended regularly by invitation, as did members of the internal and external audit teams. The Committee also meets at least once a year without management present.

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Members	Robin Litten	David Rendell	Angela Cha*	Jenny Ashmore**
Meetings Attended	5/5	5/5	1/1	2/2

* Angela joined the Committee in November 2024.
** Jenny retired from the Committee in April 2024.

The Committee’s core responsibilities are to scrutinise the following areas:

- the integrity of the Society’s financial statements and the significant judgements used to prepare them;
- the independence, performance and objectivity of the External Auditor;
- the adequacy and effectiveness of systems of internal financial control and financial risk management;
- the effectiveness, performance and independence of the internal audit function; and
- the effectiveness of the Society’s whistleblowing policy and procedures.

During the year, the Committee considered reports from management and external auditors covering the various judgements used to prepare the Society’s financial statements and its annual report to Members. It also scrutinised a comprehensive audit plan provided by the Society’s external auditor, and received assurance about the integrity of the financial statements.

The Committee received reports from the Internal Auditor providing assurance over the risk and control environment in the Society in line with a risk-based plan maintained over the course of the year.

Details of our work, key issues considered and our conclusions are summarised as follows:

Financial Reporting

Accounting policies

In considering the integrity of the Society’s financial statements, the committee has reviewed its accounting policies and confirmed that they were appropriate to be adopted in the financial statements, including areas where significant judgements are necessary, with the committee considering these in detail.

Fair, Balanced and Understandable Report and Accounts

Taken as a whole, the Society’s Annual Report and Accounts must be fair, balanced and understandable. After assessing the financial statements, the Committee was satisfied that they detailed both successes and challenges, and fairly represented the results and business performance. It also found that the language used was appropriate (in that it could be understood by a person with reasonable knowledge of the building society and financial services sectors).

The Committee reviewed the Strategic Report and other sections of the Annual Report and was satisfied that it presented an accurate view of the Society’s activities, principal risks and uncertainties as well as the work of the Board and its committees. After considering the Management’s report and the Committee’s own review, the Committee concluded that it could inform the Board that it found the Annual Report and Accounts to be fair, balanced and understandable.

Going Concern and viability

The Committee reviewed the Going Concern basis of the preparation of the Annual Report and Accounts, meaning that the Committee are satisfied that the Society will remain trading for at least 12 months from the date of signing these financial statements. The Committee also considered the viability of the Society over a three-year period. In assessing both the going concern basis of preparation and the wider viability of the Society, the Committee reviewed Management’s assessment of the Society’s profitability, liquidity, capital and principal risks and uncertainties, and the impact of the external environment. As part of the assessment, stress testing was also considered. The Committee were satisfied with the conclusions management had reached that the Society is a going concern and viable over the period considered.

Key judgements

Revenue Recognition Using The Effective Interest Rate (EIR) Method

The Group recognises mortgage income on an effective interest rate (EIR) basis, which includes the deferral of related fees and commissions paid and received, and the early recognition of future interest through the application of an average interest rate for the projected life of a loan. The Society uses an EIR software tool to ensure accuracy of the EIR modelling. In 2024, management proposed that adjustments be made to the profiles of two of the cohorts of mortgages. The Audit Committee reviewed and approved this proposal, having scrutinised all EIR profiles.

Valuation of Lifetime Mortgages and associated swap

The Group has a portfolio of Lifetime Mortgages that are accounted for at fair value through profit or loss to prevent an accounting mismatch with the associated swap which is also accounted for at fair value. Changes in the fair value of the mortgages and associated swaps are reported within net fair value movements and can give rise to significant volatility in reported income. The fair value of the mortgages is determined using discounted cash flow techniques and the use of actuarial tables and recent prepayment experience to estimate redemptions. Expected cash flows are discounted using a discount rate with a number of constituent components requiring management judgement. This is explained in the Strategic Report on page 34 with further detail included within Note 29 to the accounts on page 97. After reviewing these and other reports presented by management, and after discussions with the Group's auditors, the Committee is satisfied that the financial statements appropriately address the critical judgement areas. In particular, the Committee has scrutinised the significant assumptions used in determining the value of key assets and liabilities, including loan impairments, fair value measurements, and provisions. These assumptions have been subject to appropriate scrutiny and challenge and are considered sufficiently robust.

Impairment

Current economic conditions are characterised by higher interest rates on mortgages, with inflation abating but pressures on employment and likely cost-of-living pressures on the high street resulting from recent governmental budget announcements, placing pressure on household finances. Management have considered the need for additional provisioning against future arrears as a result of conditions which existed at the year end. The Committee reviewed the assumptions and judgements made in calculating impairment provisions and considered them appropriate.

External Audit

BDO acted as the Society's external auditor during 2024. The Committee is responsible for overseeing the relationship with the external auditor, including approving its terms and remuneration.

Timothy Lawrence of BDO took over as the Society's Statutory Auditor in 2024, following the rotation of audit partners after five years, a period in line with the firm's rules on independence. Auditors must resign or re-tender after 10 years, with a successful tender allowing for a maximum of 20 years. BDO was appointed to the Society in 2019 and is due to resign or re-tender in 2029.

Audit Quality And Materiality

The Committee has a responsibility for reviewing the quality and effectiveness of the external audit and formally assesses this on an annual basis, taking into account feedback from all the Committee members and attendees as well as the results of audit quality reviews conducted by the FRC on BDO.

The Committee considered the key findings of the FRC review of BDO, concluding that the majority of findings either had no direct impact on the Society's audit or have been appropriately addressed in the planning of the 2024 audit.

Overall reviews confirmed that the external auditor was performing in an independent and effective manner, with any areas of feedback being shared with the Auditor as appropriate.

The Committee approved the scope of the audit plan and considered the proposed materiality level in advance of the annual audit. Materiality is the level at which the Auditor considers that a misstatement would compromise the truth or fairness of the financial statements. For 2024, group audit materiality was set by BDO at £1.0m (2023: £781k), being 1.25% (2023: 1.00%) of net assets.

Independence

BDO has confirmed that it complies with all relevant ethical regulation and professional requirements. No relationships or threats have been identified that may reasonably be thought to affect its objectivity and independence.

The Society has a Non-Audit Services Policy, which sets out permitted and non-permitted services that can be carried out by the external auditors. All non-audit services must be approved by the Audit Committee. BDO did not carry out any non-audit services work during 2024.

The Committee is satisfied that BDO remained independent throughout the year.

BDO's report can be found from page 70.

Internal Audit

PwC continues to act as the Group's internal auditor.

The Committee approved the internal audit plan for 2024, having received input from Committee members and management. During the year, our internal audit function played a vital role in enhancing our governance and operational effectiveness. A comprehensive programme of audits was conducted across various departments, focusing on key areas such as risk management, cyber, GDPR and financial controls. These audits not only assessed the adequacy and effectiveness of our internal processes but also identified opportunities for improvement. We remain committed to fostering a culture of continuous improvement, and the insights gained from our internal audits will guide our efforts in strengthening our operations and delivering value to our Members. The Committee reviewed progress against the plan throughout the year and considered the conclusions of reports presented to it. The Committee continued to focus on the prompt and effective resolution of any control issues raised by internal audit. As a result, the Committee concluded that the Group's control environment is appropriate for its size and complexity. It also found that the Society is operating effectively.

Other Matters

Whistleblowing

The Society has arrangements in place so that colleagues can raise concerns anonymously or in confidence. These are then properly investigated. Saffron remains committed to continually evaluating its approach to whistleblowing and its effectiveness. Caroline Cartellieri is the Society's Whistleblowing Champion and has overall responsibility for ensuring the Society implements and follows the whistleblowing policy. In 2024, no whistleblowing reports were filed and no cases were open at the end of the year. The Committee reviewed the whistleblowing policy and was satisfied with its effectiveness.

Tax Compliance

The Committee considered the Group's tax approach reviewing papers covering the various tax exposures to ensure that there were appropriate controls around the tax workings and that the Group was not taking advantage of aggressive tax mitigation schemes. The Committee was satisfied that the Group is acting appropriately when accounting for tax.

Audit Committee Effectiveness

The Committee undertakes an annual self-assessment via questionnaires sent to all Members and regular meeting attendees. The review concluded that the Committee effectively delivered to its terms of reference (ToR) over the year.

The ToR are reviewed annually and updated to align with the latest governance requirements and best practice. The revised ToR were approved in February 2025 and are published on our website in the following location: www.saffronbs.co.uk/about/corporate-information/board-and-its-committees.

All Committee members are required to keep their knowledge and awareness relevant. The Committee is kept up-to-date with changes to accounting standards and regulatory focus areas for financial reporting through reports and training from management and the External Auditor. Separate training materials and horizon-scanning materials are also provided by the Internal Auditor to inform the Committee members of relevant topics.

Concluding Remarks

In 2025, the Committee intends to continue to focus its attention on key matters of financial reporting and internal control in the context of the external economic and regulatory environment and the Society's strategic plans.

A key focus for the Committee in 2025 will be the further development of internal control procedures and documentation in support of the new Corporate Governance Code declaration requirements.

On behalf of the Audit Committee,

Robin Litten
Chair of Audit Committee
11 March 2025

Board Risk Committee

David Rendell

"Dear Member,

As Chair of the Risk Committee, I am pleased to present the report of our work during 2024.

The Committee comprises of four independent Non-Executive Directors appointed by the Nominations Committee to provide the broad range of financial and operational expertise necessary to fulfil our duties.

During 2024, the Committee met six times and attendance is detailed below. Meetings are routinely attended by the CEO, CFO, CRO and CCO as well as representatives from the Society's Internal Auditor. The Committee provides reports to the Board on its work throughout the year.

The Committee's effectiveness is reviewed on an annual basis.

Its terms of reference are subject to annual review and available on the Society's website: https://www.saffronbs.co.uk/about/corporate-information/board-and-its-committees."

Members	David Rendell	Jaz Saggu	Robin Litten	Caroline Cartellieri	Jenny Ashmore*
Meetings Attended	6/6	6/6	6/6	5/6	1/2

* Jenny Ashmore retired from the Committee in April 2024.

Details of our work, key issues considered and our conclusions are summarised as follows:

The Committee

Under the Committee's terms of reference, the Risk Committee has responsibility for:

- the effectiveness of the overall system of internal control;
- the plans and activities of risk and compliance teams and the effectiveness and resourcing of those teams;
- internal assessment and recommendation to the board of the adequacy of capital and liquidity resources under stressed scenarios;
- the principal risks faced by the Society, together with evidence that the Society is currently operating within its risk appetite and will continue to do so based on the outlook for those risks;
- review and approval of credit risk in excess of the delegated credit decision authority limit; and
- overseeing the planning and delivery of the annual integrated assurance plan in close liaison with Audit Committee comprising the internal audit and risk management and compliance plans.

Financial Risk Management Objectives and Policies

In executing the Group's strategy, and in undertaking its routine business and activities, the Society is exposed to a range of risks. The primary goal of effective risk management is to ensure that the outcome of risk-taking activity is consistent with the Society's strategies and risk appetite and appropriate for the level and type of risks that it takes, paying attention to regulatory guidance and consumer duty of care.

The Committee ensures that there is an appropriate balance between risk and reward in order to optimise Member benefit. When issues arise, they are managed for the best outcome of the Society and its Members.

Risk Management Framework

The Society's Risk Management Framework (RMF) provides the foundation for achieving these goals through:

- articulating the Society's risk management practices and procedures;
- documenting a consistent framework for risk management across the Society;
- establishing minimum standards around key risk management framework issues;
- articulating the Society's risk strategy, its Risk Management Framework and Risk Appetite; and
- directing the approach to risk governance throughout the Society.

The RMF sets out the Society's method of managing risk through:

- detailing the Three Lines of Defence (3LoD) model and its operation within the Saffron Risk Management Framework;
- determining the responsibilities of the Committees and of individual roles to govern risk and how oversight for these operates ;
- documenting the main risk management processes under its approach of Identify; Evaluate; Mitigate; Report; Manage and Challenge; and
- describing the key risks facing the Society and how they are managed.

The RMF is supported by policies and procedures to embed the principles into the business.

'Three Lines of Defence'

The Society adopts a "three lines of defence" model to enable it to separate risk management activities between:

- those that own and take risk and implement controls (1st line);
- those that oversee, monitor and challenge the first line (2nd line); and
- the audit functions which provide independent assurance (3rd line).

Risk Governance

The oversight and direction of the Board is central to the Society's risk management framework. The Board exercises governance over risk through a series of Board committees and management structures. Each of the Board committees includes at least two Non-Executive Directors (one of whom chairs the committee), with Management Committee members comprising from the Executive and appropriate members of senior management. The committees forming part of the risk management framework can be found on page 47.

Risk Appetite

The Board defines risk appetite as 'the level of risk the Society is prepared to accept whilst pursuing its business strategy as a mutual society set up for the benefit of its Members, recognising a range of possible outcomes as the business plan is implemented'. Risk appetite is reflected in qualitative statements set out in the Society's Risk Appetite Statement and in a series of quantitative measures that are reported to the Board.

Risk appetite is formally reviewed at least annually but may be revised more frequently to reflect emerging risks, changes to the economic and market environment or for any other reasons considered appropriate. All changes are taken to the Risk Committee for challenge before being recommended to the Board.

Risk Culture

The Board places significant emphasis on every level of the organisation having an awareness of risk and the importance of effective management of risk. The Risk Committee oversees that each department across the organisation takes ownership for the identification and management of risks specific to their areas, with the Board and Management Committees, together with the Three Lines of Defence model ensuring a strong risk culture is embedded throughout the organisation, set by the 'tone from the top'. As a mutual organisation, exemplary conduct is also expected from everyone and conduct is taken into account when making decisions on remuneration across all levels to ensure incentives do not drive poor customer outcomes or excessive risk taking.

Stress Testing

Stress testing is a risk management tool used by the Group to understand the impact of severe but plausible scenarios on its business model.

The Committee reviews and recommends the annual PRA-prescribed Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) to identify and quantify the capital and liquidity risks it faces. Stress testing is undertaken as part of these processes with the combined output used to inform the Board's risk appetite and policies, together with management actions and contingency plans. In addition, the PRA carries out an assessment of the Society and may issue revised capital or liquidity guidance, specifying minimum capital and liquidity levels based on their assessment of the risks faced by the Group, including under stress.

It is a requirement for all banks and building societies to construct plans that detect possible failure and minimise the consequences of failure should it occur. The Committee has the responsibility to approve at least annually the Society's Recovery Plan that outlines a menu of options the Society could credibly take to recover from a very severe Society-specific or market-wide stress.

Consumer Duty of Care

The Committee had oversight of the implementation of Consumer Duty of Care regulations which came into force on the 31st July 2024 and included:

- reviewing the fair value assessment undertaken;
- the remit of the established Customer Focus Committee and Intermediary Oversight Committee, and management of the 12 customer outcomes;
- detail of improved management information and data sources for vulnerable customers and customer insight;
- features of the training and cultural transformation to support colleagues to understand the spirit of consumer duty regulation and hires to support the journey; and
- information of the oversight and governance relating to continued Consumer Duty embedding.

Consumer Duty is now subject to the oversight of a Customer Focus Committee, which provides regular updates to the Board Risk Committee.

Loan Loss Provisioning

The Committee monitors the performance of the Group's loan book throughout the year and reviews the methodologies and assumptions used by management to determine the level of impairment provision required.

The Committee reviewed the approaches used and key assumptions adopted and agreed with the overall level of provisioning held. Following recommendation and approval from the Risk Committee, the Audit Committee concluded the assumptions used to support management's judgement as to the adequacy of impairment provision were appropriate. A risk assessment is undertaken on these assumptions against the Board's risk appetite.

Concluding remarks

The Committee conducted its annual review of effectiveness incorporating feedback from Members and attendees. The review concluded that it had operated effectively and in accordance with the terms of reference.

In 2025, the Committee intends to continue to give attention to key: matters of risk, the continued embedding of Consumer Duty, the changing capital regulatory landscape (Strong and Simple) and ensuring the risk appetite aligns to the Society's strategy moving forward.

On behalf of the Risk Committee,

David Rendell
Chair of Risk Committee
11 March 2025

Remuneration Committee Report

Louise Wilson

Dear Member,

I took over the Committee in January 2025 and present the work it covered in 2024. Jenny Ashmore chaired the Committee until April 2024, while Geoff Dunn chaired the Committee between March 2024 and September 2024, and Caroline Cartellieri chaired the Committee from October 2024 until December 2024.

The Committee comprises independent Non-Executive Directors appointed by the Nominations Committee to provide the broad range of people and remuneration expertise necessary to fulfil our duties. During 2024, the Committee met seven times and attendance is detailed below. Meetings are routinely attended by the CEO and the Chief People Officer to support the Committee in its work.

The Committee provides reports to the Board on its work throughout the year.

Its terms of reference are available on the Society's website: https://www.saffronbs.co.uk/about/corporate-information/board-and-its-committees and are subject to annual review.

Members	Caroline Cartellieri	Jaz Saggu	David Rendell	Robin Litten*	Jenny Ashmore**	Mark Preston ***	Louise Wilson ***	Geoff Dunn ****
Meetings Attended	7/7	7/7	7/7	6/6	2/4	2/2	2/2	4/4

* Robin Litten was a member from March 2024.
** Jenny Ashmore retired from the Committee in April 2024.
***Mark Preston and Louise Wilson were members from October 2024.
**** Geoff Dun was a member between March 2024-September 2024.

Details of our work, key issues considered and our conclusions are summarised as follows:

The Committee

The Committee is responsible for overseeing: the Society's Remuneration Policy;

- approving the remuneration packages for the Executive Directors;
- approving loans to Directors or connected persons;
- ensuring compliance with the Regulator's Remuneration Code and having regard to the UK Corporate Governance Code;
- overseeing approval of the all-staff bonus and Executive team; and
- reviewing Women in Finance metrics, and benchmarking and progress against action plans.

General Remuneration Principles

The main aim of the Remuneration Policy is to ensure the remuneration of all colleagues and executives is fair, reflects individual performance, skill, knowledge and competence and is competitive within the financial services market and building society industry.

The Remuneration Policy ensures that the strategic objectives can be achieved: attracting, motivating, rewarding and retaining people with appropriate skills and behaviours to deliver the business plan. It also promotes and encourages the right behaviours to align with the Society's conduct, culture and risk management practices (avoiding incentives which could encourage inappropriate risk taking). Directors and some other key roles are designated as 'Code Staff' under the Regulator's Remuneration Code due to their material impact on the Society's risk profile.

The Remuneration Policy addresses the Corporate Governance Code requirements and the Committee uses this to ensure that the implementation of the Remuneration Policy takes due consideration of the need for clarity, simplicity, risk, predictability, proportionality and alignment to culture.

The Committee is satisfied that the Remuneration Policy meets with the criteria of the Remuneration Code.

Remuneration packages are comprised of basic salary, car benefit, healthcare benefit, pension contribution and bonus payments. The bonus payments reflect both overall organisation performance and individual performance. The bonus scheme is discretionary, subject to review at least annually, and paid out only when affordable.

Remuneration is reviewed annually and takes into account market conditions, employment competition and the Society's financial performance. The Committee reviews external market data (benchmarking data from AON McLagan and the Building Societies Association) to determine appropriate reward levels to ensure fairness across different roles and responsibilities in the Society.

Decisions in 2024

In July 2024, a 3.5% salary increase was awarded to all colleagues to account for inflation, with some further increases in roles/areas where the external benchmarking showed that the market had become significantly more competitive. This ensured that the Society was benchmarking competitively within the financial services market and wider sectors for similar roles.

The Society exceeds the statutory national minimum wage and meets the voluntary real living wage requirements for 2024-2025. The real living wage is different to the government's minimum wage rate, which for those over the age of 21 is often called the "national living wage". It is a higher, voluntary rate that is independently calculated based solely on the actual cost of living. The real living wage has risen to £12.60 per hour. The Society operates above this figure but intends to maintain real living wage accreditation and continuously considers the salaries of our lower earners beyond the real living wage to support the recruitment and retention needs of the organisation.

All staff bonus 2024

2024 was a solid year for the Society with strong retained earnings delivered due to growth of the mortgage book.

In recognition of the year-end results, the Society is intending to pay a competitive bonus to colleagues in March 2025.

This bonus will comprise two components: an 'Our Contribution' award of £1,000 paid at a flat rate to all colleagues (pro-rated) and a 'My Contribution' award which is a percentage of base salary reflecting individual performance, with a range of 0% to 15%.

Report on Directors Remuneration

Executive Directors
Exceptional performance is expected of all Executive Directors, with rewards linked to the promotion and support of Society values and behaviours, including appropriate risk management, financial performance, quality customer service, colleague engagement and individual excellence. In line with other colleagues, the Executive Directors received a salary increase of 3.5%.

Our Executive Directors have a separate bonus scheme to all other colleagues. Considering the Society's performance last year, the Committee agreed that the bonus award for 2024 should be at the upper end of the approved range. This reflected the level of delivery from the Executive Directors, who received bonuses within a range of 20% to 25% of salary. In line with this policy, 60% of the amount will be paid in March 2025, while the remaining 40% will be received over the next three years.

There were no other changes to the variable pay or pension contributions for current Executive Directors in 2024.

Non-Executive Directors
In determining non-executive remuneration, the Committee and the Board take account of fees payable to Non-Executive Directors and Chairs of building societies that are similar in size and complexity to the Society. To ensure that fees are set at a level to retain and attract individuals of the calibre necessary to operate an organisation such as the Society and which reflect the skills and time commitment required, the Committee periodically commissions a review of non-executive remuneration.

In 2024, there was an increase to Non-Executive Directors' fees of 3.5%. The Chair also received a 3.5% increase, the same as that awarded to staff, reflecting the wider economic environment. There are no bonus schemes or other benefits for Non-Executive Directors, who are not entitled to any pension from the Group. The recommendation around fees is made by the CEO and Chair. The Chair's fees are discussed and approved by the Remuneration Committee.

Full details of individual Director's remuneration are disclosed on the opposite page.

Gender Pay Gap

The Remuneration Committee reviews the gender pay gap data annually. The pay gap is calculated by comparing men's and women's average hourly rates and is intended to measure workplace disadvantage. This calculation is conducted at an aggregate level and therefore does not consider the roles each person performs.

Saffron has excellent representation of women in the workplace, with women making up 57% of our workforce. However, the Society, like other financial retail businesses, has a high number of female staff in lower-paid roles. One reason for this is that more junior roles in the organisation, such as those in our branches, are more easily able to accommodate part-time working patterns, which women are more likely to perform. This is reflected in our colleague make-up, with most of our part-time colleagues being female. These factors contribute to the gender pay gap, which is calculated using average hourly pay. The gender pay gap for 2024 was 39%, an improvement from the 41% level recorded in 2023.

While there is a gender pay gap, there is no gap in equal pay in the Society. Our analysis tells us that where we have men and women performing the same role, they are equally remunerated.

The Society has developed a Diversity, Equity and Inclusion Strategy, a core component of which is our Women in Finance Charter Commitments and Goals. This strategy will ensure a cohesive set of actions to improve the representation of women in more senior roles in our organisation through positive action. This includes areas of focus such as improving our family friendly benefits, mentoring for talented women and a focus on diversity in succession plans.

Concluding Remarks

The Committee conducted its annual review of effectiveness incorporating feedback from Members and attendees. The review concluded that it had met its terms of reference with opportunities to improve how it operates and there were areas to enhance its oversight and the role it plays in the Society.

In 2025, the Committee intends to continue its attention on key matters of remuneration as well as broaden the scope of the Committee to consider and review the Society's People Strategy.

On behalf of the Remuneration Committee,

Louise Wilson
Chair of Remuneration Committee
11 March 2025

	2024 (£)					2023 (£)				
	Salary	Bonus earned in relation to financial year	Other benefits	Pension	Total	Salary	Bonus earned in financial year	Other benefits	Pension	Total
Executive										
C H Field	£235,050	£52,602	£25,195	£31,732	£344,579	£225,500	£41,580	£22,550	£30,443	**£320,073**
J Penberthy -Smith	£182,930	£46,525	£19,633	£13,403	£262,491	£175,480	£39,547	£18,227	£12,857	**£246,111**
M L Mills	£160,650	£32,760	£16,672	£13,655	£223,737	£78,750	£25,200	£7,875	£10,631	**£122,456**
Total	**£578,630**	**£131,887**	**£61,500**	**£58,790**	**£830,807**	**£479,730**	**£106,327**	**£48,652**	**£53,931**	**£688,640**
Non-Executive										
M Preston[2]	£27,083	-	-	-	£27,083	-	-	-	-	-
A Cha[1]	£9,750	-	-	-	£9,750	-	-	-	-	-
A Hatchman[3]	£3,250	-	-	-	£3,520	-	-	-	-	-
T G Barr[4]	-	-	-	-	-	£13,626	-	-	-	£13,626
N J Treble[4]	-	-	-	-	-	£16,795	-	-	-	£16,795
N J Holden[4]	-	-	-	-	-	£13,626	-	-	-	£13,626
J A Ashmore[5]	£20,130	-	-	-	£20,130	£47,160	-	-	-	£47,160
D Rendell	£49,182	-	-	-	£49,182	£47,160	-	-	-	£47,160
R Litten	£49,182	-	-	-	£49,182	£47,160	-	-	-	£47,160
J Saggu	£38,038	-	-	-	£38,038	£36,193	-	-	-	£36,193
B Anderson[6]	£6,695	-	-	-	£6,695	£61,418	-	-	-	£61,418
C Cartellieri	£47,384	-	-	-	£47,384	£12,359	-	-	-	£12,359
G Dunn[7]	£35,702	-	-	-	£35,702	-	-	-	-	£0
L Wilson[1]	£9,750	-	-	-	£9,750	-	-	-	-	£0
Total	**£296,146**	**-**	**-**	**-**	**£296,146**	**£295,497**	**£0**	**£0**	**£0**	**£295,497**
Grand Total:	**£874,776**	**£131,887**	**£61,500**	**£58,790**	**£1,126,953**	**£775,227**	**£106,327**	**£48,652**	**£53,931**	**£984,137**

1 Appointed 1 October 2024
2 Appointed 1 August 2024
3 Appointed 1 December 2024
4 Resigned 18 April 2023
5 Resigned 30 April 2024
6 Resigned 15 January 2024
7 Appointed 9 February 2024, resigned 21 September 2024

Directors' Report

The Directors submit their Report prepared in the context of the UK Corporate Governance Code and in accordance with the requirements of the Building Societies Act. The Directors' Report should be read in conjunction with the Chair's Statement, Chief Executive's Report and Strategic Report.

Information presented in other sections

Certain information required to be included in a Directors' Report can be found in the other sections of the Annual Report and Accounts as described below. All the information to be presented in these sections is incorporated by reference into this Directors' Report and is deemed to form part of this Report

Business objectives and activities	Strategic Report (pages 14 to 17)
Business review and future developments	Strategic Report (page 31)
Principal risks and uncertainties	Strategic Report (pages 38 to 39)
Financial risk management objectives and policies, and risk exposures	Strategic Report (page 42)
Disclosure requirements under CRDIV country by country reporting	Note 112 to the Accounts

Results
For the year ended 31 December 2024, the group reported an underlying profit before tax of £7.9m (2023: £11.1m) and a profit before tax of £5.6m (2023: £7.7m).

The Group's profit after tax transferred to general reserves was £4.1m (2023: £5.9m).

Capital
Group gross capital as of 31 December 2024 was £93.7m (2023: £86.5m) being 6.8% of total shares and borrowings (2023: 6.3%). Free capital on the same date was £86.8m (2023: £80.0m) and 6.3% of total shares and borrowings (2023: 6.0%).

Mortgage Arrears

As of 31 December 2024, the Group had 15 properties (2023: 13) where payments were 12 months or more in arrears. On 31 December 2023, the Group held 11 properties (2023: 10) in possession. Further information on the quality of the Group's loan portfolio, including information on loan forbearance activities can be found in Note 28 to the Accounts.

Supplier Payment Policy

The Group will discharge suppliers' invoices within agreed terms when they fully conform to the terms and conditions of the purchase.

Charitable and Political Donations

During the year, the Society made donations totalling £160,985 (2023: £78,055) to charities and other organisations. No contributions were made for political purposes (2023: nil).

Directors' Responsibilities in Respect of The Annual Report, Annual Business Statement, Directors' Report and Annual Accounts

The Directors are required by the Building Societies Act 1986 ('the Act') to prepare annual accounts each year which give a true and fair view of the:
- state of the affairs of the Society and the Group at the end of the financial year;
- income and expenditure of the Society and the Group for the financial year; and
- details of Directors' emoluments in accordance with Part VIII of the Act and regulations made under it.

In preparing these accounts, the Directors are required to:
- select appropriate accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the applicable UK accounting standards have been followed, subject to any material departures discussed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

In addition to the accounts, the Act requires the Directors to prepare an Annual Business Statement and a Directors' Report each year. Both contain prescribed information relating to the business of the Society and its subsidiaries.

Directors' responsibilities for accounting records and internal controls

The Directors are responsible for:
- ensuring the Society and subsidiary undertakings keep accounting records in accordance with the Act;
- taking 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 under the Financial Services and Markets Act 2000; and
- safeguarding the assets of the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern

The Directors are required to prepare financial statements on a going concern basis unless it is inappropriate to presume that the Society and the Group will continue in business for at least 12 months from the date of signing the financial statements.

To assess the going concern status, the Directors have reviewed forecasts, budgets and stress tests to evaluate the potential financial and operational performance of the business under a range of economic and market conditions. This informs their assessment as to whether the Group and Society are a going concern.

Based on the assessments performed, the Directors have concluded that:
- The Society has proven access to liquidity, including central bank facilities available through its collateralised loan book. This ensures the Society can meet both routine operational demands and requirements of modelled stress scenarios. The liquid assets are structured in a way that allows the Society to repay maturing wholesale funding and to meet potential increases in demand from retail investors.
- The Society's current capital resources meet regulatory requirements. The Directors are confident that future plans and forecasts demonstrate sufficient capital generation to maintain levels well above regulatory minimums under both central and stressed scenarios.
- The Society has demonstrated operational resilience, including during periods of significant disruption. The prior investments in IT infrastructure and implementation of robust risk management processes have been crucial to maintaining operations during challenging times.

Based on the assessments performed, the Directors are satisfied that the Society and the Group have the necessary financial and operational resources to continue meeting their obligations and supporting their strategic objectives over the next 12 months.

The Directors therefore conclude that there is no material uncertainty regarding the Society and the Group's ability to continue as a going concern, and it is appropriate to prepare the financial statements on a going concern basis.

Business associates

We would like to thank our solicitors, internal and external auditors and professional advisors for their continued support during the year.

Directors
The following served as Directors of the Society during the year and up to the date of signing the accounts, except where indicated:

Executive Directors
C H Field (Chief Executive Officer)
M L Mills (Chief Financial Officer)
J Penberthy-Smith (Chief Commercial Officer)

Non-Executive Directors
B Anderson (Chair) (Resigned 15/01/2024)
J Ashmore* (Senior Independent Director) (Resigned 30/04/2024)
G Dunn (Interim Chair) (Appointed 08/02/2024, resigned 21/09/2024)
M Preston (Chair) (Appointed 01/08/2024)
D R Rendell
R Litten
J Saggu
C Cartellieri (Senior Independent Director)
A Cha (Appointed 01/10/2024)
L Wilson (Appointed 01/10/2024)
A Hatchman (Appointed 01/12/2024)
*married name Zaremba

All non-retiring Directors will stand for election or re-election. Biographies of the Directors appear on pages 48 to 50. None of the Directors hold any shares in, or debentures of, any associated body of the Society.

Auditor

A resolution to re-appoint BDO LLP as Auditor to the Group will be proposed at the Annual General Meeting.

Events since the year end

On the 19 February 2025, the Society made a £1,500k contribution to the defined benefit pension scheme to assist the trustees in maintaining the funding position of the scheme, whilst transferring to lower risk assets.

The Directors consider there has been no other event since the end of the financial year which would have a material effect on the financial position of the Group as disclosed in the Annual Accounts.

Colin Field
Chief Executive Officer
On behalf of the Board 11 March 2025

Independent auditor's report to the Members of Saffron Building Society

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and of the Society's affairs as at 31 December 2024 and of the Group's profit and of the Society's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the financial statements of Saffron Building Society (the 'Society') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise the Group and Society Income Statement, the Group and Society Statement of Comprehensive Income, the Group and Society Statement of Financial Position, the Group and Society Statement of Changes in Members' Interests, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the Audit Committee.

Independence

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 19 June 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is six years, covering the years ended 31 December 2019 to 31 December 2024. We remain independent of the Group and Society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Society.

Conclusions relating to going concern

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

- Reviewing the Internal Capital Adequacy Assessment Process (ICAAP), Internal liquidity adequacy assessment process (ILAAP) and regulatory capital adequacy ratio with the assistance of our internal regulatory experts;
- Assessing the appropriateness of the assumptions and judgements made by the Directors in their base forecast and stress-tested forecast, including reverse stress test scenarios. In doing so we compared key assumptions such as forecast growth to historic actuals and relevant market data and considered the historical accuracy of the Directors forecasts; and
- Assessing how the Directors' have factored in key external factors expected to affect the Group and Society such as the changes in interest rates and house prices, current uncertain geopolitical and economic outlook and their corresponding economic impact checking these had been appropriately considered as part of the Directors' going concern assessment.

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

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

Overview

		2024	2023
Key audit matters	Revenue Recognition (effective interest rate adjustment)	✓	✓
	Impairment losses on loans and advances	✓	✓
	Valuation of lifetime mortgages	✓	✓
Materiality	Group financial statements as a whole		
	£1.0m (2023: £781k) based on 1.25% (2023: 1%) of Net assets (2023: Net assets)		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, the applicable financial reporting framework and the Group's system of internal control. On the basis of this, we identified and assessed the risks of material misstatement of the Group financial statements including with respect to the consolidation process. We then applied professional judgement to focus our audit procedures on the areas that posed the greatest risks to the group financial statements. We continually assessed risks throughout our audit, revising the risks where necessary, with the aim of reducing the group risk of material misstatement to an acceptable level, in order to provide a basis for our opinion.

Components

There are 7 entities within the Group, including the Society. The nature of the entities in the Group is as follows:

- 2 entities are operating, including the Society.
- 5 entities are not carrying on business and have no financial impact on the financial statements. Of these, 4 were voluntarily liquidated after the year-end.

The control environment is consistent across the Group, as the finance and IT teams are centralised in one location, i.e., the United Kingdom.

Based on the nature of the entities in the Group, and the processes and controls of the entities, we deemed there to be 2 components:

- Saffron Building Society
- Crocus Home Loans Limited

For the 2 components, we used a combination of risk assessment procedures and further audit procedures to obtain sufficient appropriate evidence. These further audit procedures included procedures on the entire financial information of the component, including performing substantive procedures, and testing the operating effectiveness of controls.

The Group engagement team has performed all procedures directly and has not involved component auditors in the Group audit.

Procedures performed centrally

We considered there to be a high degree of centralisation of financial reporting and commonality of controls in relation to Loans and advances.

We therefore designed and performed procedures centrally in this area.

Changes from the prior year

There have been no significant changes on the Group audit scope from the prior year.

Climate Change

As part of our audit, we performed a risk assessment of the impact of climate change risk and the commitments made by the Group in respect of climate change on the financial statements and our audit approach. As a part of this we held discussions with our own climate change professionals to challenge our risk assessment. In doing this assessment, we performed the following:

- Enquiries and challenge of management to understand the actions they have taken to identify climate-related risks and their potential impacts on the financial statements and adequately disclose climate-related risks within the Annual Report and Accounts;
- we assessed how the Group considers the impact of physical risks on the valuation of mortgage collateral. Specifically, we performed climate risk data analytics risk assessment procedures to understand the potential impact of flooding and subsidence on the valuation of mortgage collateral and made enquiries of management to understand how this is considered within their own collateral valuation process; and
- Review of the minutes of Board and Audit Committee meeting and other papers related to climate change and performed a risk assessment as to how the impact of the Group's commitment as set out in the Strategic report may affect the financial statements and our audit.

We also assessed the consistency of managements disclosures included as 'Other Information' on pages 36-43 with the financial statements and with our knowledge obtained from the audit.

Based on our risk assessment procedures, we did not identify there to be any Key Audit Matters materially impacted by climate-related risks.

Key audit matters

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

Key Audit Matter		How the scope of our audit addressed the key audit matter
Revenue recognition (effective interest rate adjustment) The Group's accounting policies are disclosed in note 1 with detail about judgements in applying accounting policies and critical accounting estimates on page 87. As disclosed in note 2 the interest income on loans and advances recognised using the effective interest rate is £54.8m.	The Group's mortgage interest income is recognised using an effective interest rate ("EIR") method in accordance with the requirements of FRS 102 Section 11. Management judgement is required in initially recognising financial instruments under the EIR method, and assumptions made by management will also impact subsequent amortisation of EIR adjustments. The calculation of the effective interest rate method includes directly attributable contractual transaction costs and fees paid or received where the future cash flow can be measured reliably. There is therefore a risk that management override of controls could result in a material misstatement to amortisation. We assessed the period over which to defer upfront fees and costs, (the 'behavioural life) which is determined by reference to analysis of historical customer behaviours of the EIR calculation as most critical and requiring increased audit focus.	To address the significant risk we identified, we carried out the following procedures: We assessed the design and effectiveness of controls over the effective interest rate process performed by the Group. We assessed whether the revenue recognition policies adopted by the Group are in accordance with requirements of the applicable accounting framework. This included an assessment of the types of fees and costs being spread within the effective interest rate models versus the requirements of the applicable financial reporting standard. We tested the completeness and accuracy of data and key model inputs feeding into the EIR models by agreeing samples back to the source documents. This included the data used in the historical behavioural life redemption profiles. We independently validated the accuracy and logic in the models used to calculate the effective interest rate adjustment. We utilised data analytics to perform a full recalculation of the effective interest rate adjustment for material buckets of loans. Assessed and challenged management's expected repayment profile assumptions against recent historical experience and our understanding of the entity. Using this knowledge, we considered and whether any adjustments to recent historical redemption profiles used in the EIR model are necessary to reflect expected changes in future redemption profiles. We reviewed the relevant effective interest rate disclosures made by management for compliance with accounting standards and agreed the disclosures to supporting evidence. **Key observations:** Based on the procedures we performed, and the evidence obtained we concluded that the EIR adjustments were reasonable and complied with the requirements of FRS 102 section 11.
Impairment losses on loans and advances The Group's accounting policies are detailed in note 1 with detail about judgements in applying accounting policies and critical accounting estimates on page 87. As disclosed in note 12, the collective Impairment losses on loans and advances is £844k (2023: £1,184k).	The Group accounts for the impairment of loans and advances to customers (excluding lifetime mortgages) using an incurred loss model. Estimating the collective loan loss provision requires significant management judgement and estimate in determining the value and timing of expected future cash flows. The collective provision is calculated within a model that uses a combination of the Group's historical experience and segmentation of the loans by risk and external data. There continues to be significant economic uncertainty driven by a number of factors including persistent levels of higher inflation. Given these uncertainties and the magnitude of the collective provision, we deem the risk associated with the judgements made in determining the probability of default for the collective provision to be significant.	To address the significant risk we identified, we carried out the following procedures: We assessed the design and effectiveness of controls over the estimation of the loan loss provision. We assessed the collective provision methodology against the requirements of applicable accounting standards. We involved our valuation experts in assessing the appropriateness of the significant assumptions including the appropriateness of the customer loan segmentation and methodologies used to determine the probability of defaults. We independently reperformed the calculation used to determine the probability of default assigned to individual customers. We tested the completeness and accuracy of data feeding into the PD model by agreeing samples back to the source documents Where appropriate we have assessed the impact of utilising alternative probability of default assumptions for the collective provision in order to determine the reasonableness of the assumptions used. We independently validated the accuracy of provisions calculations. We assessed the adequacy of the Group's disclosures in respect of loan loss provisioning and of the degree of estimation uncertainty involved in arriving at the provision. **Key observations:** Based on the procedures we performed, and the evidence obtained we concluded that the overall level of the collective impairment provision held is reasonable.

Key Audit Matter		How the scope of our audit addressed the key audit matter
Valuation of lifetime Mortgages The Group's accounting policies are detailed in note 1 with detail about judgements in applying accounting policies and critical accounting estimates on page 87. As disclosed in note 4, the change in fair value of the lifetime mortgages portfolio is £3.96m.	The Group has elected to account for its portfolio of lifetime mortgages at fair value through profit or loss. The Group has economically hedged the lifetime mortgage portfolio so an accounting measurement mismatch would potentially exist if the mortgage portfolio were accounted for at amortised cost while the hedging instruments, interest rate swaps, were accounted for at fair value, creating potential income statement volatility. The fair value of the lifetime mortgages is the present value of estimated future cashflows less the No Negative Equity Guarantee ('NNEG') provision. The NNEG is materiality sensitive to the judgments about future Housing Price Index (HPI) Growth and HPI volatility. The discount rate used to determine the present values of the cashflows associated with the lifetime mortgages and NNEG is subject to a significant degree of management judgement in determining the illiquidity premium. We deem the risk associated with the judgements made in determining the HPI growth, HPI volatility and the illiquidity premium in calculating the fair value of the lifetime mortgage book to be significant.	To address the significant risk we identified, we carried out the following procedures: We assessed the design and implementation of controls over the valuation of the lifetime mortgage portfolio. We assessed the election to account for the lifetime mortgage portfolio at fair value through profit or loss in accordance with the requirements of applicable accounting standards. With the assistance of our internal valuation experts, we reviewed and assessed the appropriateness of the valuation models used to determine the fair value of the lifetime mortgages adjusted for the NNEG. With the assistance of our internal valuation experts: • we assessed the appropriateness of the discount rates, HPI growth rate, HPI volatility expectations, and other assumptions used in the valuation; • we challenged the discount rate (including the illiquidity premium) used by management, by estimating an acceptable range of the discount rate based on a bottom-up approach, calibrating the rate to market observable data, and running sensitivity on the rate; and • we compared HPI growth rate and HPI volatility assumptions to our independent estimate derived from observable market data. **Key observations:** Based on our audit work performed, we consider the key assumptions and judgements made in determining the fair valuation of the lifetime mortgages to be reasonable.

Our application of materiality

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

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

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

	Group financial statements		Society financial statements	
	2024 £m	2023 £m	2024 £m	2023 £m
Materiality	1.0	0.78	0.99	0.68
Basis for determining materiality	1.25% of Net assets	1% of Net assets	1.25% of Net assets	1% of Net assets
Rationale for the benchmark applied	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. The benchmark for planning materiality has increased to 1.25% from 1% due to the relative stability of the group, including the consistency of the products and services offered. The benchmark aligns with the purpose of the Group which is to optimise rather than maximise profits.	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. This is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Group as well as the purpose of the Group, which is to optimise rather than maximise profits.	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. The benchmark for planning materiality has increased to 1.25% from 1% due to the relative stability of the Society , including the consistency of the products and services offered. The benchmark aligns with the purpose of the Society which is to optimise rather than maximise profits.	We determined that Net assets was the most appropriate benchmark considering the different stakeholders. This is considered to be the measure which closely corresponds to regulatory capital. Regulatory stability is considered to be a main driver for the Society as well as the purpose of the Society which is to optimise rather than maximise profits.

Performance materiality	0.77	0.59	0.70	0.51
Basis for determining performance materiality	75% of materiality	75% of materiality	70% of materiality	75% of materiality
Rationale for the percentage applied for performance materiality	In determining performance materiality, we considered factors such as our assessment of the Group's overall control environment, and expected total value of known and likely misstatements, based on past experience.	In determining performance materiality, we considered factors such as our assessment of the Group's overall control environment, and expected total value of known and likely misstatements, based on past experience.	In determining performance materiality, we considered factors such as our assessment of the Society's overall control environment, relative size to the that of other components in the Group and expected total value of known and likely misstatements, based on past experience.	In determining performance materiality, we considered factors such as our assessment of the Society's overall control environment, and expected total value of known and likely misstatements, based on past experience.

Component performance materiality
For our Group audit opinion, we set performance materiality for each component, except for the Society, whose materiality is detailed above. We considered several factors, including the history of misstatements, risk assessment and aggregation risk. Component performance materiality was set at £335k (2023: £297k) for Crocus Home Loans Limited.

Reporting threshold
We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £41k (2023: £30k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

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

We have nothing to report in this regard.

Other Building Societies Act 1986 reporting

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

Annual business statement and Directors' report	In our opinion, based on the work undertaken in the course of the audit: • The annual business statement and the Directors' report have been prepared in accordance with the requirements of the Building Societies Act 1986; • The information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • The information given in the annual business statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given. In the light of the knowledge and understanding of the Group 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 financial statements are not in agreement with the accounting records; or • we have not received all the information and explanations we require for our audit.

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

In our opinion the information given on page 114 for the financial year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities in respect of the Annual Report, Annual Business Statement, Directors' Report and Annual Accounts section included in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and 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 Group or Society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Non-compliance with laws and regulations
Based on:
- Our understanding of the Group and Society and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's and Society's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be the Building Societies Act 1986, pension legislation, and tax legislation.

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

Our procedures in respect of the above included:
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory authorities for any instances of non-compliance with laws and regulations; and
- Review of financial statement disclosures and agreeing to supporting documentation.

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

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

Our procedures in respect of the above included:
- Reading minutes of meetings of those charged with governance, reviewing internal audit reports and correspondence with the FCA and the PRA for instances of fraud;
- Testing a sample of journals throughout the period to determine the appropriateness of journal entries and other adjustments by agreeing them to supporting documentation, and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- Assessing significant estimates made by management for bias (refer to the key audit matters section for procedures performed).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, who were deemed to have the appropriate competence and capabilities, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of our report

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

Timothy Lawrence (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK
11 March 2025
BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

The Accounts 2024

The Accounts

Income Statement
for the year ended 31 December 2024

	Notes	2024 (£000) Group	2024 (£000) Society	2023 (£000) Group	2023 (£000) Society
Interest receivable and similar income	2	86,571	85,985	74,578	73,974
Interest payable and similar charges	3	(57,045)	(57,045)	(41,681)	(41,681)
Net interest income		**29,526**	**28,940**	**32,897**	**32,293**
Fees and commissions receivable		182	237	394	439
Fees and commissions payable		(697)	(678)	(628)	(609)
Net fair value movements	4	(1,036)	(706)	(3,329)	(2,795)
Total net income		**27,975**	**27,793**	**29,334**	**29,328**
Other operating income*	6	559	559	285	285
Administrative expenses	5	(20,634)	(20,633)	(19,040)	(18,924)
Depreciation and amortisation	16,17	(761)	(761)	(1,465)	(1,465)
Other operating charges**	6	(1,808)	(1,808)	(211)	(211)
Loss on disposal of property, plant and equipment and investment properties		(7)	(7)	(404)	(404)
Operating profit before impairment gains and provisions		**5,324**	**5,143**	**8,499**	**8,609**
Impairment recoveries / (losses) on loans and advances	13	277	277	(750)	(750)
Operating profit and profit before tax		**5,601**	**5,420**	**7,749**	**7,859**
Tax	9	(1,524)	(1,482)	(1,898)	(1,898)
Profit for the financial year		**4,077**	**3,938**	**5,851**	**5,961**

Profit for the financial year arises from continuing operations. Both the profit for the financial year and total comprehensive income for the financial year are attributable to Members of the Society.

*Other operating income in 2024 consists of £400k (2023: £nil) arising from the gain on the refinance of subordinated debt.
** Other operating charges in 2024 consists of exceptional Philips Trust Corporation costs amounting to £1,666k (2023: £nil).

Statement of comprehensive income
for the year ended 31 December 2024

	Notes	2024 (£000) Group	2024 (£000) Society	2023 (£000) Group	2023 (£000) Society
Profit for the financial year		4,077	3,938	5,851	5,961
Available for sale reserve					
Valuation (loss) / gain taken to reserves	24	(523)	(523)	548	548
Amount transferred to income statement		4	4	-	-
Net actuarial gain/(loss) recognised in the defined benefit pension scheme	28	652	652	(646)	(646)
Unrealised gain on revaluation of property plant and equipment.		-	-	554	554
Tax relating to components of other comprehensive income		34	34	(25)	(25)
Total comprehensive income for the year		**4,240**	**4,101**	**6,282**	**6,392**

Group
Statement of Financial Position
at year ended 31 December 2024

	Notes	2024 (£000) Group	2023 (£000) Group
Assets			
Liquid assets			
Cash in hand and balances with the Bank of England		82,862	154,542
Treasury bills	10	35,674	41,821
Loans and advances to credit institutions	10	16,633	18,171
Debt securities	10	141,229	63,298
Total liquid assets		**276,398**	**277,832**
Derivative financial instruments	11	14,350	20,696
Loans and advances to customers	12	1,178,496	1,131,298
Investment properties	15	2,290	2,230
Intangible assets	16	1,346	798
Property, plant and equipment	17	4,595	4,315
Prepayments and accrued income	18	1,985	2,065
Current tax asset	18	500	851
Deferred tax asset	18,23	428	645
Total assets		**1,480,388**	**1,440,730**
Liabilities			
Shares	19	1,121,099	1,034,139
Amounts owed to credit institutions	20	124,888	205,796
Amounts owed to other customers		129,208	94,755
Derivative financial instruments	11	6,892	14,362
Other liabilities	21	954	808
Accruals and deferred income	21	2,420	2,082
Provision for liabilities	27	144	144
Pension liability	28	48	641
Subordinated liabilities	22	12,341	9,848
Total liabilities		**1,397,994**	**1,362,575**
Reserves			
General reserves		81,885	77,254
Available for sale reserve	24	(427)	(35)
Revaluation reserve	25	936	936
Total reserves and liabilities		**1,480,388**	**1,440,730**

These accounts were approved by the Board of Directors on 11 March 2025 and were signed on its behalf by:

C H Field
(Chief Executive Officer)

R S P Litten
(Director)

Society
Statement of Financial Position
at year ended 31 December 2024

	Notes	2024 (£000) Society	2023 (£000) Society
Assets			
Liquid assets			
Cash in hand and balances with the Bank of England		82,862	154,542
Treasury bills	10	35,674	41,821
Loans and advances to credit institutions	10	16,633	18,171
Debt securities	10	141,229	63,298
Total liquid assets		**276,398**	**277,832**
Derivative financial instruments	11	14,350	20,696
Loans and advances to customers	12	1,156,351	1,104,825
Investments in subsidiary undertakings	14	18,870	23,379
Investment properties	15	2,290	2,230
Intangible assets	16	1,346	798
Property, plant and equipment	17	4,595	4,315
Prepayments and accrued income	18	1,985	2,065
Current tax asset	18	535	844
Deferred tax asset	18,23	428	645
Total assets		**1,477,148**	**1,437,629**
Liabilities			
Shares	19	1,121,099	1,034,139
Amounts owed to credit institutions	20	124,888	205,796
Amounts owed to other customers		129,208	94,755
Derivative financial instruments	11	6,892	14,362
Other liabilities	21	954	808
Accruals and deferred income	21	2,399	2,061
Provision for liabilities	27	144	144
Pension liability	28	48	641
Subordinated liabilities	22	12,341	9,848
Total liabilities		**1,397,973**	**1,362,554**
Reserves			
General reserves		78,666	74,174
Available for sale reserve	24	(427)	(35)
Revaluation reserve	25	936	936
Total reserves and liabilities		**1,477,148**	**1,437,629**

These accounts were approved by the Board of Directors on 11 March 2025 and were signed on its behalf by:

C H Field
(Chief Executive Officer)

R S P Litten
(Director)

Statement of changes in Members' interests

(£000)	General reserve	Available for sale reserve	Revaluation reserve	Total
Group 2024				
Balance as at 1 January 2024	77,254	(35)	936	78,155
- Profit for the financial year	4,077	-	-	4,077
- Other comprehensive income/(charge) for the year	555	(392)	-	163
Total comprehensive income/(charge) for the year	4,632	(392)	-	4,240
Balance as at 31 December 2024	**81,885**	**(427)**	**936**	**82,394**
Group 2023				
Balance as at 1 January 2023	71,937	(446)	382	71,873
- Profit for the financial year	5,851	-	-	5,851
- Other comprehensive (charge)/income for the year	(534)	411	554	431
Total comprehensive income/(charge) for the year	5,317	411	554	6,282
Balance as at 31 December 2023	**77,254**	**(35)**	**936**	**78,155**
Society 2024				
Balance as at 1 January 2024	74,174	(35)	936	75,075
- Profit for the financial year	3,938	-	-	3,938
- Other comprehensive income/(charge) for the year	555	(392)	-	163
Total comprehensive income for the year	4,493	(392)	-	4,101
Balance as at 31 December 2024	**78,666**	**(427)**	**936**	**79,176**
Society 2023				
Balance as at 1 January 2023	68,747	(446)	382	68,683
- Profit for the financial year	5,961	-	-	5,961
- Other comprehensive (charge)/income for the year	(534)	411	554	431
Total comprehensive income for the year	5,427	411	554	6,392
Balance as at 31 December 2023	**74,174**	**(35)**	**936**	**75,075**

Group cash flow statements
for the year ended 31 December 2024

	Notes	2024 (£000) Group	2023 (£000) Group
Cash flows from operating activities			
Profit before tax		5,601	7,749
Interest on subordinated liabilities	3	1,322	732
Gain on repayment of subordinated debt		(400)	-
Losses on disposal of debt securities	10	-	-
Net derivative financial instruments		(12,976)	(12,221)
Gain on revaluation of investment property		(60)	(220)
Loss on disposal of property, plant and equipment		-	19
Loss on impairment of intangible assets	16	8	383
Depreciation and amortisation	16,17	762	1,465
(Decrease)/Increase in impairment of loans and advances	13	(270)	750
Decrease in loans and advances to credit institutions		1,970	3,807
Increase in loans and advances to customers		(48,697)	(85,163)
(Decrease)/Increase in prepayments, accrued income and other assets		(188)	129
Increase in shares		84,257	147,693
Cash received on derivative instruments		15,853	17,492
Cash paid on derivative instruments		(1,626)	(2,426)
Decrease in amounts owed to credit institutions		(79,734)	(45,213)
Increase in amounts owed to other customers		34,339	31,790
Increase in accruals, deferred income and other liabilities		2,382	7,210
Net tax paid		(900)	(3,255)
Net cash inflow from operating activities		**1,643**	**70,722**
Cash flows from investing activities			
Purchase of debt securities and treasury bills	10	(292,595)	(174,584)
Disposal of debt securities and treasury bills	10	220,285	155,859
Purchase of property, plant and equipment		(724)	(756)
Purchase of intangible fixed assets		(874)	(347)
Net cash used in investing activities		**(73,908)**	**(19,828)**
Interest on subordinated liabilities	3	(1,322)	(711)
Cash received on issue of subordinated liabilities		12,000	
Cash paid on repayment of subordinated debt		(9,600)	-
Cash paid/(received) on derivative instruments		(61)	(111)
Net cash used in financing activities		**1,017**	**(822)**
Net increase/(decrease) in cash and cash equivalents		**(71,248)**	**50,072**
Cash and cash equivalents at beginning of the year		**155,528**	**105,456**
Cash and cash equivalents at end of the year (2)		**84,280**	**155,528**

Notes:
1) All cash flows are stated inclusive of VAT where applicable.
2) Cash and cash equivalents comprise cash in hand £82,862k (2023: £154,542k) and loans and advances to credit institutions repayable on call and short notice of £1,418k (2023: £732k).

Notes to the Accounts

1. Accounting policies

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

a) General information and basis of preparation:
Saffron Building Society is a mutual, governed by the Building Society Act 1986. The address of the registered office is given on the back cover of this report. The nature of the Group's operations and its principal activities are set out in the Directors' report on page 68.

The accounts have been prepared and approved by the Directors in accordance with Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Building Societies (Accounts and Related Provisions) Regulations 1998. In applying FRS102, the Society has elected to apply the recognition and measurement provisions of IAS39 Financial Instruments: Recognition and measurement (as adopted for use in the EU).

The accounts have been prepared under the historical cost convention as modified by the fair value revaluation of financial instruments and fair value of freehold property and investment property.

The Directors consider that it is appropriate to continue to adopt the going concern basis in preparing the financial statements having assessed the long term prospects and viability of the group, as set out in the Director's Report on page 68.

The preparation of these accounts in conformity with FRS102 requires management to make judgements and estimates and use assumptions in the application of these policies that affect the values of reported assets, liabilities, income and expenditure. Although these estimates are based on management judgements and best knowledge of the events, actions or amounts, taking into account historical evidence and any other relevant factors, actual results may differ from these estimates.

The functional currency of Saffron Building Society is considered to be pounds sterling because that is the currency of the primary economic environment in which the Society operates. The consolidated financial statements are also presented in pounds sterling.

The Society has taken advantage of the exemption in FRS102, which provides that where a company is a member of a group and a Consolidated Cash Flow Statement is published, the Society does not have to prepare a Cash Flow Statement.

Segmental Reporting
The Board, as the chief operating decision maker, is responsible for allocating resources and assessing the performance of the business.

The Group has determined that it operates as a single reportable segment, as the Board reviews performance and makes decisions based on the Group as a whole. No segmentation is required based on geographical lines, as substantially all the Group's activities are conducted in the United Kingdom. Consequently, no further segmental disclosures are provided.

b) Basis of consolidation:
The Group accounts consolidate the accounts of the Society and its subsidiary undertakings. In the Society accounts, investments in the subsidiary undertakings are stated at cost less impairment.

c) Fees and commissions:
Fees and commissions receivable or payable that are an integral element of the effective interest rate of the financial instrument are recognised as an adjustment to the effective interest rate and recorded within "Interest receivable and similar income" and "Interest payable and similar charges". Any other fees and commissions receivable are recognised when the Society has fulfilled all contractual obligations. Fees and commissions payable not included within the effective interest rate are recognised on an accruals basis when the underlying service has been provided.

e) The Group classifies certain one off credits or charges that have a material impact on the Group's financial statements within 'Other operating income' or 'Other operating charges'. Disclosures providing further understanding of these one off credits or charges are provided via a supporting disclosure note (see Note 6).

d) Cash and cash equivalents:
For the purposes of the Cash Flow Statement, cash and cash equivalents comprises balances with an original maturity date of less than three months from acquisition in respect of cash, treasury and other bills and loans and advances to credit institutions. Cash equivalents in particular are highly liquid unrestricted investments that are readily convertible into known amounts of cash with an insignificant risk of changes in value.

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

e) Derivative financial instruments ("derivatives")
The Society uses derivatives solely for the purposes of risk management. Derivatives are measured and recorded in the Statement of Financial Position at fair value and classified as assets when the fair value is positive and as liabilities when the fair value is negative. Fair values are obtained by applying quoted market rates to discounted cash flows.

Hedge accounting
Certain derivatives held for risk management purposes are held as hedging instruments in qualifying hedging relationships. To designate as being in a hedging relationship, the Society formally documents the relationship between the hedging instrument and the hedged item, including the strategy and risk management objective for undertaking the hedge together with a description of the methodology that will be used to determine the effectiveness of the hedging relationship. An assessment is made at the inception of the hedge relationship and on an ongoing basis throughout the hedging relationship to ensure the hedge is, and remains, highly effective in offsetting changes in the fair value of the hedged items during the period for which the hedge is designated. A hedge is considered to be highly effective where the results of the hedge effectiveness testing are within a range of 80% to 125%. The Society uses the dollar offset method as its approach to hedge effectiveness assessment. During the year, we transitioned to a new hedge accounting software, replacing our previous system. This change in methodology reflects an enhancement in our approach to hedge accounting but does not constitute a change in accounting policy. Instead, it represents a change in estimates under FRS 102 section 10.18, as it refines the way we apply existing accounting principles based on improved data and system capabilities.

While different hedge accounting systems will designate hedged items to hedging items differently, after transitional adjustments allowing for the change in designation, these systems provide materially similar results at the point of transition. The systems also provide their own assessment of the fair value of the interest rate derivatives. Both systems provide materially similar valuations.

Fair value hedges
A fair value hedge is used to hedge exposures to variability in the fair value of financial assets and liabilities. For example, the group hedges fixed rate mortgages, fixed rate savings (shares) and fixed rate subordinated debt. Changes in fair value of the derivatives are immediately recognised in the Income Statement together with changes in the fair value of the hedged items attributable to the hedged risk.

Prospectively if the derivative expires, is sold, terminated or exercised or if the hedge no longer satisfies the criteria for hedge accounting or the hedge designation is revoked. Any cumulative adjustment to the hedged item is amortised to the Income Statement over its expected remaining life.

f) Financial assets:
The Group classifies non-derivative financial assets as loans and receivables, available for sale assets or at fair value through profit or loss (now referred to as Income Statement). No financial assets are classified as held-to-maturity.

i) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinate payments that are not quoted in an active market. The Group's loans and advances to customers (except for a portfolio of equity release mortgages) are classified as loans and receivables, measured at amortised cost less impairment provisions. Initial costs may include certain upfront costs and fees such as procurement fees or arrangement fees, which are recognised over the expected life of the mortgage assets. Mortgage discounts are also recognised over the expected life of the mortgage assets as part of the effective interest rate. The expected life of the mortgage assets is reviewed at each Statement of Financial Position date with any changes recognised in interest receivable and similar income and reflected in the carrying value of the mortgage assets.

ii) Available for sale
Available for sale assets are non-derivative financial assets which the Group intends to hold for an indefinite amount of time but which may also be sold in response to needs for changes in liquidity or interest rates. The Group's debt securities are classified as available for sale assets, measured at fair value (see also Note 22). Subsequent changes in fair value are recognised through Other Comprehensive Income until sale or maturity of the assets, following which the cumulative gains or losses are removed from Other Comprehensive Income and recycled through Income Statement.

iii) Fair value through profit or loss
The Group's portfolio of equity release mortgages are classified as fair value through profit or loss assets with the Directors electing to take the fair value through profit or loss assets option available under IAS39 on the basis that it prevents an accounting measurement mismatch. As part of the Society's Equity Release valuation a Black-Scholes option approach has been adopted to assess the size of the risk associated with the valuation on the properties falling due to market forces over time. This model will assess the size of the risk given certain assumptions on how the UK housing market is expected to perform over a long term horizon. The Model will calculate a figure per property which is then deducted directly from the fair value of each loan.

g) Impairment of financial assets not measured at fair value:
Throughout the year and at each Statement of Financial Position date individual assessments are made of all loans and advances against properties which are in possession or in arrears by more than three months of the outstanding loan balance. Individual impairment provision is made against these loans where, in the opinion of the Directors, it is considered there is evidence of impairment. Additionally, individual impairment provisions are made for loans that, while not in arrears, are specifically assessed where, in the opinion of the directors, there is evidence of impairment. Such evidence includes significant financial difficulty of the borrower, deterioration in payment status or any other information discovered that suggests a likely loss. If there is such evidence, the amount of loss is calculated as the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate. In estimating future cash flows, account is taken of expected movements in house prices, any discounts to reflect a forced sale and any anticipated sales costs. For all other loans and advances, collective assessment is also made as to whether there is evidence to suggest the portfolio is likely to be impaired. Collective assessment requires each category of financial asset to be separated into groups of assets with similar credit characteristics and impairment loss calculated by applying expected loss factors based on the Group's experience of default and the effect of movements in house prices less any adjustment for a forced sale value. Any resultant impairment loss is recognised immediately in the Income Statement with a corresponding reduction in the value of the financial asset recognised as a provision.

Given ongoing economic uncertainties, the Society continues to assess the potential impact on its impairment provision, considering factors such as changes in collateral values and the probability of default. While pressure on household finances may be easing, broader economic conditions remain fragile and we remain vigilant in our assessment.

The group uses forbearance measures to assist borrowers who have financial difficulties in meeting their obligations.

A range of forbearance options are available to support customers who are in financial difficulty, if it can be demonstrated that this difficulty can be successfully overcome. The Society considers that if one or more of the options identified below can be agreed, this would always be preferable to taking possession of the customer's home.

The main options offered are:

- Reduced monthly payment including interest only concession
- An arrangement to clear outstanding arrears
- Extension of mortgage term
- Capitalisation of arrears

Customers requesting a forbearance option will need to provide information to support the request. This is likely to include an assessment of their Income and Expenditure, and where appropriate bank statements to ensure that the forbearance option is fair and equitable to all parties and is demonstrably sustainable. If the forbearance request is granted, the account is monitored in accordance with our policy and procedures. Further information on forbearance is contained within note 29. Where the Group considers that a loss may arise in these cases, a charge for impairment will be made in accordance with the above policy.

h) Financial liabilities:
Non-derivative financial liabilities, which includes the Group's share balances and wholesale borrowings, are measured at amortised cost with interest recognised using the effective interest method.

i) De-recognition of financial instruments:
The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

j) Investment properties:
Investment properties include those portions of freehold land and buildings owned by the Society that are held to achieve rental income, capital appreciation or both. Investment properties are initially recognised at cost and subsequently carried at fair value, determined by independent professional valuers on an open-market value basis. Changes in fair values are recognised in the Income Statement. The cost of renovations or improvements is capitalised and the cost of maintenance, repairs and minor improvements is recognised in the Income Statement when incurred. No depreciation is charged on investment properties. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the Income Statement.

k) Intangible assets:
Purchased software and costs directly attributable to the development of software are capitalised and recognised as intangible assets where the software is expected to generate future economic benefits and where attributable costs can be reliably measured. Intangible assets are measured at cost less accumulated amortisation and any impairment charges. Amortisation commences when the software first becomes available for operational use and is charged to the Income Statement on a straight-line basis over the expected useful life of the software, currently between four and seven years. Amortisation periods are reviewed annually to ensure they remain appropriate. The carrying value of intangible assets is reviewed for impairment at each Statement of Financial Position date or whenever events or changes in circumstances indicate that the carrying value may not be recoverable with the carrying amount immediately reduced to its recoverable amount where required.

l) Property, plant and equipment:
Freehold properties comprise branches and office buildings, and are stated at revalued amounts, being the fair value, determined by market based evidence, at the date of the valuation less any subsequent accumulated depreciation and subsequent impairment. Full valuations are completed every three years. The Directors review the valuations to confirm that they remain appropriate in the intervening years. Increases in valuations of freehold buildings are credited to the Revaluation reserve except where they reverse decreases for the same assets previously recognised in the Income Statement, in which case the increase in the valuation is recognised in the Income Statement. Decreases in valuations are recognised in the Income Statement except where they reverse amounts previously credited to the Revaluation reserve for the same asset, in which case the decrease in valuation is recognised in the Revaluation reserve.

Assets, other than freehold properties detailed above are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives as follows:

Freehold premises – 50 years
Short leasehold premises – over the remainder of the lease
Computer equipment – three to seven years
Motor vehicles – six years
Other equipment, fixtures and fittings – 10 years

m) Employee benefits:
Defined contribution pension arrangements
Obligations for contributions to defined contribution pension arrangements are recognised as an expense in the Income Statement as incurred.

Defined benefit schemes

The Society operates a final salary pension scheme which is closed to new participants and is administered by trustees, the funds of which are separate from those of the Society. The defined benefit scheme is funded by contributions partly from the employees and partly from the Society at rates assessed by independent actuaries. The scheme assets are measured at market value at each Statement of Financial Position date and liabilities are measured using the projected unit valuation method, discounted using a corporate bond rate. Re-measurement comprising actuarial gains and losses and the return on scheme assets (excluding interest) are recognised in Other Comprehensive Income. The Society also operates a stakeholder pension scheme and the Society contributions for this scheme are charged to the Income Statement.

As the present value of the defined benefit obligation of the Society's defined benefits scheme is less than the fair value of plan assets at the reporting date, the plan has a surplus. The Society recognises a plan surplus as a defined benefit plan asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

n) Operating leases:
Rentals under operating leases are charged to administrative expenses in the Income Statement on a straight line basis over the life of the lease.

o) Taxation:
Taxation comprises amounts for current and deferred tax and is recognised in either the Income Statement or Other Comprehensive Income to match with the related item(s) and is determined using the rates of taxation substantively enacted at the Statement of Financial Position date. Current tax represents the expected tax payable on profit adjusted for tax purposes. Deferred tax reflects timing differences between the amounts determined for accounting purposes and amounts determined for taxation purposes. Tax relating to the fair value re-measurement of available for sale assets, which is recognised through Other Comprehensive Income, to match with the subsequent recognition of the deferred gain or loss in the Income Statement..

p) Term Funding Scheme with added incentives for SME's (TFSME):
In order for the Society to access funding from the Government's TFSME it has to pledge mortgage assets as collateral to the Bank of England. As the risk and reward of ownership of the mortgage assets remains with the Society, these assets are retained on its Statement of Financial Position. The interest receivable on these assets continues to be the Society's and is accounted for as earned on an effective interest rate basis.

Critical accounting judgements and key sources of estimation uncertainty.

In applying the Group's accounting policies, the Group is required to make estimates and apply judgements that can have a material effect on the carrying amounts of assets and liabilities. Such estimates and judgements are continually evaluated and are based on historical experience and expectations of future events believed to be reasonable under current circumstances. The key sources of estimation uncertainty are described below:

a) Effective interest rate – expected mortgage life:
The calculation of an effective interest rate requires judgements regarding the expected life of the underlying mortgage assets. The expected life of mortgage assets is derived using a combination of historical data and management judgement and is reviewed periodically throughout the year and reassessed against actual performance. Any changes to the expected life would result in an adjustment to the carrying value of the mortgages, calculated as the present value of the revised cash flows discounted at the original effective interest rate, recognised immediately in the Income Statement. To demonstrate the volatility of the Effective Interest Rate accounting for the expected mortgage life, we have run two scenarios, one where the mortgages redeem one month sooner and one where the mortgages redeem one month later. The effect of mortgages redeeming one month sooner would have a further charge to the Income Statement of £242k (2023 - £313k). In the scenario where the mortgages redeem one month later this results in further income of £666k (2023 - £700k) to the Income Statement.

b) Impairment losses on loans and advances to customers:

i) **Specific Provisions**
Specific provisions are calculated by determining the expected cash flows from the loan, including those from the realisation of collateral. Significant judgement is required to determine the timing and amounts of cash flows as well as in determining whether indicators of impairment exist for a particular loan.

ii) **Collective Provisions**
Collective provisions are calculated using credit modelling techniques. This involves estimation of probabilities of default as well as recoverability and values of collateral leading to significant estimation uncertainty. The probability of default is determined using a combination of credit matrix, amount of arrears, and recoverability based on historical experience.

During the year, we enhanced a critical component of our impairment model by calibrating through-the-cycle default rate data, reflecting an adaptation to changes in our available data ecosystem. This change had an immaterial impact on our loan loss provision model.

Collateral values are estimated by applying regional HPI indexes to the most recent formal valuation. Sensitivities to the recoverable value of collateral and default probability are as follows. A 5% downturn in house price would lead to an additional provision for impairment of £583k (2023 - £455k) while an improvement in house price of 5% would lead to a reduction in provision of £414k (2023 - £341k). If the probability of default on our loan book increased by 25%, our provision would increase by £211k (2023 - £205k), however if the probability of default decreased by 25%, our provision would fall by £211k (2023 - £205k).

c) Financial assets at fair value through profit and loss - Equity release mortgages:
Loans and advances to customers include a portfolio of equity release mortgages. All such loans were originated or purchased before 2011 and the Society no longer offers such mortgages. Under the product terms interest is capitalised within the loan balance and becomes repayable on redemption of the loan through sale of the property. Borrowers are not required to make monthly repayments. The mortgage contract for these loans contains a No Negative Equity Guarantee ("NNEG") clause where the Society cannot pursue a borrower in the event that the proceeds from the sale of the property is less than the contractual loan balance.

The NNEG exposes the Society to the risk that the Society may not fully recover expected redemption balances. Estimation uncertainty surrounds the measurement of the NNEG liability since redemptions may not occur for many years in the future.

The fair value of the portfolio of equity release mortgages, which is calculated using an internal variant of the Black Scholes option pricing model, takes into account an explicit provision in respect of the NNEG.

The principal assumptions underlying the valuation include mortality or entry into long-term care, discount rate, voluntary prepayments and house price growth to assess the impact of the No Negative Equity Guarantee. Further information on these assumptions, together with sensitivity analysis, is provided in Note 29 to the Accounts.

d) Retirement benefits:
Significant judgements on areas such as future interest rates, future inflation or mortality rates have to be exercised in estimating the value of the assets and liabilities of the Society's final salary pension scheme. The assumptions used are set out in Note 28 to the accounts. The value of the pension scheme liabilities is most sensitive to the discount rate used. 1% increase in the discount rate would reduce the defined benefit obligation by £1,031k (2023: £1,273k). A 1% decrease in the discount rate would increase the defined benefit pension obligation by £1,258k (2023: £1,551k).

2. Interest receivable and similar income

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
On financial instruments not held at fair value through the income statement				
Loans fully secured on residential property	54,766	54,512	46,126	45,855
Loans to subsidiaries	-	922	-	973
Other liquid assets / cash and short term funds	5,550	5,550	4,663	4,663
Gains arising on the disposal of financial instruments	4	4	-	-
Interest received on available for sale intruments	9,082	9,082	5,146	5,146
	69,402	**70,070**	**55,935**	**56,637**
On financial instruments held at fair value through the income statement				
Loans fully secured on residential property	2,198	944	2,239	933
Derivatives	14,971	14,971	16,404	16,404
	86,571	**85,985**	**74,578**	**73,974**

3. Interest payable and similar charges

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
On liabilities not held at fair value through the income statement				
Shares held by individuals	42,775	42,775	27,521	27,521
Subordinated liabilities	1,322	1,322	732	732
Deposits and other borrowings	12,069	12,069	12,574	12,574
	56,166	**56,166**	**40,827**	**40,827**
On financial instruments held at fair value through the income statement				
Derivatives	879	879	854	854
	57,045	**57,045**	**41,681**	**41,681**

4. Net fair value movements

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
Derivatives in designated fair value hedge relationships	(2,229)	(2,229)	(18,978)	(18,978)
Adjustments to hedged items in fair value hedge accounting relationships	1,720	1,720	16,629	16,629
Derivatives not in designated fair value hedge relationships	3,544	2,120	(1,833)	(948)
(Decrease)/Increase in fair value of assets and liabilities	(4,071)	(2,317)	853	502
	(1,036)	**(706)**	**(3,329)**	**(2,795)**

The gains and losses from derivative financial instruments represents the net fair value movement on derivative instruments that are matching risk exposure on an economic basis. Some accounting volatility arises on these items due to accounting ineffectiveness on designated hedges. The movement is primarily due to timing differences in income recognition between derivative instruments and the hedged assets or liabilities. Amounts reported as changes in the fair value of assets and liabilities principally comprise movements in the fair value of the Group's portfolio of equity release mortgages. Derivatives are held to match the risk exposure of these assets but are not held in a qualifying hedge accounting relationship.

5. Administrative expenses

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
Colleague costs (Note 7)	12,134	12,134	10,743	10,743
Remuneration of auditors:			-	-
- audit of the Society's accounts	379	379	367	367
- audit of the Society's subsidiaries pursuant to legislation	34	34	32	32
Operating lease rentals	158	158	133	133
Intercompany Loan Impairment	-	-	-	(116)
Other administrative expenses	7,929	7,928	7,765	7,765
	20,634	**20,633**	**19,040**	**18,924**

Note: all audit fees are borne by the Society and are shown net of VAT.

The intercompany loan impairment relates to the irrecoverable amount formally waived as a result of Saffron Mortgage Finders Limited pausing trading activities.

6. Other operating income

In 2024, the Society repaid its legacy fixed rate 7.32% subordinated debt, due to mature in 2028, resulting in income arising from early repayment.

Other operating charges

The Society has offered to voluntarily support members affected by Philips Trust Corporation (PTC) falling into administration. In the year to 31 December 2024, the Society has recognised charges amounting to £1,666k (2023: £nil) relating to the support provided, of which £1,450k relates to direct payments made or to be made to affected members.

7. Colleague numbers and costs

The average number of persons employed by the Society (including the Executive Directors) during the year was:

	2024		**2023**	
	Group	Society	Group	Society
Principal office	155	155	142	142
Branch offices	41	41	36	36
	196	**196**	**178**	**178**

	2024 (£000)		**2023** (£000)	
The aggregate costs of these persons were as follows:	Group	Society	Group	Society
Wages and salaries	10,351	10,351	9,232	9,232
Social security costs	1,016	1,016	878	878
Other pension costs (Note 28)	767	767	633	633
	12,134	**12,134**	**10,743**	**10,743**

8. Directors Remuneration

Directors' emoluments are set out within the Remuneration Committee Report on pages 64 to 67.

Total Directors' emoluments for the year amounted to £ 1,127k (2023: £984k). Details of Director loans and transactions are shown in Note 31.

9. Taxation on profit on ordinary activities

	2024 (£000)		**2023** (£000)	
The tax charge comprises:	Group	Society	Group	Society
Current tax on profit on ordinary activities				
UK corporation tax	1,281	1,239	2,154	2,154
Adjustments in respect of prior periods	(8)	(8)	(11)	(11)
Total current tax	**1,273**	**1,231**	**2,143**	**2,143**
Deferred tax				
Origination and reversal of timing differences	226	226	(258)	(258)
Adjustments in respect of prior periods	25	25	13	13
Total deferred tax	**251**	**251**	**(245)**	**(245)**
Total tax charge on profit on ordinary activities	**1,524**	**1,482**	**1,898**	**1,898**

The standard rate of Corporation Tax was 25% from 1 April 2023, giving an effective tax rate of 25% for the year ended 31 December 2024 (2023: 23.52%). The deferred tax liability is calculated using the tax rate enacted from 1 April 2023.

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
Profit/(loss) on ordinary activities before tax	5,601	5,420	7,749	7,859
Tax on profit on ordinary activities at standard UK corporation tax rate of 25% (2023: 23.52%)	1,400	1,355	1,822	1,848
Effects of:				
Fixed asset differences	53	53	186	186
Non-deductible expenses	6	6	4	4
Impact of rate change	-	-	(4)	(4)
Amount charged/credited directly to equity	-	-	25	25
Deferred tax charges directly to equity	197	195	(25)	(25)
Group relief claimed	-	-	(2)	(2)
Adjustments to tax charge in respect of previous years	(8)	(8)	3	3
Other	(124)	(121)	(111)	(137)
Total tax charge for the year recognised in the income statement	**1,524**	**1,482**	**1,898**	**1,898**

10. Liquid assets

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
Treasury bills:				
Treasury bills	35,674	35,674	41,821	41,821
	35,674	**35,674**	**41,821**	**41,821**
Loans and advances to credit institutions:				
Repayable on call and short notice	1,418	1,418	986	986
Placements with credit institutions	15,215	15,215	17,185	17,185
	16,633	**16,633**	**18,171**	**18,171**

10. Liquid assets (continued)

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society

As at 31 December 2024 £15,070k (2023: £14,147k) of cash has been deposited by the Group and Society as collateral against derivative contracts.

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
Debt securities:				
Gilts	29,858	29,858	-	-
Certificates of deposit	30,624	30,624	25,717	25,717
Bonds	80,747	80,747	37,581	37,581
	141,229	**141,229**	**63,298**	**63,298**

	2024 (£000)	**2023** (£000)
	Group & Society	Group & Society
Movements during the year of debt securities and treasury bills are analysed as follows:		
At 1 January	105,119	85,846
Additions	292,597	174,584
Disposals	(220,285)	(155,859)
Net (losses)/gains from changes in fair value recognised in Statement of comprehensive income	(528)	548
At 31 December	**176,903**	**105,119**

As part of the contract with the central swap counterparty the Society holds two types of collateral: variation margin and initial margin. The Society deposits or receives variation margin to cover the replacement of the derivatives in the event of default of a counterparty. Initial margin is deposited against the derivatives contracts in the event the fair value of the contracts reduces significantly due to changes market in expectations of future rates.

11. Derivative financial instruments

	Group & Society (£000)		
	Contract/ notional amount	Fair values – Assets	Fair values – Liabilities
As at 31 December 2024			
a) Unmatched derivatives – Interest rate swaps	276,624	2,404	(5,514)
b) Derivatives designated as fair value hedges – Interest rate swaps	684,411	11,946	(1,378)
Total recognised derivative assets / (liabilities)	**961,035**	**14,350**	**(6,892)**
As at 31 December 2023			
a) Unmatched derivatives – Interest rate swaps	82,934	1,762	(8,491)
b) Derivatives designated as fair value hedges – Interest rate swaps	662,000	18,934	(5,871)
Total recognised derivative assets / (liabilities)	**744,934**	**20,696**	**(14,362)**

Unmatched derivatives include an interest rate swap with a net notional value of £26.5m (2023: £26.6m) or gross notional of £57.3m (2023: £44.9m) designed to protect the Society against the interest rate risk presented by its portfolio of equity release mortgages. These are amortising swaps and are designed to reflect the projected balances of the portfolio, incorporating underlying assumptions on property values and prepayments and actuarial assumptions on mortality.

Unmatched derivatives also include interest rate swaps with a net notional value of £1.6m as of the end of December 2024 (2023: £0.5m) or gross notional of £69.6m (2023: £7.5m), which the Society has elected to de-designate from their hedging relationship. As of December 2024, £61.8M of these derivatives were hedging against mortgage pipeline awaiting designation into a hedge accounting relationship or £101.8M gross (2023:£12.5M), while a further £47.9m (2023: £12.5m) were taken out to hedge mortgages where customer has been offered a mortgage but has not yet completed before the end of the year.

12. Loans and advances to customers

	2024 (£000)		2023 (£000)	
	Group	Society	Group	Society
Loans fully secured on residential property				
Held at amortised cost (1)	1,154,185	1,150,703	1,103,010	1,098,731
Held at fair value through the income statement	33,434	14,771	38,993	16,799
Other loans - loans fully secured on land	522	522	629	629
	1,188,141	**1,165,996**	**1,142,632**	**1,116,159**
Provision for impairment losses on loans and advances (Note 13)	(1,245)	(1,245)	(1,515)	(1,515)
	1,186,896	**1,164,751**	**1,141,117**	**1,114,644**
Fair value adjustment for hedged risk	(8,400)	(8,400)	(9,819)	(9,819)
	1,178,496	**1,156,351**	**1,131,298**	**1,104,825**

Note

(1) The Society has pledged £494.6m of mortgage loan pools with the Bank of England for the Term Funding Scheme with additional incentives for SME's (2023: £407.6m) to cover the £101.5m (2023: £175m) drawn funding plus available headroom to further draw Sterling Monetary Framework funding where required.

(2) The Bank of England allows the Society to pledge mortgage assets with itself in order for the Society to obtain additional funding. The Society encumbers these mortgages and in the event that the Society went into default the Bank of England would receive the mortgages loans the Society has pledged to cover the exposure of the outstanding loans to the Society at that point in time.

13. Impairment losses on loans and advances

	(£000)		
	Individual	Collective	Total
Group & Society			
At 1 January 2024	331	1,184	1,515
Credit/(charge) for the year	137	(340)	(203)
Amounts utilised in the period	(67)	-	(67)
At 31 December 2024	**401**	**844**	**1,245**
At 1 January 2023	275	490	765
Charge for the year	56	694	750
Amounts utilised in the period	-	-	-
At 31 December 2023	**331**	**1,184**	**1,515**

Income Statement			
31 December 2024			
Charge/(credit) for the year	137	(340)	(203)
Recoveries of amounts previously written off	(67)	-	(67)
	70	**(340)**	**(270)**
31 December 2023			
Charge for the year	56	694	750
Recoveries of amounts previously written off	-	-	-
	56	**694**	**750**

14. Investments in subsidiary undertakings

	2024 (£000)	2023 (£000)
	Society	Society
Shares in subsidiary undertakings	1	86
Loans to subsidiary undertakings	18,869	23,293
	18,870	**23,379**
Movement during the year of loans to subsidiary undertakings:		
Cost		
At 1 January	23,293	22,851
Repayments received	(5,489)	(508)
Write off	85	-
Loans advanced	980	950
At 31 December	**18,869**	**23,293**

The Society holds 100% of the ordinary share capital of Crocus Home Loans Limited, for the purpose of secured lending on residential property. The share capital authorised and issued is £1,000. During the year, the Group recorded an £85k (2023: £nil) impairment relating to Saffron Independent Advisers Ltd.

The following 100% owned subsidiaries were not carrying on business at the end of the 31 December 2024 financial year:

	Share Capital	
	2024	**2023**
Saffron Independent Financial Advisers Limited	£85,000	£85,000
Saffron Walden Investment Services Limited	£2	£2
Saffron Walden Property Developments Limited	£2	£2
Saffron Walden Property Sales Limited	£2	£2
Saffron Mortgage Finders Limited	£2	£2

All subsidiary undertakings are registered in England and Wales and operate within the United Kingdom. The registered office of each subsidiary is Saffron House, 1a Market Street, Saffron Walden, Essex, United Kingdom, CB10 1HX.

All subsidiary undertakings other than Crocus Home Loans Limited and Saffron Mortgage Finders Limited were voluntarily dissolved on the 7 January 2025.

15. Investment properties

	2024 (£000)
	Group & Society
At 1 January 2024	2,230
Revaluation gain	60
At 31 December 2024	**2,290**

Investment properties are generally offices and retail premises ancillary to the Society's branches and head office and are not used by the Society. Investment properties are held at valuation and were professionally valued by Derrick Wade Waters, Chartered Surveyors, on an open market value basis based on a multiple of yield achievable as at 29 November 2024. The property rental income earned, all of which is leased out under operating leases, amounted to £77k (2023: £65k) and has been recognised within other operating income.

The total future minimum lease payments due to the Society under non-cancellable operating leases are as follows:	Group £000s 2024	Group £000s 2023
Not later than one year	40	59
Later than one year and not later than five years	120	134
Later than five years	89	140
	249	**333**

16. Intangible assets

	(£000) Group & Society
Cost	
At 1 January 2024	17,209
Additions	874
Disposals	(8)
At 31 December 2024	**18,075**
Amortisation	
At 1 January 2024	16,411
Charged in year	318
Disposals	
At 31 December 2024	**16,729**
Net book value	
At 31 December 2024	**1,346**
At 31 December 2023	798

Intangible assets at 31 December 2024 comprise £395k (2023: £48k) of assets under construction, representing investment in a new data hosting platform to meet the future needs of the Society. Amortisation is charged against these assets when they become ready for use by the business over estimated useful lives of between three and seven years. In the year ended 31 December 2024, assets in the course of construction totalling £nil (2023: £383k) were written off through the Income Statement following the confirmation that part of the planned upgrades to the mortgages and savings platforms would not be successful.

17. Property, plant and equipment

	Group & Society (£000)			
	Land and buildings freehold	Land and buildings short leasehold	Equipment, fixtures, fittings and vehicles	Total
Cost or valuation				
At 1 January 2024	4,751	425	4,159	9,335
Additions	278	-	446	724
At 31 December 2024	**5,029**	**425**	**4,605**	**10,059**
Depreciation				
At 1 January 2024	1,541	371	3,108	5,020
Charged in year	141	38	265	444
At 31 December 2024	**1,682**	**409**	**3,373**	**5,464**
Net book value				
At 31 December 2024	**3,347**	**16**	**1,232**	**4,595**
At 31 December 2023	3,210	54	1,051	4,315

Freehold Land and Buildings are held at valuation and were professionally valued by Derrick Wade Waters, Chartered Surveyors, on a fair value basis as at 31 December 2023 based upon the open market value of the properties at that time. This valuation was £3,116,481 compared to a net book value of £3,170,000. Had these assets been carried at historic cost, the net book value at 31 December 2024 would be £3,210,000 (2023: £3,230,192).

Land and buildings freehold includes non-depreciable land held by the Society for its own activities with a net book value of £615,000 (2023: £615,000).

18. Other assets

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
Other assets	12	12	6	6
Current tax asset	500	535	851	844
Deferred tax asset	428	428	645	645
Prepayments and accrued income	1,973	1,973	2,059	2,059
	2,913	**2,948**	**3,561**	**3,554**

19. Shares

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
Held by individuals	1,121,087	1,121,087	1,034,179	1,034,179
Fair value adjustment for hedged risk	12	12	(40)	(40)
	1,121,099	**1,121,099**	**1,034,139**	**1,034,139**

20. Amounts owed to credit institutions

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
Amounts owed to credit institutions	124,888	124,888	205,796	205,796
	124,888	**124,888**	**205,796**	**205,796**

Captured within the amounts owed to credit institutions is the Term Funding Scheme with additional incentives for SME's funding from the Bank of England of £100m (2023: £160m) and Indexed Long Term Repo (ILTR) of £nil (2023:£15m).

21. Other liabilities

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
Corporation tax	-	-	-	-
Social Security	292	292	287	287
Other creditors	662	662	521	521
Other accruals	2,420	2,399	2,082	2,061
	3,374	**3,353**	**2,890**	**2,869**

22. Subordinated liabilities

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
Fixed Rate 12.5% Subordinated Debt 2034	12,341	12,341	9,848	9,848

The £10 million subordinated debt issued in 2003 was repaid in full in 2024. In 2024, the Society issued a new £12 million subordinated debt instrument, denominated in Sterling and repayable at maturity. The repayment rights of the holders remain subordinated to the claims of all depositors, creditors and Members regarding the principal of their shares and any interest due. A fair value adjustment of £30k (2023: 465k) is included within subordinated debt.

23. Deferred taxation assets and liabilities

	2024 (£000)		2023 (£000)	
	Group	Society	Group	Society
Deferred tax assets				
Balance 1 January	-	-	426	426
Tax value of losses carried forward	-	-	-	-
Timing differences	(217)	(217)	219	219
Utilisation of previous recognised tax losses	-	-	-	-
Balance 31 December	**(217)**	**(217)**	**645**	**645**
Deferred taxation liabilities				
Balance 1 January	-	-	-	-
Income Statement credit	-	-	-	-
Charge recognised through Other Comprehensive Income	-	-	-	-
Balance at 31 December	**-**	**-**	**-**	**-**
Fixed asset timing differences	27	27	(53)	(53)
Other timing differences	(489)	(489)	(626)	(626)
Capital gains	34	34	34	34
(Asset)/Liability at 31 December	**(428)**	**(428)**	**(645)**	**(645)**

All deferred tax balances have been provided at a rate of 25% (2023: 25%) which is the rate applicable when the deferred tax is expected to crystallise.

24. Available for sale reserve

	2024 (£000)		2023 (£000)	
	Group	Society	Group	Society
Reserve at start of the year	(35)	(35)	(446)	(446)
Realised gains*	4	4	-	-
Net changes in fair value*	(527)	(527)	548	548
Tax relating to components of other comprehensive income	131	131	(137)	(137)
Reserve at end of the year	**(427)**	**(427)**	**(35)**	**(35)**

*The aggregate of these balances represents the Valuation gains/(losses) taken to reserves figure presented in the Statement of Comprehensive income

25. Revaluation reserve

	2024 (£000)		2023 (£000)	
	Group	Society	Group	Society
Revaluation reserve at start of the year	936	936	382	382
Unrealised gain on revaluation of property, plant and equipment	-	-	554	554
Revaluation reserve at end of the year	**936**	**936**	**936**	**936**

26. Financial commitments

	2024 (£000)		2023 (£000)	
	Group	Society	Group	Society
Total future minimum lease payments under non-cancellable operating leases are as follows:				
Not later than one year	68	68	129	129
Later than one year and not later than five years	200	200	36	36
Later than five years	-	-	-	-
	268	**268**	**165**	**165**

27. Provisions for liabilities

	Group & Society (£000)
	Dilapidations
2024	
At 1 January 2024	144
Charge for the year	-
Provision utilised	-
At 31 December 2024	**144**
2023	
At 1 January 2023	144
Charge for the year	-
Provision utilised	-
At 31 December 2023	**144**

Provision for dilapidations represents expected costs on the Society's leasehold properties, based on third party estimates, of the restoration costs for each of the properties. The amount can be further analysed between:

	2024 (£000)	2023 (£000)
Branch offices	144	144

These costs will be incurred when the Society vacates the premises.

28. Group pensions

Defined contribution scheme

The amounts charged to the Income Statement in respect of contributions to the Group's defined contribution stakeholder pension scheme represents the contribution payable in the year. The amounts paid into the scheme amounted to £767,000 (2023: £633,000).

Defined benefit scheme

The Society operates a defined benefit pension scheme covering its longer serving employees. The scheme closed to Colleagues who joined the Society after 4 August 2003 and closed to future accrual from 1 January 2008. Members who remain employed by the Society retain a link to pensionable salary. The assets of the scheme are held in a managed fund independent of the Society's finances.

The funding of the scheme is based upon regular triennial actuarial valuations, the most recent being as at 30 April 2023. At the date of the latest actuarial valuation, the market value of the assets was £10,441,000 (2020: £14,132,000) which was sufficient to cover 100% (2020: 108%) of the value of the benefits that had accrued to Members at that date plus a reserve for future expenses of £nil (2020: £992,000).

As at 31 December 2024 the scheme is shown in the Statement of Financial Position as a pension liability of £48,000 (2023: £641,000) before allowance for deferred tax.

Future funding obligation

The triannual valuation of the scheme revealed a funding surplus of £26k. The Society did not make any payments to the scheme during the financial year ending 31 December 2024.

28. Group pensions (continued)

	Date of fund valuation	
	31 December 2024	31 December 2023
Main assumptions		
Rate of increase in salaries	2.8%	2.6%
Rate of increase in pensions in payment	3.1%	2.9%
Rate of increase in pensions in payment after 05.04.05	2.2%	2.1%
Discount rate	5.5%	4.5%
RPI inflation assumptions	3.2%	3.0%
CPI inflation assumptions	2.8%	2.6%

These assumptions used by the actuary are the best estimates, chosen from a range of possible assumptions which may not be borne out in practice.

	(£000)		
Reconciliation of scheme's assets and defined benefit obligation:	Assets	Defined benefit obligation	Total
At 1 January 2024	10,967	(11,608)	(641)
Benefits paid	(623)	623	-
Administration expenses	(30)	-	(30)
Net interest income/(expense)	479	(508)	(29)
Re-measurement gains			
- Actuarial gain	-	1,381	1,381
- Return on assets excluding interest income	(729)	-	(729)
At 31 December 2024	**10,064**	**(10,112)**	**(48)**

The scheme liabilities were valued in accordance with the guidelines set out in Section 28 of FRS102 using a discount rate of 5.5% per annum, which is derived from the yields available on high quality sterling corporate bonds at durations appropriate to the duration of liabilities.

Administration expenses borne by the defined benefit scheme in the period 1 Jan 2024 to 3 March 2024 amounted to £30k (2023: £80k).

From the 4 March 2024, administrative expenses incurred in the running of the defined benefit scheme were charged to the Group. The defined benefit scheme administrative expenses charged to the Group in the year ended 31 December 2024 amounted to £78k (2023: £nil)

Fair value of the assets of the Scheme	**2024** (£000)	**2023** (£000)
Equities and other growth assets	1,266	4,013
Diversified credit fund	6,832	3,178
Liability Driven Investments	1,495	3,025
Cash	57	250
Annuities	414	501
	10,064	**10,967**

None of the equities are directly owned by the Society, and all of the assets are invested in pooled investment vehicles.

Demographic assumptions	**31 December 2024**	**31 December 2023**
Mortality (Pre-retirement)	Nil deaths	Nil deaths
Mortality (Post-retirement)	S3PA CMI 2023	S3PA CMI 2022

	31 December 2024		**31 December 2023**	
Life expectancies (in years)	Males	Females	Males	Females
For an individual aged 65 in 2024	21.4	23.9	21.4	23.9
At age 65 for an individual aged 45 in 2024	22.6	25.3	22.6	25.3

28. Group pensions (continued)

Analysis of other pension costs charged in arriving at operating profit: Analysis of amounts included in other operating charges	**2024** (£000)	**2023** (£000)
Administration expenses	(30)	(80)
	(30)	**(80)**

Analysis of amounts included in pension finance income		
Net interest (expense)/income	(29)	2
	(29)	**2**

Analysis of amount recognised in the Statement of comprehensive income		
Actual (loss)/return on assets less interest	(729)	66
Actuarial (losses)/gains on defined benefit obligation	1,381	(712)
Total actuarial gain/(loss) recognised in the Statement of comprehensive income	**652**	**(646)**

Contingent liability

The Society is aware of a UK High Court ruling issued in June 2023 in the case of Virgin Media Limited v NTL Pension II Limited, which determined that certain historic rule amendments to contracted-out defined benefit pension schemes were invalid if they were not supported by the required actuarial certificates. This ruling was subsequently appeased, and in July 2024, the Court of Appeal upheld the original High Court decision, confirming that pension scheme amendments made without the necessary certification are invalid. The Society, together with the Pension scheme trustees and their advisers, is currently assessing the potential implications of this ruling for its defined benefit pension scheme. As this assessment is ongoing, it is not possible at this stage to reliably estimate the financial impact, if any, of the ruling. Accordingly, no adjustments have been made to the defined benefit obligation recognised in these financial statements. The Society will continue to assess this contingent liability.

Post balance sheet event

On the 19 February 2025, the Society made a £1,500k contribution to the defined benefit pension scheme to assist the trustees in maintaining the funding position of the scheme, whilst transferring to lower risk assets.

29. Financial instruments

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

The Group has a formal structure for managing risk, including establishing risk appetite, risk limits, reporting lines, mandates, policies and other control procedures. This structure is reviewed regularly by the Assets and Liabilities Committee (ALCO), which is charged with the responsibility for managing and controlling the Statement of Financial Position and the use of financial instruments for risk management purposes. Further oversight of risk management is provided by the Risk Committee (RC).

Instruments used for risk management purposes include derivative financial instruments (derivatives), which are contracts or agreements whose value is derived from one or more of 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 (as amended by the Building Societies Act 1997) to reduce the risk of loss arising from changes in interest rates or other factors specified in the legislation.

Derivatives are not used in trading activity or for speculative purposes.

29. Financial instruments (continued)

The Group uses derivatives to manage its interest rate risks and for accounting purposes a number of these derivatives are in a fair value hedging relationship.

The fair value of derivative financial instruments held at 31 December 2024 is shown in Note 11.

The table below provides a summary of the terms and conditions of the Group's financial instruments and description of respective accounting policies.

Financial instrument	Terms and conditions	Accounting policy
Loans and advances to credit institutions	Fixed or SONIA linked interest rate Fixed term Short to medium term maturity	Loans and receivables at amortised cost Accounted for at settlement date
Debt securities	Fixed or SONIA linked interest rate Fixed term Short to medium term maturity	Available-for-sale at fair value through Other Comprehensive Income Accounted for at settlement date
Loans and advances to customers	Secured on residential property or land Standard contractual term of 25 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 or SONIA linked interest rate; Fixed term Short to medium term maturity	Amortised cost Accounted for at settlement date
Amounts owed to other customers	Fixed or variable interest rate Fixed or variable term Short to medium term maturity	Amortised cost Accounted for at settlement date
Subordinated liabilities	Fixed interest rate Fixed term	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 or loss Accounted for at trade date
Defined benefit pension assets	No interest paid or received	Fair value through other comprehensive income
Defined contribution pension liabilities	No interest paid or received	Amortised cost

* Excluding portfolio of equity release mortgages accounted for at fair value through profit or loss.

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. Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost. The following tables analyse the Group's assets and liabilities by financial classification:

29. Financial instruments (continued)

	Group (£000)							
	Held at amortised cost		Held at fair value					
Carrying values by category as at 31 December 2024	Loans and receivables	Financial instruments at amortised cost	Available for sale	Financial assets and liabilities	Derivatives designated as fair value hedges	Unmatched derivatives	Non-interest bearing assets and liabilities	Total
Assets								
Cash in hand and balances with the Bank of England	82,862	-	-	-	-	-	-	82,862
Treasury bills	-	-	35,674	-	-	-	-	35,674
Loans and advances to credit institutions	16,633	-	-	-	-	-	-	16,633
Debt securities	-	-	141,229	-	-	-	-	141,229
Derivative financial instruments	-	-	-	-	11,946	2,404	-	14,350
Loans and advances to customers	1,145,062	-	-	33,434	-	-	-	1,178,496
Other assets	963	-	-	-	-	-	10,181	11,144
	1,245,520	**-**	**176,903**	**33,434**	**11,946**	**2,404**	**10,181**	**1,480,388**
Liabilities								
Shares	-	1,121,099	-	-	-	-	-	1,121,099
Amounts owed to credit institutions	-	124,888	-	-	-	-	-	124,888
Amounts owed to other customers	-	129,208	-	-	-	-	-	129,208
Derivative financial instruments	-	-	-	-	1,378	5,514	-	6,892
Provisions for liabilities	-	-	-	-	-	-	144	144
Other liabilities	-	1,585	-	-	-	-	1,837	3,422
Subordinated liabilities	-	12,341	-	-	-	-	-	12,341
	-	**1,389,121**	**-**	**-**	**1,378**	**5,514**	**1,981**	**1,397,994**
Assets Carrying values by category as at 31 December 2023								
Cash in hand and balances with the Bank of England	154,542	-	-	-	-	-	-	154,542
Treasury bills	-	-	41,821	-	-	-	-	41,821
Loans and advances to credit institutions	18,171	-	-	-	-	-	-	18,171
Debt securities	-	-	63,298	-	-	-	-	63,298
Derivative financial instruments	-	-	-	-	18,934	1,762	-	20,696
Loans and advances to customers	1,092,306	-	-	38,992	-	-	-	1,131,298
Other assets	-	-	-		-	-	10,904	10,904
	1,265,019	**-**	**105,119**	**38,992**	**18,934**	**1,762**	**10,904**	**1,440,730**
Liabilities								
Shares		1,034,139	-	-	-	-	-	1,034,139
Amounts owed to credit institutions		205,796	-	-	-	-	-	205,796
Amounts owed to other customers		94,755	-	-	-	-	-	94,755
Derivative financial instruments	-	-	-	-	5,871	8,491	-	14,362
Provisions for liabilities	-	-	-	-	-		144	144
Other liabilities		1,857	-	-	-	-	1,674	3,531
Subordinated liabilities		9,848	-	-	-	-	-	9,848
		1,346,395	**-**	**-**	**5,871**	**8,491**	**1,818**	**1,362,575**

29. Financial instruments (continued)

Carrying values by category as at 31 December 2024	Society (£000) Held at amortised cost: Loans and receivables	Held at amortised cost: Financial instruments at amortised cost	Held at fair value: Available for sale	Held at fair value: Financial assets and liabilities	Held at fair value: Derivatives designated as fair value hedges	Held at fair value: Unmatched derivatives	Held at fair value: Non-interest bearing assets and liabilities	Total
Assets								
Cash in hand and balances with the Bank of England	82,862	-	-	-	-	-	-	82,862
Treasury bills	-	-	35,674	-	-	-	-	35,674
Loans and advances to credit institutions	16,633	-	-	-	-	-	-	16,633
Debt securities	-	-	141,229	-	-	-	-	141,229
Derivative financial instruments	-	-	-	-	11,946	2,404	-	14,350
Loans and advances to customers	1,141,579	-	-	14,772	-	-	-	1,156,351
Investments in subsidiary undertakings	18,870	-	-	-	-	-	-	18,870
Other assets	962	-	-	-	-	-	10,217	11,179
	1,260,906	**-**	**176,903**	**14,772**	**11,946**	**2,404**	**10,217**	**1,477,148**
Liabilities								
Shares	-	1,121,099	-	-	-	-	-	1,121,099
Amounts owed to credit institutions	-	124,888	-	-	-	-	-	124,888
Amounts owed to other customers	-	129,208	-	-	-	-	-	129,208
Derivative financial instruments	-	-	-	-	1,378	5,514	-	6,892
Provisions for liabilities	-	-	-	-	-	-	144	144
Other liabilities	-	1,549	-	-	-	-	1,852	3,401
Subordinated liabilities	-	12,341	-	-	-	-	-	12,341
	-	**1,389,085**		**-**	**1,378**	**5,514**	**1,996**	**1,397,973**
Assets Carrying values by category as at 31 December 2023								
Cash in hand and balances with the Bank of England	154,542	-	-	-	-	-	-	154,542
Treasury bills	-	-	41,821	-	-	-	-	41,821
Loans and advances to credit institutions	18,171	-	-		-	-		18,171
Debt securities	-	-	63,298	-	-	-	-	63,298
Derivative financial instruments	-	-	-	-	18,934	1,762	-	20,696
Loans and advances to customers	1,088,026	-	-	16,799	-	-	-	1,104,825
Investments in subsidiary undertakings	23,379							23,379
Other assets	-	-	-	-	-	-	10,897	10,897
	1,284,118	**-**	**105,119**	**16,799**	**18,934**	**1,762**	**10,897**	**1,437,629**
Liabilities								
Shares	-	1,034,139	-	-	-	-		1,034,139
Amounts owed to credit institutions	-	205,796	-	-	-	-		205,796
Amounts owed to other customers	-	94,755	-	-	-	-		94,755
Derivative financial instruments	-	-	-	-	5,871	8,491		14,362
Provisions for liabilities		-			-		144	144
Other liabilities	-	1,857	-	-	-	-	1,653	3,510
Subordinated liabilities	-	9,848	-	-	-	-		9,848
	-	**1,346,395**	**-**	**-**	**5,871**	**8,491**	**1,797**	**1,362,554**

29. Financial instruments (continued)

Fair value hierarchy classification

Valuation techniques

The following is a description of the determination of fair value for financial instruments which are accounted for at fair value using valuation techniques. The fair value hierarchy set out in FRS102 splits the source of input when deriving fair values 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 main valuation techniques employed by the Group to establish fair value of the financial instruments disclosed above are set out below:

Debt securities

Level 1 – Market prices have been used to determine the fair value of listed debt securities.

Loans fully secured on residential property

Level 3 – included within Loans and advances to customers is the Group's portfolio of equity release mortgages which are accounted for at fair value and is calculated using an internal variant of the Black Scholes option pricing model. The key assumptions used as part of the valuation calculation include:

Mortality or Entry into Long Term Care

This is based on the expected death or entry into long term care of the customer or longest surviving customer for a joint borrowing. Mortality assumptions have been adjusted with reference to the CMI 2023 mortality improvement projection model from the S3XPA base tables.

Early Repayments

There is limited market information around these assumptions and therefore they have been derived from the Group's own experience of the product.

Discount Rate

The discount rate applied to the mortgage cash flows is determined using a long term interest rate, calculated by a market information system for a theoretical derivative with a notional profile similar to that of the expected profile of the mortgage over its life, together with an adjustment to reflect the cost of funding, illiquidity and other risks.
Any variables not explicitly modelled are also captured within these other risks. The discount rate used at 31 December 2024 was 5.76% (2023: 4.79%). The Group has determined, based on observable market rates that the discount rate has a range between 3.34% and 6.15% given the characteristics of the lifetime mortgage portfolio.

No-Negative Equity Guarantee (NNEG)

The key assumptions used to derive the value of the no-negative equity guarantee include house price inflation and volatility. The Group uses a variant of the Black-Scholes options pricing model. House price inflation is derived by reference to historical HPI data with an under-performance assumption. The property growth and volatility assumed at 31 December 2024 were 4% and 8% respectively. The value of the no-negative equity guarantee as at 31 December 2024 was £1.4m (2023: £1.0m).

Interest rate swaps

Level 2 – Except for the swaps hedging the Group's portfolio of equity release mortgages (level 3), the valuation of interest rate swaps is based on the 'present value' method. Expected interest cash flows are discounted using the prevailing SONIA yield curves. The SONIA 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. All swaps are collateralised and therefore no adjustment is required for credit risk in the fair value of derivatives.

Level 3 – A counterparty valuation is used for the swap hedging the group's portfolio of equity release mortgages, derived from their internal modelling techniques. The Society corroborates the counterparty valuations provided through its own internal calculations.

29. Financial instruments (continued)

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

	(£000)			
As at 31 December 2024 **Financial assets**	Level 1	Level 2	Level 3	Total
Treasury bills	35,674	-	-	35,674
Debt securities	111,369	29,860	-	141,229
Loans fully secured on residential property	-	-	33,434	33,434
Derivative financial instruments	-	14,350	-	14,350
	147,043	**44,210**	**33,434**	**224,687**
Financial liabilities				
Derivative financial instruments	-	1,378	5,514	6,892
	-	**1,378**	**5,514**	**6,892**

	(£000)			
As at 31 December 2023 **Financial assets**	Level 1	Level 2	Level 3	Total
Treasury bills	41,821	-	-	41,821
Debt securities	37,581	25,717	-	63,298
Loans fully secured on residential property	-	-	38,992	38,992
Derivative financial instruments	-	20,696	-	20,696
	79,402	**46,413**	**38,992**	**164,807**
Financial liabilities				
Derivative financial instruments	-	5,872	8,490	14,362
	-	**5,872**	**8,490**	**14,362**

Amounts stated are for Group and Society except for loans fully secured on residential property which includes £18,862,144 (2023: £22,193,101) held within the Society's subsidiary Crocus Home Loans.

29. Financial instruments (continued)

Reconciliation of opening and closing balances of Level 3 assets:	**2024** (£000)	**2023** (£000)
At 1 January	38,992	37,545
Amounts taken to Income Statement - Interest rolled up - Fair value gains	 2,190 (3,187)	 2,209 833
Redemptions	(4,561)	(1,595)
At 31 December	33,434	38,992

Changes to the assumptions used to determine fair value of level 3 assets could give rise to significant valuation changes. The table below shows the range of values used for those significant inputs together with an estimate of the impact on profit before tax arising from changing the assumptions from those used at 31 December 2024.

Sensitivity Analysis
Changes to the assumptions used to determine fair value of lifetime mortgage assets could give rise to valuation changes.

The table below demonstrates the sensitivity to changes in assumptions as at 31 December 2024 with an estimate of the impact on profit before tax.

Input	**Shift**	**Profit Impact 2024 (£m)**		**Profit Impact 2023 (£m)**	
Adjustment to mortality assumptions	+/-10%	0.0	0.0	(0.2)	0.2
House Price Inflation	+/-0.5%	0.2	(0.3)	0.2	(0.3)
House price volatility	+/-1%	(0.2)	0.2	(0.2)	0.2
Voluntary Prepayment	+/-0.5%	0.0	0.0	(0.1)	0.1
Discount Rate	+/- 1%	(0.3)	0.3	(0.3)	0.3
Parallel Shift on Yield Curve	+/-100 bps	0.1	(0.2)	0.0	(0.0)

The analysis has been prepared for a change in each variable with other assumptions remaining constant. In reality, such an occurrence is unlikely due to correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear and larger or smaller impacts cannot be precisely interpolated or extrapolated from these results. The sensitivity factors take into consideration that the Group's assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. In addition, the Society has an interest rate swap that protects the Society against the interest rate risk presented by the portfolio which will mitigate some of the changes in the yield curve shown final sensitivity disclosed above. Without the interest rate swap this figure would be (£2.4m).

Credit Risk
Credit risk refers to the potential risk that arises from customers (or counterparties) failing to meet their obligations as they fall due. Credit risk arises primarily from loans to our retail customers, loans to our commercial mortgage customers and from liquid assets. The Credit Committee is responsible for reviewing the Group's lending policy and monitoring the exposures in accordance with this policy, including exposures to individual counterparties and sector concentration. The Credit Committee recommends lending policy for approval by the Board Credit Committee. The Asset and Liabilities Committee (ALCO) is responsible for recommending limits on treasury counterparties, country exposures and types of financial instruments for approval by the Board Credit Committee. The Group's maximum credit risk exposure is shown below:

	2024 (£000)		**2023** (£000)	
	Group	Society	Group	Society
Cash in hand	82,862	82,862	154,542	154,542
Loans and advances to credit institutions	16,633	16,633	18,171	18,171
Debt securities	141,229	141,229	63,298	105,119
Treasury bills	35,674	35,674	41,821	
Derivative financial instruments	14,350	14,350	20,696	20,696
Loans and advances to customers	1,178,496	1,156,351	1,131,298	1,104,825
	1,469,244	**1,447,099**	**1,429,826**	**1,403,353**
Lending commitments (off balance sheet)	111,990	111,990	69,320	69,320
Maximum credit exposure	**1,581,234**	**1,559,089**	**1,499,146**	**1,472,673**

29. Financial instruments (continued)

Loans and advances to credit institutions and Debt securities
The ALCO is responsible for recommending limits that the Board approves by sector, country, instrument type and individual counterparty. Compliance against these limits is monitored daily by the Society's Treasury team and reviewed monthly by ALCO. Changes to counterparties or individual limits are made by ALCO according to strict criteria and ratified by the Board. Any changes in the credit risk ratings of counterparties are reported at ALCO and action taken where appropriate.

The Group's treasury asset concentration is shown in the table below:	**2024** (£000)		**2023** (£000)	
	Group	**Society**	**Group**	**Society**
Credit Institutions	47,257	47,257	43,888	43,888
Multinational development banks	80,747	80,747	37,581	37,581
Central Bank and Government	65,533	65,533	41,821	41,821
Total	**193,537**	**193,537**	**123,290**	**123,290**

An analysis of the Group treasury asset concentration is shown in the table below:	**2024** (£000)		**2023** (£000)	
	Group	**Society**	**Group**	**Society**
Concentration by credit grading				
AAA	80,747	80,747	37,580	37,580
AA	65,672	65,672	43,747	43,747
A	32,041	32,041	26,704	26,704
Unrated	15,077	15,077	15,259	15,259
Total	**193,537**	**193,537**	**123,290**	**123,290**

In 2024 the Society has placed some of it liquidity assets into certificates of deposits with UK national banks which has increased the exposure to the AA graded counterparties, of which there was £30,000,000 held as of 31 December 2024 (2023: £25,000,000).

Loans and advances to customers The table below shows information on the Group's loans and advances to customers by geographical concentration:	**2024** %	**2023** %	**2024** %	**2023** %
	Group	**Group**	**Society**	**Society**
Greater London	28	28	28	28
South East	31	31	31	31
South West	8	8	8	8
East Anglia	4	4	4	4
West Midlands	7	7	7	7
East Midlands	5	5	5	5
North West	7	7	7	7
Yorkshire & Humberside	5	5	5	5
Wales	3	3	3	3
North	2	2	2	2

29. Financial instruments (continued)

The Group's retail mortgages are secured on property. The value of these properties is updated using the ONS regional property price indices which comprise relative house price movements across the UK. These indexed valuations provide senior management with a view of the value and risk of the properties on which retail mortgages are secured.

The following table analyses the loan to value (LTV) of the mortgage portfolio	**2024** %	**2023** %	**2024** %	**2023** %
	Group	**Group**	**Society**	**Society**
0% - 50%	31	33	31	33
50.01% - 75%	45	44	45	44
75.01% - 80%	6	7	6	7
80.01% - 85%	6	5	6	5
85.01% - 90%	8	6	8	6
90.01% -95%	3	4	3	4
>95%	1	1	1	1

Not impaired	**2024** (£000)	**2023** (£000)	**2024** (£000)	**2023** (£000)
	Group	**Group**	**Society**	**Society**
Neither past due nor impaired	1,158,417	1,103,638	1,137,343	1,079,401
Up to three months overdue but not impaired	12,813	20,581	12,287	19,182
Over three months but not impaired	4,158	5,410	3,630	4,573
Possessions / receiver of rents	1,068	341	868	341
Impaired				
Up to three months overdue	-	-	-	-
Between three and six months overdue	206	407	206	407
Between six and twelve months overdue	926	-	926	-
Over twelve months overdue	-	-	-	-
Possessions / receiver of rents	908	921	908	921
	1,178,496	**1,131,298**	**1,156,168**	**1,104,825**

Value of collateral held: Indexed	**2024** (£000)	**2023** (£000)	**2024** (£000)	**2023** (£000)
	Group	**Group**	**Society**	**Society**
Neither past due nor impaired	2,408,474	2,321,962	2,370,762	2,281,624
Either past due or impaired	46,064	77,334	42,000	69,596
	2,454,538	**2,399,296**	**2,412,762**	**2,351,220**

Forbearance

Forbearance is where the Group enters into an arrangement with a borrower(s) when they have financial or other difficulties in meeting their obligations under the terms of their mortgage. Where appropriate for customers' needs, the Group applies a policy of forbearance and may grant a concession to borrowers. This may be applied where actual or apparent financial stress of the customer is deemed short term with a potential to be recovered. Incurred losses on forbearance cases are covered by existing provisions. The Group will always try to work with borrowers to achieve the best outcome for both parties in these circumstances and to this end its policy on forbearance has three basic principles:

- the borrower's best interests and establishing a payment plan with the borrower which is practical in the terms of the borrower's circumstances and their ability to pay but which meets the needs of both parties;
- that the Group will continue to work with the borrower to bring the mortgage back onto sustainable terms within a time frame appropriate to their circumstances; and
- the Group will only initiate repossession proceedings when all other reasonable attempts to resolve the problem have failed.

The principal forbearance tools used are interest-only concessions and arrangements to repay arrears over a period which is practical in terms of the circumstances of the borrower. The majority of borrowers who require assistance are aided by one or other of these methods.

29. Financial instruments (continued)

The table below gives details of the loans subject to interest-only concessions and arrangements at 31 December 2024.

2024	Interest only		Reduced Payment Concessions (reduced below the amount of interest)		Arrangements	
	Account balances £000	Number of accounts	Account balances £000	Number of accounts	Account balances £000	Number of accounts
Society	-	-	996	3	5,086	31
Crocus Home Loans	-	-	-	-	1,359	5
Group total	**-**	**-**	**996**	**3**	**6,445**	**36**
2023						
Society	-	-	-	-	876	7
Crocus Home Loans	-	-	-	-	379	1
Group total	**-**	**-**	**-**	**-**	**1,255**	**8**

Other forbearance measures offered by the Group include a change to the date of payment each month, reduced payment concessions, permanent change to mortgage type, mortgage term extensions and capitalisation of mortgage arrears. Capitalisation of mortgage arrears is only offered where all other forbearance options have been exhausted and only when it is the right option for the customer. The Group policy, after obtaining the customer's consent, is to capitalise arrears once the customer has made at least six consecutive contractual monthly mortgage repayments following the instance of non-payment. The types of forbearance offered during the year are detailed below:

	2024	2023
	Number of accounts	Number of accounts
Temporary transfer to interest only	27	21
Mortgage term extensions	-	-
Interest rate concessions	3	5
Arrangements	36	51
	66	**77**

During the year ended 31 December 2024, 8 properties were taken into possession, 6 by the Society (2023: 7) and 2 by Crocus Home Loans (2023: 2). The Group also engages a Receiver of Rents to manage properties on behalf of the customer, where the customer is unable to do so effectively. A Receiver of Rent was appointed on 2 new properties during the year.

At the end of 2024 the Group had 11 properties in possession and 4 properties with a Receiver of Rents appointed (2023: 5) representing capital balances of £1,996k (2023: £1,261k), which is 0.17% of the total Group book (2023: 0.11%).

This portfolio of possession and Receiver of Rent properties is reviewed on an ongoing basis to ensure that potential losses to the Society are managed and mitigated. Notwithstanding the active management of the portfolio, at 31 December 2024 provisions of £1.3m were maintained (2023: £1.5m).

Liquidity Risk

The Group's liquidity policy is to maintain sufficient assets in liquid form at all times to ensure that the Group can meet all its liabilities as they fall due and also meet all regulatory liquidity requirements.

The Group manages this risk on a continuous basis through ALCO and by ensuring compliance with the Liquidity and Financial Risk Management Policies approved by the Board. In practice this results in the Group holding a significant amount of highly liquid assets, mainly UK gilts, Treasury bills, multilateral development bank securities and deposits with the Bank of England, which are eligible to meet its required liquidity buffer set by the regulator. The Society also holds a separate pool of such assets for use as collateral with derivative counterparties. In addition the Group maintains deposits placed on call or overnight with the Bank of England and major banks to meet its operational needs without drawing on its buffer requirements.

The table below analyses the Group'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 Group'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 years but are generally repaid much sooner. Conversely, retail deposits repayable on demand generally remain on the balance sheet much longer.

29. Financial instruments (continued)

	Group residual maturity as at 31 December 2024 (£000)					
Assets	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
Cash in hand and balances with the Bank of England	82,862	-	-	-	-	82,862
Treasury bills	-	19,890	15,784	-	-	35,674
Loans and advances to credit institutions	16,633	-	-	-	-	16,633
Debt securities	-	-	65,648	75,581	-	141,229
	99,495	**19,890**	**81,432**	**75,581**	**-**	**276,398**
Derivative financial instruments	-	383	3,031	9,845	1,091	14,350
Loans and advances to customers	-	11,338	27,373	162,708	977,077	1,178,496
Other assets	1,395	619	1,034	3,044	5,052	11,144
	100,890	**32,230**	**112,870**	**251,178**	**983,220**	**1,480,388**
Liabilities and reserves						
Shares	727,435	84,113	248,933	60,618	-	1,121,099
Amounts owed to credit institutions	-	5,090	119,798	-	-	124,888
Amounts owed to other customers	110,274	6,436	11,885	613	-	129,208
Derivative financial instruments	-	112	67	2,160	4,553	6,892
Provisions for liabilities	-	-	-	-	144	144
Other liabilities	-	3,022	242	-	158	3,422
Subordinated liabilities	-	2,311	-	10,030	-	12,341
Reserves	-	-	-	-	82,394	82,394
	837,709	**101,084**	**380,925**	**73,421**	**87,249**	**1,480,388**
Net liquidity gap	**(736,819)**	**(68,854)**	**(268,055)**	**177,757**	**895,971**	**-**

	Group residual maturity as at 31 December 2023 (£000)					
Assets	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
Cash in hand and balances with the Bank of England	154,542	-	-	-	-	154,542
Treasury bill	-	20,820	21,001			41,821
Loans and advances to credit institutions	18,171	-	-	-	-	18,171
Debt securities	-	17,619	29,766	5,546	10,367	63,298
	172,713	**38,439**	**50,767**	**5,546**	**10,367**	**277,832**
Derivative financial instruments	-	311	2,007	16,819	1,559	20,696
Loans and advances to customers	-	8,010	31,118	166,523	925,647	1,131,298
Other assets	1,370	379	1,577	2,935	4,643	10,904
	174,083	**47,139**	**85,469**	**191,823**	**942,216**	**1,440,730**

29. Financial instruments (continued)

	Group residual maturity as at 31 December 2023 (£000)					
	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
Liabilities and reserves						
Shares	664,284	57,493	187,982	124,380	-	1,034,139
Amounts owed to credit institutions	-	25,077	18,625	162,094	-	205,796
Amounts owed to other customers	70,457	3,860	20,438	-	-	94,755
Derivative financial instruments	-	98	338	5,724	8,202	14,362
Provisions for liabilities	-	-	-	-	144	144
Other liabilities	-	2,527	272	-	732	3,531
Subordinated liabilities	-	(152)	-	-	10,000	9,848
Reserves	-	-	-	-	78,155	78,155
	734,741	**88,903**	**227,655**	**292,198**	**97,233**	**1,440,730**
Net liquidity gap	**(560,658)**	**(41,764)**	**(142,186)**	**(100,375)**	**844,983**	**-**

	Group & Society as at 31 December 2024 (£000)					
The following is an analysis of gross contractual cash flows payable under financial liabilities:	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
Shares	718,975	87,729	260,243	65,840	-	1,132,787
Amounts owed to credit institutions	-	5,142	137,525	-	-	142,667
Amounts owed to other customers	109,851	6,737	12,368	659	-	129,615
Derivative financial instruments	-	612	1,404	2,633	907	5,556
Other Liabilities	-	3,022	242	-	157	3,421
Subordinated liabilities	-	-	752	6,000	19,500	26,252
Total liabilities	**828,826**	**103,242**	**412,534**	**75,132**	**20,564**	**1,440,298**

	Group & Society as at 31 December 2023 (£000)					
Shares	658,238	59,188	195,745	136,077	-	1,049,248
Amounts owed to credit institutions	-	25,131	19,065	193,623	-	237,819
Amounts owed to other customers	70,163	3,972	21,413	-	-	95,548
Derivative financial instruments	-	261	434	10,119	16,447	27,261
Other liabilities	-	2,528	272	-	734	3,534
Subordinated liabilities	-	369	365	12,565	-	13,299
Total liabilities	**728,401**	**91,449**	**237,294**	**352,384**	**17,181**	**1,426,709**

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.

29. Financial instruments (continued)

Market Risk

Market risk is the risk of changes to the Society's financial condition caused by market interest rates or early redemption of assets. 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, which aims to undertake the hedging of individual transactions within an overall strategy for structural hedging, based on a detailed analysis of the Statement of Financial Position.

The management of interest rate risk is based on a full Statement of Financial Position gap analysis. The Statement of Financial Position is subjected to a stress test of a both a 2% rise and a 2% fall in interest rates on a weekly basis and the results are reported to the monthly ALCO meeting. In addition management reviews interest rate basis risk, including under stressed scenarios. Both sets of results are measured against the risk appetite for market risk. These are in turn reviewed monthly by the ALCO and reported to the Risk Committee.

The table below summarises the Group's exposure to interest rate risk. Included in the table are Group assets and liabilities, including derivative financial instruments which are principally used to reduce exposure to interest rate risk, categorised by repricing date.

	As at 31 December 2024 (£000)					
Assets	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	Non- interest bearing	Total
Cash in hand	82,862	-	-	-	-	82,862
Treasury bills	19,890	15,784	-	-	-	35,674
Loans and advances to credit institutions	16,633	-	-	-	-	16,633
Debt securities	28,188	61,097	51,944	-	-	141,229
Derivative financial instruments	-	-	-	-	14,350	14,350
Loans and advances to customers	493,501	160,439	499,742	29,382	(4,568)	1,178,496
Other assets	-	-	-	-	11,144	11,144
Total assets	**641,074**	**237,320**	**551,686**	**29,382**	**20,926**	**1,480,388**
Liabilities and reserves						
Shares	810,806	249,028	61,253	-	12	1,121,099
Amounts owed to credit institutions	106,625	18,263	-	-	-	124,888
Amounts owed to other customers	116,710	11,885	613	-	-	129,208
Derivative financial instruments	-	-	-	-	6,892	6,892
Provisions for liabilities	-	-	-	-	144	144
Other liabilities	-	-	-	-	3,422	3,422
Subordinated liabilities	-	-	12,311	-	30	12,341
Reserves	-	-	-	-	82,394	82,394
Total liabilities and reserves	**1,034,141**	**279,176**	**74,177**	**-**	**92,894**	**1,480,388**
Impact of derivative instruments	424,529	48,988	(452,905)	(20,613)	-	-
Interest rate sensitivity gap	**31,462**	**7,132**	**24,604**	**8,769**	**(71,968)**	**-**
Sensitivity to profit and reserves:						
Parallel shift of -2%	(82)	16	(969)	(1,220)	-	(2,255)
Parallel shift of + 2%	82	(16)	969	1,220	-	2,255

29. Financial instruments (continued)

Assets	As at 31 December 2023 (£000) 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	Non- interest bearing	Total
Cash in hand	154,542	-	-	-	-	154,542
Treasury bills	20,820	21,001	-	-	-	41,821
Loans and advances to credit institutions	18,171	-	-	-	-	18,171
Debt securities	37,118	25,229	950	-	-	63,297
Derivative financial instruments	-	-	-		20,696	20,696
Loans and advances to customers	447,875	173,634	482,764	30,539	(3,514)	1,131,298
Other assets	-	-	-	-	10,904	10,904
Total assets	**678,526**	**219,865**	**483,714**	**30,539**	**28,086**	**1,440,730**
Liabilities and reserves						
Shares	700,885	208,410	124,378	-	466	1,034,139
Amounts owed to credit institutions	187,172	18,624	-	-	-	205,796
Amounts owed to other customers	94,755	-	-	-	-	94,755
Derivative financial instruments	-	-	-	-	14,362	14,362
Provisions for liabilities	-	-	-	-	144	144
Other liabilities	-	-	-	-	3,531	3,531
Subordinated liabilities	-	-	10,000	-	(152)	9,848
Reserves	-	-	-	-	78,155	78,155
Total liabilities and reserves	**982,812**	**227,034**	**134,378**	**-**	**96,506**	**1,440,730**
Impact of derivative instruments	373,451	(7,668)	(344,848)	(20,935)	-	-
Interest rate sensitivity gap	**69,165**	**(14,837)**	**4,488**	**9,604**	**(68,420)**	**-**
Sensitivity to profit and reserves:						
Parallel shift of -2%	(85)	372	(203)	(1,361)	-	(1,277)
Parallel shift of + 2%	85	(372)	203	1,361	-	1,277

At 31 December 2024, the Group has swaps in place with a net a notional value of £26.5m (2023: £26.6m) designed to protect the Society against the interest rate risk presented by its equity release mortgages. These are amortising swaps where the notional value of the instruments are tailored to reflect the expected life of the equity release portfolio, incorporating underlying assumptions on property values and prepayments and actuarial assessments on mortality.

All financial assets and liabilities are presented on a gross basis in the Statement of Financial Position as the Society does not have 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.

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

29. Financial instruments (continued)

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

	(£000) Gross amounts*	Financial collateral**	Net amounts
2024 Financial assets			
- Derivative financial instruments	14,350	-	14,350
Total Financial assets	**14,350**	**-**	**14,350**
Financial liabilities			
- Derivative financial instruments	6,892	(7,099)	(207)
Total Financial liabilities	**6,892**	**(7,099)**	**(207)**
2023 Financial assets			
- Derivative financial instruments	20,696	-	20,696
Total Financial assets	**20,696**	**-**	**20,696**
Financial liabilities			
- Derivative financial instruments	14,362	(6,333)	8,029
Total Financial liabilities	**14,362**	**(6,333)**	**8,029**

*As reported in the Statement of Financial Position.
** Financial collateral disclosed is limited to the amount of the related financial asset and liability.

30. Capital

The Board's policy is to continue to grow its capital base to further strengthen the confidence Members and other stakeholders have in the Society as well as support future growth. The Group's capital requirements are set and monitored by the Prudential Regulation Authority (PRA). The Society operates a formal Internal Capital Adequacy Assessment Process (ICAAP) to determine and demonstrate how these requirements are met. The ICAAP also sets out the framework for the Society's internal governance and oversight of its risk and capital management policies and is used to assist with the management of capital and risk exposures. The Society's actual and forecasted capital positions are reviewed against a risk appetite that requires capital to be maintained at a specific minimum level above regulatory requirements. There were no reported breaches of capital requirements during the year. There have been no material changes to the Society's management of capital in the year.

The table below reconciles the Group's reserves to its total capital position:	Notes	**2024** (£000)	**2023** (£000)
General reserves		81,885	77,254
Available for sale reserve	23	(427)	(35)
Revaluation reserve	25	936	936
Prudent valuation adjustment		(240)	(189)
Deductions for intangible assets[1]	16	(1,346)	(798)
Total Common Equity Tier 1 Capital		**80,808**	**77,168**
Collective impairment losses	13	844	1,184
Subordinated liabilities	22	12,000	8,154
Total Tier 2 Capital		**12,844**	**9,338**
Total regulatory capital		93,652	86,506

30. Capital (continued)

Notes:

(1) CRD IV regulations requires intangible fixed assets, net of any deferred tax liabilities, to be deducted from Tier 1 capital.

A detailed analysis of the Group's capital position and disclosures is provided in the Group's Pillar 3 Disclosures for 2024 which are available on our website.

(2) The movement in subordinated liabilities reflects the amortisation of the debt.

31. Related party transactions

a) Subsidiary, parent and ultimate controlling party

The Group is controlled by the Saffron Building Society, the ultimate parent and ultimate controlling party, which is registered in England and Wales. Note 14 contains details of subsidiary undertakings and of any loans to subsidiary undertakings.

b) Key management compensation

The Directors of the Society are considered to be the Key Management Personnel, as defined by FRS102.
Total compensation for key management personnel for the year ended 31 December 2024 was £ £1,126,953 (2023: £984,137).
Further information on compensation for key management personnel can be found in Note 8 and in the Directors' Remuneration Report.

c) Transactions with key management personnel and their connected persons

	2024		2023	
Shares and deposits	Number of key management personnel	Amounts £000	Number of key management personnel	Amounts £000
Balance at 1 January	8	143	12	61
Net movements in the year	3	(30)	(4)	82
Balance at 31 December	11	113	8	143

	2024		2023	
	Number of connected persons	Amounts £000	Number of connected persons	Amounts £000
Balance at 1 January	7	218	6	43
Net movements in the year	-	(38)	1	175
Balance at 31 December	7	180	7	218

Amounts deposited by key management personnel and their connected persons earn interest at the same commercial rates and terms and conditions as applicable to all other employees and Members of the Society.

d) Directors' loans and transactions

At 31 December 2024, there were no outstanding mortgage loans granted in the ordinary course of business to Directors and their connected persons.

32. 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 CRD IV requires credit institutions and investment firms in the EU to disclose annually, specifying, by member State and by third country in which it has an establishment, the following information on a consolidated basis for the year ended 31 December 2024:

Name, nature of activities and geographical location:

The Society has six subsidiaries and operates only in the United Kingdom. The Society is a Credit institution whose principal activities are deposit taking and mortgage lending.

Total number of employees: The total number of employees of the Society at 31 December 2024 was 204.

Annual turnover: Equivalent to total net income and, along with profit before tax, is as disclosed in the Income Statement on page 78.

Corporation tax paid: As disclosed in the cash flow statement on page 82.

Public subsidies: There were none received in the year.

Annual Business Statement

for the year ended 31 December 2024

1. Statutory percentages	Ratio at 31 December 2024	Statutory limit
	%	%
Lending limit	1.6	25
Funding limit	18.5	50

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

The lending limit measures the proportion of business assets other than in the form of loans fully secured on residential property. Business assets are the Total assets of the Group plus Impairment losses on loans and advances less Liquid assets, Investment properties, Property, plant and equipment and Intangible assets.

The funding limit measures the proportion of shares, deposits and debt securities not in the form of shares held by individuals.

The statutory limits are prescribed in Building Society legislation and ensure that the principal purpose of a Building Society is that of making loans which are secured on residential property and are funded substantially by its Members.

2. Other percentages	Ratio at 31 December 2024	Ratio at 31 December 2023
	%	%
As a percentage of shares and borrowings:		
Gross capital	6.8	6.5
Free capital	6.3	6.0
Liquid assets	20.1	20.8
As a percentage of mean total assets:		
Profit after taxation	0.28	0.43
Management expenses	1.46	1.50

3. Information relating to the Directors and other officers serving during the year ended 31 December 2024

Name of Director	Date of Birth	Date of Appointment	Occupation	Other Directorships
Angela Cha	25.08.1963	01.10.2024	Non-Executive Director	Financial Reporting Council Crocus Home Loans Ltd
Louise Wilson	05.01.1971	01.10.2024	Non-Executive Director	Vertas Group A2 Dominion Housing Thames Reach Housing Crocus Home Loans Ltd
Alexandra Hatchman	30.03.1974	01.12.2024	Non-Executive Director	NHS Aqua Teenage Cancer Trust M&A Mastercall Crocus Home Loans Ltd
Mark Preston	11.02.1960	01.08.2024	Non-Executive Director	Aria Finance West One Loans University of Kent Crocus Home Loans Ltd
Jenny Ashmore	16.01.1971	19.05.2015	Director	Crocus Home Loans Limited Jazz-works Limited Fitness Over Fifty Limited
Colin Field	24.11.1973	1.05.2014	Chief Executive Officer	Crocus Home Loans Ltd Saffron Independent Financial Advisers Limited* Saffron Walden Property Sales Limited* Saffron Walden Investment Services Limited* Saffron Walden Property Developments Limited* Saffron Mortgage Finders Limited*
David Rendell	17.07.1958	01.05.2020	Director	Crocus Home Loans Limited Richmond Place Consultants Limited
Maurice Mills	30.04.1982	11.01.2023	Chief Financial Officer	Crocus Home Loans Limited Saffron Independent Financial Advisers Limited* Saffron Walden Property Sales Limited* Saffron Walden Investment Services Limited* Saffron Walden Property Developments Limited* Saffron Mortgage Finders Limited*
Robin Litten	11.05.1963	04.01.2021	Director	Crocus Home Loans Limited
John Penberthy-Smith	04.03.1967	01.01.2022	Chief Commercial Officer	Crocus Home Loans Limited Emeth Consulting Limited
Jaz Saggu	18.06.1962	01.09.2022	Director	BHSF Group Ltd BHSF Management Services Limited BHSF Employee Benefits Limited Wasmos Ltd Crocus Home Loans Limited
Caroline Cartellieri	14.12.1970	01.09.2023	Director	Europ Assistance Museum of London Trading Board C-Squared Consulting Ltd. Crocus Home Loans Ltd
Geoffrey Dunn	10/07/1949	08/02/2024	Non-Executive Director	Crocus Home Loans Limited

* Company dissolved on 7 January 2025

Documents may be served on the above named Directors at the following address:
Saffron Building Society, Saffron House, 1a Market Street, Saffron Walden, CB10 1HX

Other Officers	Occupation
Roy Sparks	Chief Risk Officer
Liz Raczi	Chief People Officer

4. Directors' service contracts

As at 31 December 2024, C H Field, J Penberthy-Smith and M L Mills had service contracts with the Society which could be terminated by either party giving six months' notice.

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