SCOTTISH BUILDING SOCIETY

Annual Report & Accounts

For the year ended 31 January 2025

Powered by purpose

> For several years now we have seen the Society grow consistently, to the extent that the total assets on our balance sheet have more than doubled since 2020. This is the strongest organic growth of any building society in the UK over this period.
>
> **Paul Denton**
> **Chief Executive Officer**

Powered by purpose

For over 175 years, Scottish Building Society has never deviated from its original purpose of helping people save money, to help people buy homes. This simple ethos – now called mutuality – is as relevant today as it was in 1848 when the Society was established.

We are and always have been owned and run for the benefit of you, our members. Everyone who opens a savings account or has a mortgage with us becomes a member. We don't have external shareholders and are only accountable to our members, which means that unlike many other financial institutions we don't have dividends to pay. Any surplus profits are retained in the Society to invest in our future and remain financially strong.

Our aim is to provide you with a great choice of straightforward and competitive financial products, backed up by our friendly customer service. Our personal, flexible approach means we take the time to get to know you properly, and we will consider your individual circumstances when you get in touch. Our colleagues are always happy to welcome you at our Relationship Centres, and we are also just a phone call away.

We encourage all members to play an active part in the Society, and to help shape its future. From our AGM in May where you can use your member vote and meet the Board, colleagues and other members, to local member events and our new members' panel, there's always something to be involved in, and be part of.

And it's not just our members that benefit. Giving back to the local communities in which we serve has been at our very heart since the beginning. To mark our milestone 175th anniversary in 2023, we launched the Scottish Building Society Foundation, with the aim of providing grants to good causes in local communities across Scotland. So far we have awarded over £125,000 to 35 charities and community initiatives the length and breadth of the country, and are committed to helping many more in the coming years.

We are proud of our people, proud to support our members and communities, proud of our Society.

Contents

The year at a glance

Total assets	Liquidity ratio	Profit before tax
£866.5m	**34.8%**	**£2.8m**
(2024: £740.7m)	(2024: 27.9%)	(2024: £4.0m)

Mortgage balances

2025	**£572.2m**
2024	**£535.5m**
2023	**£496.1m**

Retail savings balances

2025	**£588.3m**
2024	**£490.9m**
2023	**£418.2m**

Capital reserves

2025	**£45.2m**
2024	**£43.1m**
2023	**£40.1m**

Profit before tax

2025	**£2.8m**
2024	**£4.0m**
2023	**£3.3m**

We are delighted with the fantastic ratings our members gave us via independent financial services review website, Smart Money People. Using a combination of online surveys and manual surveys completed in our Relationship Centres by members over a 12-month period, we achieved an overall rating of 97.5% for customer satisfaction†.

Overall customer satisfaction (Feb 2024–Jan 2025)

4.87/5

Fairly treated

4.96/5

Customer service

4.88/5

Value for money

4.68/5

Smart money people

Excellent Customer Reviews
4.87 stars from 1,247 reviews

Here are the top five words our members use about the Society when giving their feedback to Smart Money People:

#	2024†	2023††
1	branch	friendly
2	friendly	branch
3	service	service
4	helpful	helpful
5	efficient	efficient

†Data taken from 1,247 member responses submitted to Smart Money People, 01/02/2024 to 31/01/2025. ††Data taken from 877 member responses submitted to Smart Money People, 01/02/2023 to 31/01/2024. Smart Money People is an independent consumer review website where people can review their bank or building society. For more information, go to www.smartmoneypeople.com

Chair's Report

Another strong year of growth

I am delighted to report that the Society has continued to build on the strong financial foundations in place, as well as momentum from previous years to deliver another excellent set of results. We have achieved strong balance sheet growth and profitability in line with our expectations as we continue to invest for the future.

With interest rates remaining relatively high alongside continued affordability challenges, the mortgage market in 2024 has been relatively subdued. Against this backdrop, we are pleased to have grown our mortgage portfolio by 7%. Higher interest rates provide a supportive environment for savings and, coupled with our enhanced member proposition and excellent service record, we have grown our retail savings balances by 20%. This is significantly in excess of market growth of 5% and a ringing endorsement of our proposition as we welcomed around 3,000 new members to the Society.

Our profit for the year further increases the Society's capital reserves which are important to support continued membership growth, investment in new technology, products and services, and allows the Society to continue to support our members and the communities in which we operate.

Supporting our members and communities

Interest rates moved into a downward cycle in August 2024, with quarter point reductions in August, November and February taking Bank rate to 4.50% in February 2025. The Society gives careful consideration to the impact of falling interest rates on both mortgage and savings members, and aims to act in a fair and proportionate manner when passing on interest rate reductions to mortgage and savings products.

We recognise that interest rates remain higher than recent years and the challenges that this brings to our mortgage members, and we continue to ensure they are fully supported with access to trained staff who can assist with a range of forbearance options should they experience financial difficulties.

For our savings members we aim to ensure we retain a competitive proposition across our product range. This has resulted in strong growth in retail savings balances, particularly in our 'Saver Plus' limited access product and fixed rate ISAs. We are delighted that, collectively, our savings members received an extra £7.6m in interest in the year, which equates to 1.45% above the average market savings rates*, reflecting the ongoing benefits of mutual ownership.

*Based on market effective interest rates data published by the Bank of England, 3 March 2025.

As a mutual organisation, we recognise the importance of supporting the communities in which we operate and encourage colleagues to volunteer with local charitable organisations. To mark our 175th year in 2023 the Society set up a charitable foundation, in partnership with Foundation Scotland, with an initial donation of £175,000 to support good causes across Scotland. The foundation has now run four successful funding rounds, awarding grants totalling over £125,000 to 35 charities. We are pleased with the success of the foundation to date and have donated a further £35,000 to support continued grant making in 2025.

Our partnership with Edinburgh Rugby also provides fantastic opportunities to support communities across Scotland. The 'Tackle Maths' programme has given over 600 schoolchildren access to an innovative educational initiative which, alongside our inclusive and walking rugby festivals, has increased our positive impact in the community.

The Board and our Annual General Meeting

There have been no changes to the Board since 2022 so it has been good to have another year of stability allowing the Board to focus on contributing effectively on strategy, performance and governance of the Society.

It was with great sadness that we recently marked the passing of former Society Chair Peter "PC" Brown. Peter was not only a brilliant Scottish rugby international but also played a key role in the Society's history. His dedication as a Board member from 1977 and his leadership as Chair from 1991 to 2002 were instrumental in shaping the Society into what it is today. A strong supporter of the Society, Peter remained highly respected by colleagues and will be very sadly missed.

We are planning to hold our 2025 AGM on 28 May 2025 at the DoubleTree by Hilton Edinburgh City Centre. Full details of how to register and attend the AGM will be in the Notice of Meeting, which will be sent out with your AGM packs towards the end of April.

Looking forward to a sector milestone

Our continued growth and strong capital position give us confidence that we can continue to invest in modernising and improving the efficiency of the Society to further grow our membership and our ability to make a positive contribution to the communities in which we operate.

With interest rates expected to continue a gradually reducing path and inflation levels significantly below the high levels of 2022 and 2023, the UK's economic focus has turned to supporting growth while navigating through the impacts of ongoing global conflicts and increasing uncertainty over terms of international trade.

The newly elected UK government has a stated aim of doubling the size of the mutual sector. As we approach the 250th anniversary of the first ever building society, as the world's oldest remaining building society we stand ready to play our part, while always keeping our members' interests at the heart of everything we do.

Lastly, I extend my sincere thanks to Paul, his leadership team, and all colleagues across the Society for their hard work and commitment during the last year which enables us to move forward with purpose towards the Society's strategic goals.

I would also like to thank you, our members, for your continued loyalty and support.

Ian Wilson
Chair
28 March 2025

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>
> **Ian Wilson**
> **Chair**

Chief Executive's Review

Strongest building society growth in the UK

I am once again pleased to report on another strong year for Scottish Building Society with record balances for both savings and mortgages. For several years now we have seen the Society grow consistently, to the extent that the total assets on our balance sheet have more than doubled since 2020. This is the strongest organic growth of any building society in the UK over this period and demonstrates the strength of our brand and the potential for mutuals to prosper in an ever-changing world.

As Ian has already said, we were very happy to see the UK Government's appetite to double the mutual sector over the coming five years and we are confident that we can stand as an example in this regard. We are however not complacent and recognise the need to continue to invest to keep improving our products and services.

Proud to receive fantastic recognition in 2024

Our people are our brand ambassadors, delivering personal engagement with our members and it is imperative that we have a workplace culture where colleagues feel valued and included. It was particularly pleasing therefore to have received recognition from The Sunday Times as one of the 'Best Places to Work' in the UK, whilst also to have been listed in the Top 10 places to work in Scotland and accredited as 'Outstanding' by Best Companies in their annual engagement survey.

I do not believe it is any coincidence that off the back of such strong colleague engagement, we continue to be known for the service we provide to our members and mortgage partners. For the fifth consecutive time, we were recognised as the 'Best Building Society' at the Scottish Mortgage Awards, and it was with immense pride that I received the 'Lifetime Achievement' award on the same evening. Whilst this recognises a longer career in financial services, I feel it is best representative of the last six years at Scottish Building Society, and I would like to thank all my colleagues for the support they provide to me every day to ensure we serve our members to the highest standard.

Investment in new digital technologies

It is worth noting that our latest member satisfaction was at 97.5% (Smart Money People) which is an incredible score and a testament to the hard work of our colleagues. We know it is also the benchmark for us to continuously aspire to and so this year we are investing in new online and mobile application capabilities. As part of this, we will also be making it easier for our members to access and store documents online. This will give our members more flexibility and choice in the way they engage with us. I do however want to be clear that we remain committed to passbooks, our Relationship Centres and the ability to talk directly to a member of staff. Our long-standing members have indicated that choice is important to them and we are pleased to continue to offer this.

Developments in new digital technology are exciting, particularly when it comes to creating new ways that we can communicate with our members. We are also mindful that adopting new technologies emphasises the need for robust security and compliance procedures and that is why we continue to invest in these areas, so that our members can feel assured that their funds are safe and secure. This often operates unseen in the background, working to protect us from fraud, cyber-crime and non-compliant practices. The last year has seen a number of regulatory requirements introduced such as the FCA's Consumer Duty, Confirmation of Payee and Authorised Push Payment fraud reimbursement protections. We know from your feedback at last year's AGM and elsewhere that protecting you from fraud and scams is one of your main priorities, and we agree. During 2024 we have continued to review and enhance our processes and systems to mitigate the threat of financial crime and fraud to keep our Society and members safe.

Leading the way in looking after our community

We also know it is important that we operate as a good 'corporate citizen', or should I say lead by example as a member owned mutual. We seek to do that in a number of ways in how we reward our members, how we operate in the community and how we support a sustainable environment.

You will have seen in our Chair's statement that we rewarded our members with £7.6m by way of higher savings rates, compared to the market average. This is against a retained profit of £2.8m to support future growth and investments. We believe this is a real, measurable and tangible benefit of member owned mutuals.

Our colleagues continue to demonstrate their passion and commitment in our local communities supporting many good causes. Details on all our community activities can be found throughout this report and I would encourage you to read on to find out more. I am incredibly grateful to all our colleagues who give their time, energy and support so willingly.

I am also pleased to say that we are at the final stages of ISO 14001 accreditation which is the international standard that helps organisations improve their environmental performance. This demonstrates clear action in an important area where unfortunately global commitments are not always delivered.

> It remains an absolute honour to lead the world's oldest remaining building society as we celebrate the 250th anniversary of building societies. Thank you for your loyalty.
>
> **Paul Denton**
> **Chief Executive Officer**

Over the past year we have worked with GreenFox Energy to promote the benefits of solar panels and storage batteries to our members, whilst also making clear our willingness to lend on all types of home improvement initiatives. The installation of solar panels, insulation and heat pumps are all very much seen as home improvements.

We are also aware that Scotland is currently in a housing emergency, with low levels of supply and higher interest rates making it exceptionally difficult for first time buyers in particular to get on the property ladder. Scottish Building Society has for more than 175 years supported members to save money to purchase their own homes, and this remains our primary purpose now as it always has with a continued focus on supporting as many first time buyers as possible.

With the difficulties faced by first time buyers, we know that many of our members as parents or grandparents worry about the next generation and wish to help them buy their first home. That's why we continue to offer guarantor mortgages where a little help is required around affordability, or 'Retirement Interest Only' mortgages for those wishing to release equity to help family members with deposits. Our personal underwriting team is here to support you and your family.

Thank you to everyone

Finally, it remains an absolute honour to lead the world's oldest remaining building society as we celebrate the 250th anniversary of building societies. Thank you for your loyalty and thank you to my colleagues for their commitment to making the Society a success.

Paul Denton
Chief Executive
28 March 2025

Pre-tax profit

£2.8m

(2024: £4.0m)

Gross mortgage lending

£114.6m

(2024: £110.0m)

Net mortgage lending

£36.7m

(2024: £39.4m)

Savings growth

£97.4m

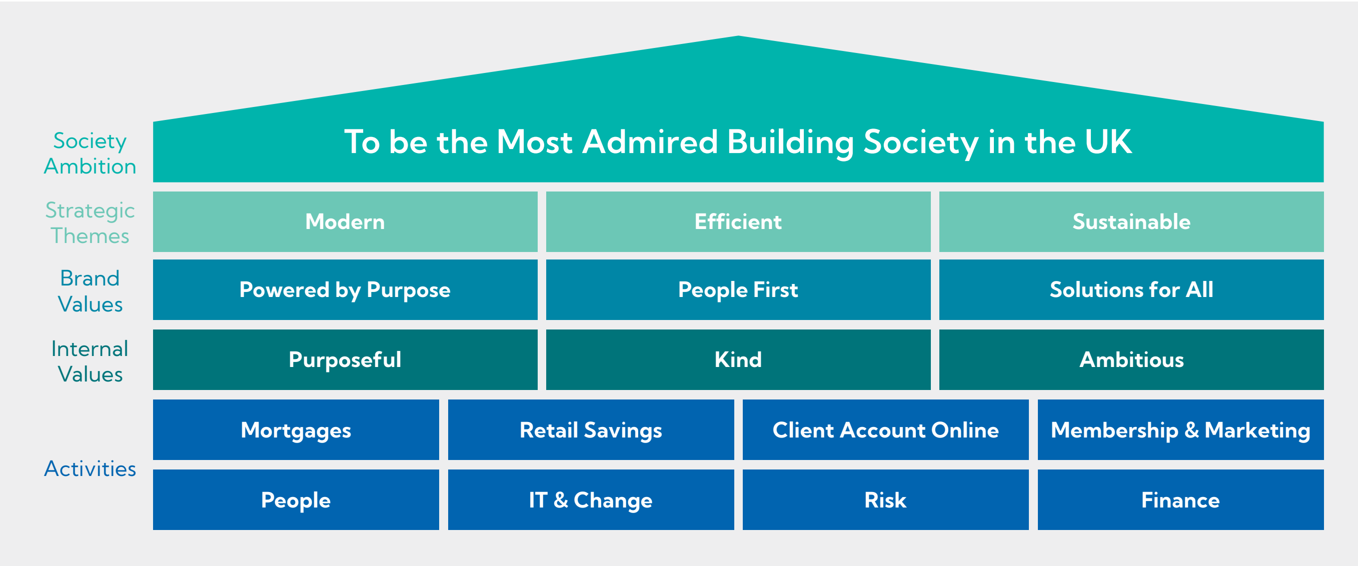
(2024: £72.8m)

Strategic Report

The purpose of the Strategic Report is to provide an overview of the Society's performance and progress against its strategy, together with an assessment of the environment in which it operates. It should be read in conjunction with the Chair's Report, the Chief Executive's Review, the Risk Management Report and the Directors' Report.

Our strategy

The graphic below summarises the Society's strategy.



Key strategic objectives

Our principal objective is to provide mortgages for homeowners funded principally by savings raised from our members, whilst ensuring our financial strength is maintained as evidenced by strong capital and liquidity measures.

As a mutual organisation the Society has no shareholders, and rather than maximise profits, seeks to balance offering competitive interest rates to savers and borrowers, with generating sufficient profits to remain financially resilient as well as supporting investment in the business.

Key performance indicators

The Board and management monitor a range of performance indicators to assess the ongoing health of the Society. These are explained and discussed in detail in the Business Review on pages 14 to 16.

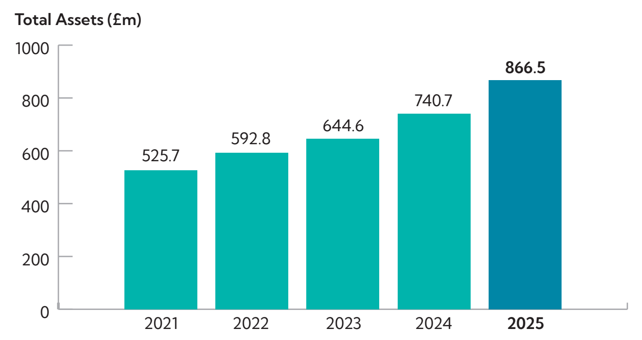
		2025	2024
Balance Sheet	Total Assets	**£866.5m**	£740.7m
	Mortgage Assets	**£572.2m**	£535.5m
	Retail Savings Balances	**£588.3m**	£490.9m
Operating Performance	Net Interest Margin	**1.82%**	2.15%
	Management Expenses Ratio	**1.51%**	1.52%
	Mortgage Arrears (accounts > 12 months)	**20**	16
	Profit before Tax	**£2.8m**	£4.0m
Financial Strength	Reserves	**£45.2m**	£43.1m
	Common Equity Tier 1 Ratio	**18.2%**	18.7%
	Liquidity Ratio	**34.8%**	27.9%

Business review

The Board and management monitor a range of performance indicators to assess the ongoing health of the Society. These are discussed in detail below.

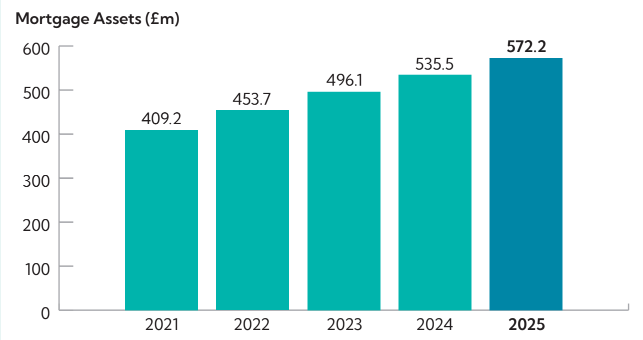
Total Assets

The value of all the assets in the Society's balance sheet, consisting primarily of Mortgage Assets and Liquid Assets held to meet potential outflows. During the year Total Assets have increased by 17.0% to £866.5m, with growth in Liquid Assets driven by strong inflows into Retail Savings and Solicitors Client Accounts.



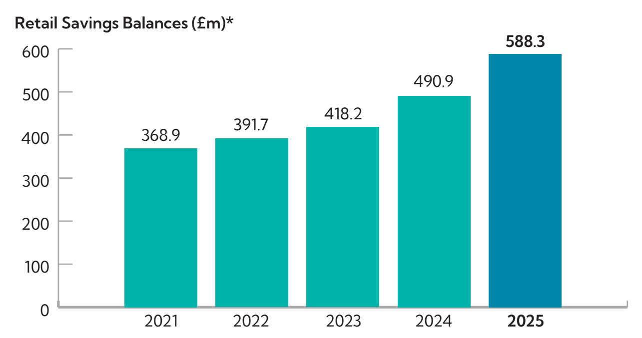
Mortgage Assets

The total value of mortgage advances provided to customers. One of the key reasons for the Society's existence is to promote home ownership through mortgage lending. During the past year Mortgage Assets have increased by 6.9% to £572.2m (2024: £535.5m). New advances, or Gross Lending, in the year totalled £114.6m (2024: £110.0m). A continued focus on retaining mortgages coming to the end of their product term helped the Society report net lending of £36.7m (2024: £39.4m) which includes the impact of mortgage repayments and redemptions.



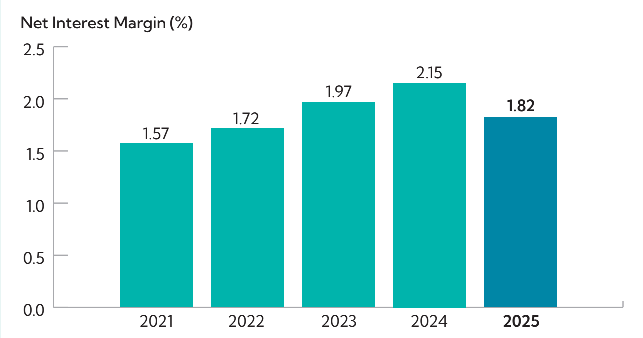
Retail Savings Balances

The total value of savings balances held by the Society. Encouraging saving and investment is another key reason for the Society's existence, and continuing to offer a range of products offering competitive rates of interest remains a priority. During the year, Retail Savings balances grew by 19.8% to £588.3m (2024: £490.9m) driven by strong inflows into our Fixed Rate ISA and Limited Access products.



Net Interest Margin

The net income generated by the Society from its operations, expressed as a percentage of average total assets. This has decreased by 33 percentage points in the year due to the impact of falling interest rates as well as competitive pressures in the mortgage and savings markets.



*Retail Savings Balances is an alternative performance measure which reflects 31 January 2021–2022 share balances adjusted to exclude Solicitor Client Accounts following changes to the product Terms and Conditions in April 2022.

Management Expenses

Management expenses include staff costs, IT and all other operating overheads. Together with depreciation and amortisation these represent the total costs for operation of the Society. The Board balances the requirement to control costs with the strategic imperative to attract and retain the appropriate calibre of people, and continues to invest to support the strategic objectives of the Society.

During the year, the absolute value of management expenses and depreciation increased by 15.2% to £12.1m (2024: £10.5m) due to a combination of investment in additional colleagues and new technology, including a new mortgage front end application system.

The ratio of management expenses as a percentage of average total assets is a measure of efficiency used within the building society sector. This metric decreased slightly to 1.51% (2024: 1.52%) as management expenses increased broadly in line with the growth in Total Assets.

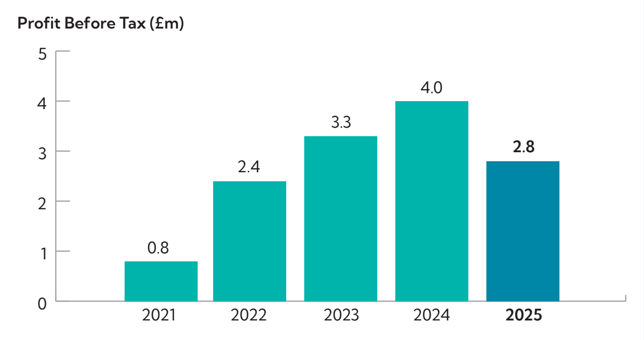
Mortgage Arrears and Provisions

The Society uses a range of forbearance measures to assist those borrowers who are experiencing financial difficulty. As at 31 January 2025 there were 24 cases benefiting from the Society's forbearance measures (2024: 20) with total outstanding capital balances of £2.2m (2024: £2.1m). The Society makes provisions in accordance with the Board-approved policy for any expected loss resulting from accounts in arrears.

As at 31 January 2025, the Society had 20 mortgage accounts in arrears for 12 months or more (2024: 16). The total arrears outstanding on these accounts was £356,270 (2024: £259,724) and the aggregate capital balance was £1,664,932 (2024: £1,343,814). There was one property in possession at the year end (2024: none).

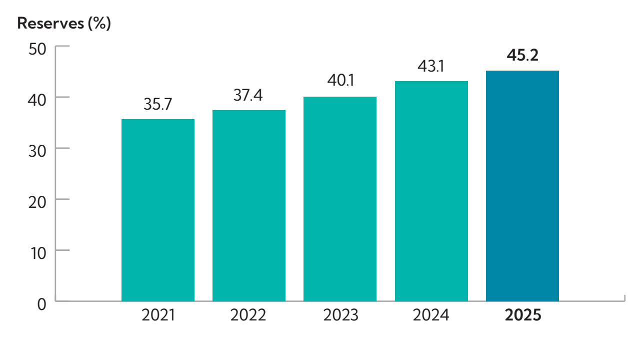
Profit Before Tax

Ensuring that the Society makes sufficient profit to maintain its financial strength is a key requirement, and this has been achieved with Profit Before Tax (PBT) of £2.8m in the current year. The decrease in PBT from £4.0m in the prior year is due to a lower Net Interest Margin and the impact of higher costs relating to investment in the business, partly offset by additional income from the growth in Total Assets and lower impairment provisions.



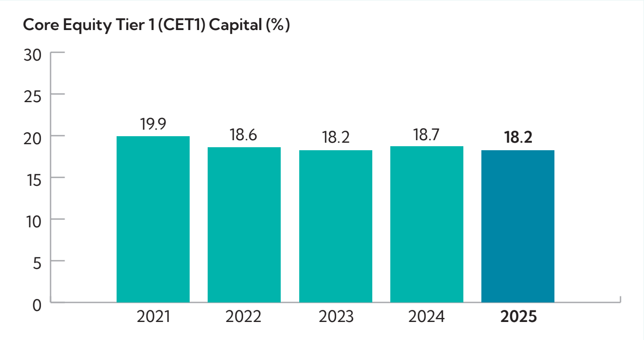
Reserves

The accumulated profits of the Society over more than 175 years of operation, which provide the capital which helps to maintain the Society's financial strength. These have increased by £2.1m in the year through the addition of the year's profit after tax.



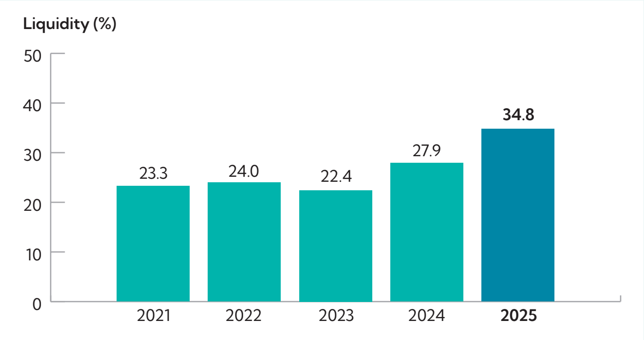
Core Equity Tier 1 (CET1) Capital

A measure of capital strength normally reported by financial institutions is Common Equity Tier 1 (CET1) ratio. This ratio measures the relationship between accumulated profits held in reserve and assets, weighted by the level of risk they are considered to carry. The Society's CET1 ratio remained strong at 18.2% (2024: 18.7%) and is substantially higher than the minimum requirement set by our regulator.



Liquidity

Total cash and investments as at 31 January 2025 amounted to £284.2m (2024: £193.6m) which represented 34.8% (2024: 27.9%) of total shares and borrowings. The Society's continuing aim is to maintain an appropriate level of liquidity at all times. Funding is invested mainly in mortgage assets with sufficient liquid assets held for risk management purposes and in accordance with regulatory requirements.



Non-financial key performance indicators

The Board also monitors a number of other indicators on a regular basis. Amongst these, it is pleasing to report that:

- 83% of mortgage borrowers reaching the end of their product incentive period have remained with the Society (2024: 82%).
- 1.38% of mortgage accounts have arrears greater than 1.5% of their mortgage balance (2024: 1.10%).
- The Society achieved a 97.5% overall rating for customer satisfaction (2024: 96.2%) via feedback provided to independent financial services review website, Smart Money People.

Outlook

The Risk Management report on pages 28 to 31 sets out the principal risks and uncertainties faced by the Society.

With inflationary pressures easing over the last year, the Bank of England has begun reducing interest rates, with three 0.25% reductions taking bank rate from its recent peak of 5.25% to 4.50% in February 2025.

While market expectations are for further reductions in interest rates in the coming year, uncertainty remains as to the pace and quantum of reductions, as the Bank of England seeks to balance inflation continuing to be above the Bank's 2% target with weakening economic growth. There is also uncertainty as to how businesses and households will respond to, or be impacted by, UK government spending plans and tax changes announced in the budget in October 2024. Further economic uncertainty comes from increasing tensions in global trade as tariffs are introduced or increased in certain jurisdictions.

The outlook for the housing market remains positive as demand for homes continues to exceed supply, and with unemployment levels expected to remain relatively low we do not expect to see a deterioration in the credit quality of the mortgage book. However, we continue to monitor arrears levels closely for signs of stress within the portfolio.

With interest rates beginning to fall, households are expected to save less, so the Society's ability to attract and retain the levels of deposits required to meet our growth aspirations could become more challenging. We continue to review our product portfolio to ensure that we are offering compelling products at attractive interest rates.

"The Society seeks to balance offering competitive interest rates to savers and borrowers, with generating sufficient profits to remain financially resilient as well as supporting investment in the business.

Neil Easson
Finance Director

Our Community

> We believe that by working together, we can build a stronger, more supportive community, where everyone can thrive.

Suzanne Williamson
Head of Membership

2024 was another successful year for Scottish Building Society. A particular highlight was winning Building Society of the Year for the fifth consecutive year at the Scottish Mortgage Awards, while our CEO Paul Denton was also recognised for his services to the banking and mortgage sector, being presented with a Lifetime Achievement Award. We were also incredibly proud to be included within The Sunday Times Best Places to Work 2024. Whilst this kind of recognition is a huge honour for the team, we also believe a key measure of our success is the positive impact we have on the communities we serve. We have always believed in the importance of giving back, and this year has been no different. We have widened our involvement in community initiatives, supporting local charities through our Scottish Building Society Foundation, and expanding our partnership with Edinburgh Rugby. Read on to find out more – it has been a very busy but extremely fulfilling 12 months.

2024 AGM

We held our AGM on Wednesday 29 May 2024 at The Trades House of Glasgow with a fantastic turnout from our members. Following the recent publication of our 175th Annual Report and Accounts, our 176th AGM was the perfect end to our 175th anniversary celebrations.

Our members were given an update on our Scottish Building Society Foundation and progress made since it was launched. We were delighted to welcome Scottish Rugby legend Andy Irvine as well as current Scotland internationalists Grant Gilchrist and Ali Price who joined us for an interesting Q&A with members.

Ceres Highland Games

As the world's oldest remaining building society, we were proud to once again sponsor the Ceres Highland Games, the oldest free games in Scotland!

The Games celebrate the best of traditional Scottish sports and music and this marked our fourth year as sponsor, providing funding that contributed towards the running of the event. It was fantastic to see so many people at the stall we hosted on the day. The event is a hugely popular calendar fixture for the Fife community and economy, and we are pleased to continue our sponsorship at the next games to be held in June 2025.

Edinburgh Rugby

We were delighted to expand our partnership with Edinburgh Rugby in 2024 to include front-of-shirt sponsor of the women's team. We've noticed that more girls are entering our rugby competitions and we're excited to take this step to support the growth of women's rugby in Scotland. Many rugby clubs are at the heart of local communities offering support beyond playing rugby. That's why we've grown our support of community clubs and schools, recognising the important role they play.

- Since May 2023, over 600 pupils from across Scotland have taken part in our Tackle Maths initiative at Edinburgh Rugby's Hive Stadium. Taking maths out of the classroom and on to the rugby pitch, our aim is to help primary school pupils understand how relevant and important financial literacy is in their everyday lives.
- In 2024, we donated £3,000 to local causes close to the players' hearts through our ongoing Player of the Month initiative.
- We have created lifetime memory opportunities by giving junior players the chance to lead the first team out onto the pitch at the Hive Stadium as the Society's mascot.
- We held a fantastic competition for local clubs to win a once-in-a-lifetime opportunity of training with first team players.
- Rugby is a sport played by all ages and various abilities, and we have now hosted three Scottish Building Society Inclusive Rugby Festivals. Players from teams across Scotland came together to showcase their talents in a safe and positive environment, with many friendships being made along the way. We also held a walking rugby tournament, where walking rugby teams across Scotland played alongside Scottish rugby legends.
- Carrick RFC, a community club in Ayrshire received funding from our Foundation and used the money to appoint a part time Female Development Officer to work with girls and young women, many of whom faced social exclusion. The club now has 85 active female members and was able to field its first female adult team.

Scottish Building Society Foundation

Launched in 2023 with initial funds of £175,000, the objective of the Scottish Building Society Foundation is to make awards to good causes throughout Scotland who are making a difference to their local communities. To date, 35 charities have received awards totalling over £125,000. To illustrate the impact the awards are having, we asked some charities to tell us more about their work and how the awards they received make such a difference to their communities.

The Foundation provided £4,500 to **Dr Bell's Family Centre** in Edinburgh to support its 'mindful dips' initiative, which provides wild swimming sessions for parents who are looking for a break from the pressures of parenthood. Founded in 2006 in Leith, the charity provides a welcoming space for families with young children where they can receive encouragement, support and advice in a relaxed atmosphere.

Recognising the need for respite, Dr Bell's introduced a wild swimming programme designed to promote mental and physical wellbeing for parents facing stress, anxiety, and isolation. Megan Henry, Early Years Manager, explained:

"We are absolutely delighted to have been awarded this funding, which will help us to deliver our wild swimming programme. Parents often put themselves last and that takes a toll. This programme is about giving them a moment to focus on themselves, surrounded by nature and a supportive community. It's not just swimming, it's a chance to breathe, reset, and reconnect."

Bonnymuir Green Community Trust was awarded a donation towards their Bonny Café kitchen facilities. The communal green space, based in the heart of Aberdeen, provides visitors with a space for educational and social activities. The funding is set to upgrade the café's current kitchen to meet growing demand for its service and will support the Bonny Café's plans to purchase a commercial dishwasher. Installation of a stainless-steel kitchen, improved ventilation and storage is set to be introduced in the future. Jen MacDonald, Project Coordinator, said:

"The Bonny Café continues to grow in popularity and we need equipment which can meet demand. The support from the Scottish Building Society Foundation will help us ensure that Bonny Café, which is powered by volunteers, is able to continue successfully into the future."

In the Borders, **Ayton Primary School's** fundraising efforts to install much-needed playground equipment has been helped along massively by a donation of £5,000. Addressing a critical need for a safe, engaging and inclusive outdoor environment, the playground serves not only the pupils of Ayton Primary but also the wider community, functioning as a shared space for recreation, connection and physical activity. This funding will help work that is underway to transform the playground into a vibrant hub where children and families can explore, play, and develop essential social and physical skills.

Meanwhile, in Glasgow, **Easterhouse Football Academy** has been awarded a £5,000 donation to assist the Academy in expanding its available space for training sessions, enabling more children to stay active and engaged, particularly during the challenging winter months. The funding will ensure the Academy can accommodate new participants, offering a welcoming and inclusive environment for kids to develop their skills, build confidence, and foster a love for football and sports.

Impact Statement

The Foundation is administered by Foundation Scotland who carried out Impact Assessments on awardees across 2023 and the first half of 2024, based on the first two rounds of funding. The assessments indicate that the funding is reaching grassroots organisations that serve and are run by community members, as opposed to larger national groups, supporting the fund's aims of assisting local residents in hub areas. It also indicates that grant monies are likely to make a more substantial difference to smaller organisations.

The data reveals that the fund has reach across Scotland, including northern and more rural areas. This bucks the general trend for grants awarded in the third sector and demonstrates the fund's ability to reach underserved regions with a good spread of applications from across Scotland, benefiting all age groups. Based on the recipients of the first two rounds, it is estimated that 30,771 individuals could directly benefit from project activities.

We are absolutely delighted to have been awarded this funding, which will help us to deliver our wild swimming programme.

Dr Bell's Family Centre
Edinburgh

Grants awarded in the year ended 31 January2025

1. **Aberdeen City First Responders, Aberdeen**
Contribute towards the costs of replacement defibrillators and other life-saving equipment to help respond to people experiencing cardiac arrest.

2. **Arkaig Community Forest, Lochaber**
Provide funding support for a number of different outdoor community events and volunteer activities based on nature and conservation education over the next year.

3. **Crossford Playgroup, South Lanarkshire**
Contribute towards the installation of seating and play equipment to create an outdoor learning environment for children aged 2-5 years old.

4. **Drylaw Telford Community Association, Edinburgh**
Help promote the care and support of vulnerable people; minimising isolation, and maximising wellbeing of older adults in the local community.

5. **Easterhouse Football Academy, Glasgow**
Support more children to become more active and provide life-changing opportunities to train and play football, meet new friends and be part of a community group.

6. **Eyemouth Development Trust, Eyemouth**
Funds to support the expansion and sustainability of comprehensive community-focused initiatives in the Eyemouth area.

7. **Go Golspie, East Sutherland**
Costs to support a series of trips and meals for elderly residents in East Sutherland.

8. **Greener Peebles, Peebles**
Costs towards replacing a polytunnel that was destroyed by storms with a more weather-proof structure for a community garden.

9. **Nemo Arts, Glasgow**
Contribute towards a community choir that supports people experiencing mental health challenges to develop their vocal skills and enhance their mental wellbeing.

10. **Parents and Friends Association of Ayton Primary School, Eyemouth**
Support the fundraising of new playground equipment for the school outdoor space that is also utilised by the wider community for physical activity.

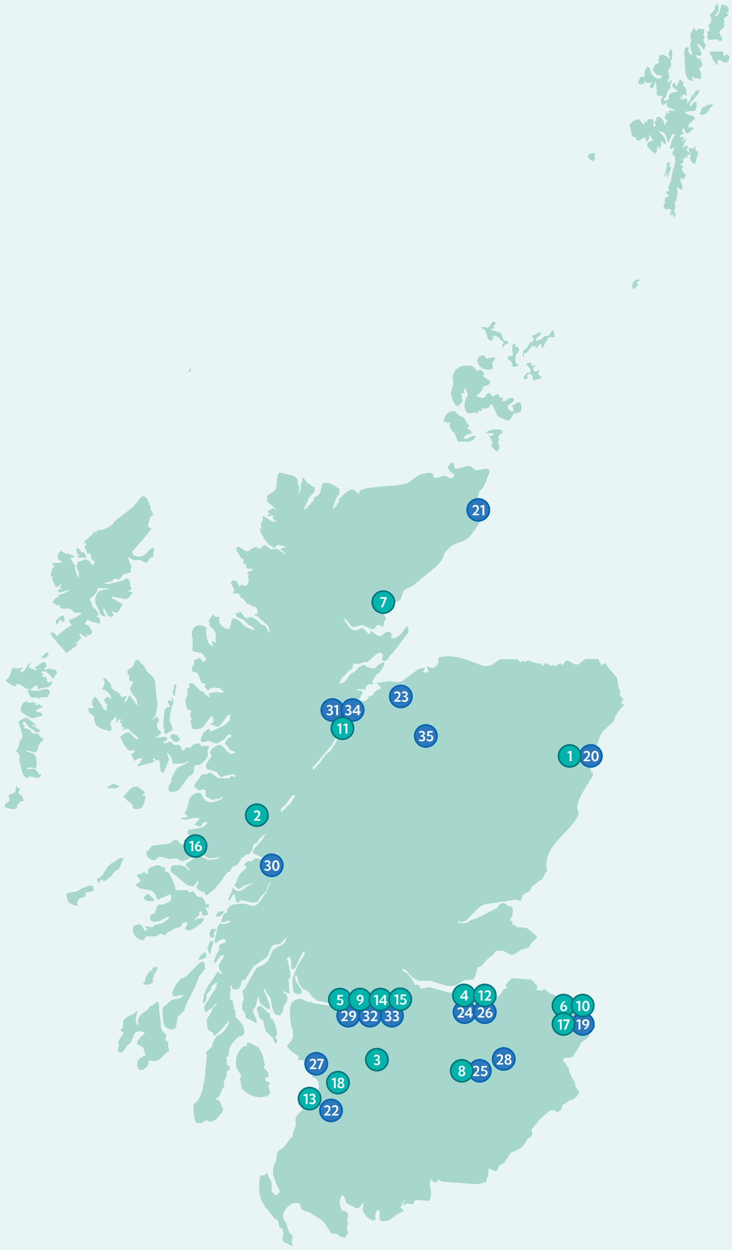
11. **Partnerships for Wellbeing Limited, Inverness**
Help establish a new friendship club meeting space for elderly and disabled adults experiencing loneliness in the local area.

12. **Portobello Central SCIO, Edinburgh**
Provide funding support to run the town hall as a professional community business that encourages local people to be able to hire spaces and attend events.

13. **Sensory Impaired Support Group, Ayrshire**
Support a wellbeing cafe where older people who struggle with hearing and/or sight loss conditions can connect with others and find practical advice and support.

14. **Sunny Govan Community Radio, Glasgow**
Costs towards youth training programmes to empower vulnerable youngsters by providing essential skills in media production, communication and teamwork.

15. **The No.1 Befriending Agency, Glasgow**
Support older adults in the local area through the provision of a befriending service, offering companionship and reducing loneliness.



16. **Urram, Acharacle**
Contribute towards the cost of community lunches for people experiencing social and rural isolation and loneliness.

17. **Wee Wildings, Eyemouth**
Cover the costs of establishing a new beach hut at Coldingham Bay, encouraging greater participation in wild swimming and other nature-based activities.

18. **YMCA Plus Kilmarnock, East Ayrshire**
Fund the delivery of training for young people in barista and food hygiene skills to support those wanting to improve their skills and get into the workforce.

Previous grants awarded in the year ended 31 January 2024:

19. Berwickshire Swap, Eyemouth 20. Bonnymuir Green Community Trust, Aberdeen 21. Caithness KLICS, Wick 22. Carrick Rugby Football Club, South Ayrshire 23. Croy Public Hall, Inverness-shire 24. Dr Bell's Family Centre, Edinburgh 25. The Dyslexic Collective, Peebles 26. Edinburgh Tool Library, Edinburgh 27. Friends of Dundonald Castle, South Ayrshire 28. Gala Fairydean Rovers FC Community Trust, Galashiels 29. Glasgow Children's Holiday Scheme, Glasgow 30. Glencoe Folk Museum, Glencoe 31. Highland Action for Little Ones, Inverness 32. The Halliday Foundation, Glasgow 33. Mearns Kirk Helping Hands, Newton Mearns, 34. Safe, Strong and Free Project, Inverness 35. Strathspey Works - Grantown Remakery, Grantown-on-Spey

Our Colleagues

One of our core brand values is 'People First' and we are committed to creating a positive and inclusive culture in which all colleagues feel valued and rewarded. In 2024 we were immensely proud to receive an Outstanding rating for the second consecutive year in our annual colleague survey with workplace engagement specialists 'Best Companies'. These results reflect our ongoing commitment to ensuring all colleagues feel valued as individuals in the Society and feel connected to our purpose and ambition to be the Most Admired Building Society in the UK.

Wellbeing remains core to our culture and in 2024 we introduced a new employee assistance programme, ensuring we provide colleagues with a benefit proposition that reflects their diverse needs. We were also delighted to have the opportunity to bring all colleagues together in both March and September in 2024 at events focused on collaboration, shared knowledge and team building.

UK Savings Week

We supported UK Savings Week again in 2024, in partnership with the Building Societies Association (BSA). UK Savings Week aims to highlight the benefits of saving money, and encourage everyone to get into the habit of setting money aside, whatever the amount. We want to help those important conversations, get people talking about savings and hopefully improve financial resilience in households across the country. According to the BSA, 26% of people who were highly engaged with the campaign last year started saving for the first time which is fantastic.

9th – 15th September 2024

Our commitment to you

Our members are at the heart of everything we do, and having shaped our rich heritage, it's with the future in mind that we are committed to ensuring that each and every member feels valued, supported, and part of something bigger.

We believe that together, we count for more, and that's why we launched **Become. Belong. Benefit.** – reinforcing that commitment to you. By working together, we can build a stronger, more supportive community, where everyone can thrive.

Become.

When you join Scottish Building Society, you're not just opening an account, you're becoming part of a community. As a mutual organisation our members are our owners which means your membership isn't just a transaction, but a relationship where your needs, goals, and aspirations matter. Our members panel, launching this year, will allow you to provide feedback on what matters most to you.

Belong.

Be part of a community. Being a member with us is about more than just financial services – it's about belonging to an organisation that truly cares. We're committed to building a vibrant community where members can connect, share experiences, and support one another. For over 175 years our members have been helping people save money and buy their homes. Together, we're creating something different to banking – we're building a place where people matter. That's why we launched our Scottish Building Society Foundation, awarding financial support to charities making an impact in their local communities.

Benefit.

Enjoy our rewarding member benefits and products. As a member, you have access to a wide range of exclusive benefits. From member-only savings rates and mortgage products to events and rugby tickets.

From top left: Dr Bell's Family Centre 'mindful dips' initiative; Ceres Highland Games; Annual General Meeting 2024; Edinburgh Rugby's Tackle Maths initiative; Bonnymuir Green Community Trust, Aberdeen; Fraud awareness member event; Aberdeen First Responders; Bonnymuir Green Community Trust, Aberdeen; and Savings Week event.

Our Environment

"The Society has started to implement actions from the plan to allow it to work towards Net Zero in the coming years.

Neil Easson
Finance Director

The Board is committed to operating a sustainable business that works in a socially responsible and environmentally friendly way. It supports the transition to a greener economy by working with partners, stakeholders and colleagues to take action to manage the impacts of both the Society and its members.

The impact of climate change is taken very seriously by the Society, with the Finance Director having accountability for managing the financial risks from climate change and the Chief Executive Officer having overall responsibility for execution of climate plans.

Climate related risks

The principal risks to the Society's business in terms of climate change are the physical risks relating to properties held as security for lending, and the transitional risks as the Society adjusts to a low carbon economy. These risks are considered further in the following table:

Primary risk driver	Business model impacts	Current relevance	Timeframe
Physical Risks – the risk that physical damage arising from extreme weather events linked to climate change adversely impact the value of assets/security held by the Society.	· Reduction in value of collateral held as security due to flood, subsidence or coastal erosion. · Mortgaged properties become uninsurable or premiums unaffordable. · Damage to Society premises due to weather related events.	Low	Long term
Transition Risks – the risk that upgrades to homes/properties to meet new legislative requirements as part of transitioning to a low carbon economy are not completed, therefore adversely impacting the value of assets/security held by the Society.	· Changes in government policy (eg minimum Energy Performance Certificate (EPC) rating) lead to a fall in value of collateral held as security. · Failure of the Society to adapt to changing consumer preferences could result in reduced profitability. · Increased costs due to the rising cost of carbon and/or cost of carbon offsetting.	Medium	Long term

During 2024 the Society engaged a specialist environmental assessment company to undertake a property by property analysis of the security held against its mortgage book. This analysis considered the risk of flooding, subsidence and coastal erosion under different carbon emission scenarios over the period to 2060. It also considered transition risk as a result of potential energy efficiency remediation.

The scenarios used for physical risks are based on the projected change in global greenhouse gas concentration as measured by Representative Concentration Pathway (RCP) levels. The scenario used for transition risk is derived from EPC ratings, and estimates the cost and valuation impacts of energy efficiency remediation. The scenarios are summarised in the following table:

	Early action	Late action	No action
RCP level	4.5	6.0	8.5
Emissions scenario	All countries implement the Paris Accord	All signatories implement the Paris Accord	Business as usual
Mean global warming	1.7 to 3.2 degrees	2.0 to 3.7 degrees	3.2 to 5.4 degrees

This analysis indicated that the Society has a low potential exposure to the impacts of physical risks, even under the most extreme climate scenario. Transition risks pose a greater potential risk to the Society as Scotland (and the UK) moves towards a lower carbon economy, potentially requiring homeowners to undertake expensive remediation work.

The exposure to climate risks is considered by the Board Risk Committee on a biennial basis and the results are included in the assessment of Capital Adequacy produced each year.

Our journey to Net Zero

The Society's ambition is to achieve Net Zero by 2033, through a combination of reducing emissions as far as possible and offsetting the remainder through a certified offset scheme.

Carbon emissions come from three sources:

Scope 1

Direct emissions under the Society's control such as gas consumption and fuel used in the Society's vehicle fleet.

Scope 2

Secondary emissions indirectly caused from the energy the Society purchases and uses such as emissions in creating the electricity the Society consumes.

Scope 3

Indirect emissions not produced by the Society but under the Society's influence such as business travel, colleague commuting and the Society's broader supply chain.

During 2024, the Society set up a sustainability working group and worked with an external consultant to deliver the Net Zero plan that was created in 2023. The Society has also produced an updated carbon footprint measurement for the calendar year 2024. The Society has started to implement actions from the plan to allow it to work towards Net Zero in the coming years.

Overall progress to date

The Society defines Net Zero as achieving a balance between the emissions we generate – through everyday activities such as heating our houses or driving a car – and the emissions removed from the atmosphere. Reaching Net Zero requires collective action. Reducing reliance on fossil fuels through better home insulation, electric heating, and electric vehicles are all key steps towards a more sustainable future.

As a Society, we are committed to turning intention into action, supporting both our members and colleagues on the journey to Net Zero. Together, we can make a lasting impact.

The table below highlights the achievements to date and future activities the Society plans to undertake on its journey towards Net Zero:

Progress to date	Future plans
Strategy	
• Consideration of climate change in annual strategic planning, with near term actions incorporated in the Society's corporate plan.	• Continue to build Board and Executive knowledge of climate related impacts, engaging with different stakeholders leading to the development of a climate change strategy. • Continue regular carbon literacy and energy efficiency training with all colleagues.
• Launch of partnership with Snugg providing online tools to members to create an energy saving plan, and partnering with GreenFox Energy to provide advice and a discount on the installation of solar panels on members' homes.	• Continue to develop member communications to raise awareness of potential opportunities to improve the energy efficiency of their homes and the products the Society has available to support their funding. • Identify from energy audits carbon reductions for all our Relationship Centres and Head Office.
Governance	
• Climate change has been embedded in the Senior Management framework, with the Finance Director having responsibility for identifying and managing the financial risks from climate change.	• Continue to embed climate change considerations into all relevant Society policies and increase training and awareness among colleagues.
• Climate change has been incorporated within the Terms of Reference of the Board Risk and Retail Credit Committees to ensure this risk is considered as part of regular discussions.	• Continually identify and report on climate change exposure to the Society's Board and appropriate risk management committees.

Progress to date	Future plans
Risk management and scenario analysis	
• The risks from climate change, both physical risk and transition risk, have been incorporated within the Society's Risk Management Framework.	• Keep abreast of emerging risks in this area, for example the potential impact of the Scottish Government's climate change plan for buildings.
• During 2024 the Society engaged a specialist environmental assessment company to update the property by property analysis of the security held against its mortgage book. This analysis considered the risk of flooding, subsidence and coastal erosion under different carbon emission scenarios over the period to 2060. It also considered transition risk as a result of potential energy efficiency remediation.	• The Society intends to repeat the portfolio analysis on a biennial basis, as well as further developing its modelling capabilities in a proportionate manner.
Targets and metrics	
• The Society carbon footprint baseline was updated for the calendar year 2024 using an external consultant.	• Continue to implement Net Zero plan through the Sustainability Working Group with agreed actions and targets to support the Society's ambition to transition to Net Zero by 2033. • Refine systems and processes to measure and monitor carbon consumption on an ongoing basis. • Aim towards an international standard accreditation in 2025/26 that helps the Society improve its environmental performance.
• We continue to use paper from sources approved by the Forestry Stewardship Council wherever possible, to recycle waste paper and other materials.	• Embed a culture of zero waste through minimising consumption and maximising efficiency across the Society. • Introduce improved digital capabilities to reduce paper applications and increase use of email to reduce paper correspondence for members.
• Electricity contracts on certified renewable energy tariffs where possible. • The refurbishment of our Relationship Centres and Head Office has improved energy efficiency through the installation of LED lighting.	• Review long-term options to decarbonise premises. • Set targets to reduce energy consumption across the Society.
• Our vehicle policy encourages the adoption of electric cars and we have now completed the conversion of our small vehicle fleet to hybrid or fully electric vehicles. • Electric vehicle charge points installed at Head Office. • Introduction of an electric vehicle salary sacrifice scheme in 2023 to encourage colleagues to switch to electric cars. • Embedded a Travel Management System to allow accurate monitoring of carbon emissions of business travel and updated the business travel policy across the Society to encourage sustainable travel.	• Introduce (where practical) initiatives to encourage the use of sustainable and active methods of travel.

Risk Management Report

Risk management and internal control

The Board is collectively responsible for determining strategies for risk management and internal control. The Society has a well-established and embedded Risk Management Framework (RMF) that sets out our approach to managing risk and aims to ensure there is a strong, robust risk management methodology and culture applied across the entire business.

In line with industry best practice and sound risk governance principles the Society's RMF adopts a "three lines of defence" (3LOD) model which means all colleagues have a responsibility for the management of risk in their day-to-day activities. The Society's 3LOD model is reviewed by the Board Risk Committee and Audit Committee and comprises:

- **1st line** (design and implementation of internal control framework) including day-to-day focus such as policies, procedures, delegated mandates, and management risk committees.
- **2nd line** (insight, oversight and challenge) consisting of the Board Risk Committee, the Chief Risk Officer and the Risk and Compliance Team.
- **3rd line** (independent assurance) comprising the Audit Committee and the internal auditors, as well as the external audit process.

Risk governance

Robust governance arrangements are fundamental to the effective management of risk. The Society's Board has ultimate responsibility for the effective management of risk and approves the RMF, risk appetite statements and governance arrangements. It is advised on risk related matters by the Board Risk Committee, a formal sub-committee of the Board. The Board Risk Committee has a documented terms of reference and its membership is comprised solely of non-executive directors, with meetings routinely attended by executive and senior management. The Board is satisfied that the Society's systems are effective and appropriate to the scale and complexity of the Society's business.

Full details of the Society's governance arrangements are captured in the Corporate Governance Report on pages 38 to 41.

Risk culture

The RMF requires a strong risk culture that encompasses both prudential and conduct risk outcomes and prescribed behaviours. This is essential for the Society to fulfil its purpose, deliver its strategy and meet the expectations of its members and other key stakeholders. Risk culture is the behaviour exhibited by all colleagues regarding risk awareness, risk taking, risk management and delivering good outcomes for our members. The Board sets the tone from the top with individual risk owners implementing this tone throughout the Society. The risk culture is underpinned by various policies that enables risk owners to embed approaches consistently across the business.

Principal risks and uncertainties

The principal business of the Society is the production and distribution of financial products and, in particular, mortgages and savings accounts.

The Society has a risk-aware strategy and maintains a Risk Register reflecting the potential impact and likelihood of adverse events, which is subject to annual review by the Board Risk Committee and covers all aspects of the business.

The principal business risks to which the Society is exposed are:

- **Credit Risk:** This relates to the risk that mortgage borrowers or treasury counterparties, to whom the Society has lent money, default on their obligation to pay. We seek to mitigate credit risk principally through the careful management of our underwriting policy and process, ensuring that all loans meet the criteria laid down in our Lending policy. Our Lending policy is reviewed on a rolling annual basis and overseen by the Retail Credit Committee. The Society's exposure to treasury counterparties is carefully controlled in accordance with the limits set out in our Liquidity & Funding policy.
- **Interest Rate Risk:** This is the risk of the Society's financial position deteriorating as interest rates move over time and the failure to preserve interest rate margins arising from an increase in the cost of funds or a decrease in the earning capacity of assets. We seek to manage interest rate risk by matching the characteristics of mortgage and savings products and using financial instruments within defined parameters set out in our Interest Rate Risk Management policy.
- **Liquidity Risk:** This relates to the Society's ability to meet its financial obligations as they fall due. The Society has policies in place to ensure it always maintains sufficient funds in liquid form and stress tests are carried out regularly to confirm that the Society can withstand normal and abnormal cash outflows.
- **Operational Risk:** This is the risk of a loss arising from inadequate or failed internal processes or systems, human error or external events, including cyber risk and financial crime (including fraud). Processes and systems are in place and continue to be reviewed and enhanced to minimise these risks, keep our members safe and to maintain our operational resilience.
- **Conduct Risk:** The risk the Society's culture, behaviours, products, services and/or approach to business lead to unfair or inappropriate outcomes for customers. Processes and systems are in place to ensure good outcomes are delivered for our customers.

  As a key component of the Society's management of Operational and Conduct risk, the Operational Risk Committee (ORC) meets monthly to make decisions within Board-prescribed parameters and ensure the Society continues to keep the needs of its members at the heart of everything we do.

- **Strategic and Business Risk:** The risk of loss or reduced earnings due to inappropriate senior management or Board actions caused by unprepared or misjudged strategic decisions, and/or the implementation of those decisions.
- **Climate Change Risk:** This is the risk to the Society arising from climate change which is recognised in terms of both Physical and Transition risks. Physical risks include increased risk of flooding, subsidence and coastal erosion arising from extreme weather events or longer-term shifts in climate, impacting on the value of, and longer-term ability to insure, mortgaged properties. Transition risks arise from factors such as policy and regulation and changing customer preferences resulting from the adjustment to a lower carbon economy. The Society is aware of these risks in respect of both credit risk management and strategy and will continue to develop its risk management approach.

The Society also continues to monitor both national and global events, as well as emerging risks, and consider what, if any, impact these may have on the Society and our members.

Regulation and compliance

The Society is committed to maintaining high standards of compliance and continues to implement regulatory changes as required.

During 2024 we again witnessed further regulatory change, with the Society taking the necessary steps to meet the new regulatory requirements relating to Consumer Duty (July 2024 deadline), Authorised Push Payment Reimbursement (APPR) (October 2024 deadline) and Confirmation of Payee (COP) (October 2024 deadline). Enhancements made to our processes and systems to meet these new regulations further helps to protect the Society and our members from the threat of financial crime and fraud.

The Society has also continued to develop its approach to Operational Resilience ahead of the March 2025 deadline as well as managing the risks arising from climate change.

During 2025 the Society will continue to take the necessary steps to ensure compliance with any appropriate changes arising from the Prudential Regulation Authority's (PRA) new Small Domestic Deposit-Taker (SDDT) rules in relation to Liquidity and Capital management, in conjunction with potential changes to the regulatory framework arising from pronouncements in relation to Basel 3.1. The Society continues to closely monitor regulatory developments and has plans in place to ensure it can implement any changes as necessary.

The Society is required to have regard to the principles laid down in the UK Corporate Governance Code. This is covered in more detail in the separate Corporate Governance Report on pages 38 to 41.

Consumer Duty

The Financial Conduct Authority's (FCA) Consumer Duty (the Duty) is a new set of regulatory rules and requirements first published in July 2022 that came into effect on 31 July 2023.

The Duty raises the bar on the standards expected of financial services firms in how products and services are designed, priced and sold, and the aftercare and service that retail customers receive post-sale through the lifecycle of the product.

The FCA expects firms to meet the requirements of the Duty and thereby ensure customers get communications they can understand, products and services that meet their needs and offer fair value, and they get the customer support they need, when they need it.

Firms are expected not only to provide good customer outcomes across all these areas, but also to monitor, measure and evidence that they are doing so.

The Board (via the Board Risk Committee) has been fully engaged on the work done over the last 24 months and updated on our progress in meeting all relevant regulatory deadlines.

As required by the FCA, the Board appointed a 'Consumer Duty Board Champion' (Sean Gilchrist) during October 2022 to ensure the Duty was raised in all relevant discussions and sufficient focus and proportionality was applied to how it was implemented and embedded. Following the FCA's recent announcement, this role is under review.

Consumer Duty Annual Board Assessment

The FCA requires a firm's board to review and approve, at least annually, an assessment of whether the firm is delivering good outcomes for its customers which are consistent with the Duty. This regulatory reporting requirement was duly met ahead of the July 2024 deadline and work is well underway to complete this year's annual Board assessment for the Duty by July 2025.

As a Society we remain committed to delivering good service and outcomes for our members and acting with honesty and integrity in our relationships with members, regulators and the wider community. We seek to continuously review and improve on the high level of service throughout the Society and the many positive aspects already in place. We fully intend to maintain our focus in this key area and further enhance our processes so the Duty simply becomes part of our operating rhythm and culture, and we continuously learn and improve for our members.

Financial risk management objectives and policies

The Board has overall responsibility for ensuring the Society maintains adequate financial resources, both in terms of capital and liquidity, through review and approval of both the Society Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP).

The Society has a formal policy for the management of financial risk, including the arrangement of appropriate financial instruments to provide a hedge against identified exposures in fixed-rate lending. Risks including credit, liquidity and interest rate risk are considered in *Note 26* to the Accounts.

As a key component of the Society's management of financial risk, the Asset & Liability Committee meets at least monthly to make decisions within Board-prescribed parameters on product pricing, margin, hedging strategy and interest rate risk strategy. The Asset & Liability Committee reports to the Board Risk Committee, which in turn reports to the Board.

Capital requirements

The Board has reviewed its risk assessment to meet the requirements of Basel III and the associated Capital Requirements Regulations and Directive (CRR/CRD4). The Society is required to assess the adequacy of its capital and resources, known as the Internal Capital Adequacy Assessment Process (ICAAP), which is regularly reviewed and revised to reflect the prevailing economic climate.

Stress testing

Stress testing is a risk management tool used by the Society to understand the impact of severe but plausible scenarios on its business performance. Stress testing is an intrinsic part of the ICAAP and ILAAP processes, with the scenarios used in these tests agreed by the Board ahead of the assessments being carried out.

During the year, the Board receives outputs from stress tests on the mortgage portfolio, including the impact of a severe economic downturn including falling house prices, changes to interest rates, and increasing levels of unemployment.

Liquidity stress tests are performed on a regular basis with results reported to the Asset & Liability Committee. These stress tests help identify any shortfalls in the Society's levels of liquidity in a range of scenarios.

> “The Society has a well-established and embedded Risk Management Framework (RMF) that sets out our approach to managing risk.
>
> **Derek Johnston**
> **Chief Risk Officer & Society Secretary**

Directors' Report

Introduction

The Directors present their 176th Annual Report, together with the Audited Annual Accounts and Annual Business Statement, for the year ended 31 January 2025.

Information presented in other sections

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

Business objectives and activities	Strategic Report
Business review and future developments	Strategic Report
Principal risks and uncertainties	Risk Management Report
Financial risk management objectives	Risk Management Report
Disclosure requirements under CRD IV country-by-country reporting	Page 91

Other matters

Colleagues

The Directors would like to thank colleagues for their continued contribution to the Society's success and for the valuable role they played in supporting our members this year.

Supplier payment policy

The Society's continuing policy concerning the payment of its trade creditors is to pay within the agreed terms of credit, once the supplier has discharged their contractual obligations. The average number of days' credit taken to pay suppliers during the year ended 31 January 2025 was 23 (2024: 27).

Donations and Community Support

In January 2023, to coincide with the Society's 175th anniversary, the Society set up a charitable fund to be known as the Scottish Building Society Foundation ('the SBS Foundation'). The fund has been set up in conjunction with Foundation Scotland who will administer the fund. An initial donation of £175,000 was made to the SBS Foundation in January 2023, from which over £125,000 has been utilised to date to provide grants to support charitable purposes across Scotland. During the year the Society donated a further £35,000 to the SBS Foundation to facilitate further grant making.

The Society makes charitable donations to reflect and encourage members' participation in the Society's Annual General Meeting each year. £2,070 was donated in 2024 to Volunteer Glasgow in relation to votes received.

The Society also makes a donation to the charity of choice of the Edinburgh Rugby player who is voted as player of the month throughout the season. During 2024, donations of £500 were made to each of the following charities:

- Edinburgh Children's Hospital Charity
- My Name'5 Doddie Foundation
- Ronald McDonald House Charities
- Dr Bell's Family Centre
- Portobello Town Hall
- Berwickshire Swap

The Society does not make donations for political purposes.

Election of Directors

All Directors are choosing to retire and stand for re-election under Rule 26(1) and offer themselves for re-election at the Annual General Meeting (AGM) to be held on 28 May 2025.

Biographies of all current Directors appear on pages 34 to 37.

Going concern

As part of the Society's forward planning process, the Directors have considered forecasts showing the Society's capital, liquidity and financial position for the 12 months following the signing of the accounts under normal operating conditions. They have also considered the potential effect on the Society's business, financial position, capital and liquidity under stressed operating conditions, specifically including a severe but plausible stress scenario incorporating the potential impact of the ongoing geopolitical and economic uncertainty resulting in high inflation and volatility in interest rates.

Having reviewed these forecasts alongside the Society's ICAAP and ILAAP documents, the Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, the Accounts continue to be prepared on the going concern basis.

Independent auditors

Our auditors, PricewaterhouseCoopers LLP (PwC), are willing to continue in office and the Board is happy to recommend their re-appointment as auditors. A resolution to that effect will be proposed for consideration at the AGM to be held on 28 May 2025.

By order of the Board.

Neil Easson
Finance Director
28 March 2025

Directors

The following individuals were Directors of the Society during the year to 31 January 2025:

Non-Executive Directors	
Ian Wilson MSc MBA FCBI	Appointed September 2022 and Chair since November 2022 Appointed Chair of Nomination & Governance Committee in August 2024
Andrew Hastings B.Admin C.Dir FIB	Appointed July 2019 and Chair of Board Risk Committee since October 2019 Appointed Vice-Chair in May 2022
Sheila Gunn LLB (Hons) Dip LP	Appointed November 2019 and Chair of Remuneration Committee since July 2022 Appointed Senior Independent Director in July 2022
Kathryn (Karyn) Lamont CA	Appointed May 2018 and Chair of Audit Committee since November 2018
Sean Gilchrist ACBI	Appointed June 2021
Andrew Lee BA (Hons) FCA	Appointed October 2022
Rosemary Hilary BSc (Hons) FCCA	Appointed November 2022
Executive Directors	
Paul Denton MBA FCBI	Chief Executive Officer from July 2019 Chair of Operational Risk Committee since July 2019 Chair of Executive Committee since April 2021
Neil Easson BA (Hons) CA	Finance Director from April 2020 Chair of Asset & Liability Committee since January 2019 Chair of Retail Credit Committee since June 2019

Details of the Directors' interests in the Society are disclosed in *Note 29* on page 88. None of the Directors had any beneficial interest in the Society's subsidiary undertaking, SBS Mortgages Limited, as at the year-end. The Society maintains liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986.

Board of Directors

Your Board brings a wealth of experience, and collectively they are responsible for ensuring the long-term sustainable success of the Society for our members.

Ian Wilson
Chair

Ian Wilson
Chair

Appointed in September 2022 and Chair since November 2022

"I have worked in the UK financial and investment sector for more than 44 years having held senior positions at high street banks and fintech firms. Whilst my focus has primarily been on Risk Management and Strategic Transformations, I also have a broad range of experience covering strategy development, commercial business management and change management.

I am a qualified Chartered Banker with an MBA from Edinburgh University and an MSc in Marketing. I am also a Fellow and former Vice President of the Chartered Banker Institute. As well as my role as Chairperson at the Society, I am also a Non-Executive Director with Revolut Group, Revolut NewCo UK and kompasbank, an SME focused bank in Denmark. I live in Edinburgh and am actively involved in the Scottish financial community."

Board committees:

Chair of Nomination & Governance Committee since August 2024

Other roles:

Non-Executive Director of Revolut Group Holdings Limited, Revolut Limited and Revolut Newco UK Limited

Non-Executive Director of kompasbank a/s

Andrew Hastings
Vice-Chair

Appointed in July 2019 and Vice-Chair since May 2022

"After graduating from Dundee University, I began my career in banking with RBS. I went on to specialise in corporate & investment banking with BNP Paribas and completed my executive career as CEO at Barclays Bank Ireland plc. I am a Chartered Banker, Fellow of the Institute of Bankers in Ireland, Chartered Director and a Certified Bank Director.

Since 2015, I have been an Independent Non-Executive Director of a number of businesses in the financial services and utilities sectors and I currently serve on the Board of US Bank Europe DAC. I chair the Society's Board Risk Committee. I am also a member of the Nomination & Governance Committee and I'm the Board's Whistleblowing Champion."

Board committees:

Chair of Board Risk Committee since October 2019

Member of Nomination & Governance Committee

Board Whistleblowing Champion

Other roles:

Non-Executive Director of US Bank Europe DAC

Sheila Gunn
Senior Independent Director

Appointed in November 2019 and Senior Independent Director since July 2022

"I began my career as a lawyer and was a partner at Shepherd & Wedderburn for 12 years. I moved into financial services when I joined Ignis Asset Management and was a Non-Executive Director of Airdrie Savings Bank.

I have undertaken a range of other non-executive appointments at Phoenix Life, Standard Life and Reassure. As well as being Senior Independent Director of the Society, I chair the Remuneration Committee and I am a member of the Nomination & Governance Committee."

Board committees:

Chair of Remuneration Committee since July 2022

Member of Nomination & Governance Committee

Other roles:

Trustee of The Epaphras Trust

Kathryn (Karyn) Lamont

Appointed in May 2018

"I am a Chartered Accountant and former audit partner at PwC. I have over 30 years of experience and I've provided audit and other services to a range of clients across the UK's financial services sector including to a number of banks and building societies. My specialist knowledge includes financial reporting, audit and controls, risk management, regulatory compliance and governance.

I was appointed to the Board of Scottish Building Society in May 2018 and I am a member of the Board Risk Committee, the Remuneration Committee and I chair the Audit Committee. I am also a Non-Executive Director at the North American Income Trust plc, the Scottish American Investment Trust plc and iomart Group plc."

Board committees:

Chair of Audit Committee since November 2018

Member of Board Risk Committee

Member of Remuneration Committee

Other roles:

Non-Executive Director of North American Income Trust plc

Non-Executive Director of Scottish American Investment Trust plc

Non-Executive Director of iomart Group plc

Sean Gilchrist

Appointed in June 2021

"My career spans over 30 years in the financial services industry, with more than 20 years in digital. Last year I decided to retire from my executive role and am enjoying my non-executive and board advisory work. As well as Scottish Building Society I am working with Rova, a digital start-up bank, part of the FCMB Group.

Previously I was the CEO of Nomo, another digital start-up bank serving customers from the GCC region in the Middle East. Before that I was Chief Digital Officer of the Co-operative Bank leading their transformation to become the "digital ethical bank". I also worked at both Lloyds and Barclays banks leading, growing and transforming their digital services across the retail, wealth and corporate banking sectors. I am the Board's Consumer Duty Champion at the Society."

Board committees:

Member of Board Risk Committee

Consumer Duty Board Champion

Other roles:

Amishane Limited

Honorary Treasurer and Trustee of the British Medical Acupuncture Society

Andrew Lee

Appointed in October 2022

"I am a Chartered Accountant and have been a Senior Board Executive in the financial services industry for over 35 years having served as CEO, CFO and CSO in several institutions spanning retail, corporate and commercial banking, asset finance, insurance and wholesale banking.

I am also a Trustee and Non-Executive Director of both St Andrew's Healthcare Trust and Guy's & St Thomas' Foundation Trust."

Board committees:

Member of Audit Committee

Member of Board Risk Committee

Member of Remuneration Committee

Other roles:

Trustee and Non-Executive Director of St Andrew's Healthcare Trust

Trustee and Non-Executive Director of Guy's & St Thomas' Foundation Trust

Rosemary Hilary

Appointed in November 2022

"I am an experienced Non-Executive Director, a qualified accountant and a risk professional. My executive career was in financial services, largely covering banking and regulation. I started banking at Girobank before taking on a number of senior roles at the Bank of England and the Financial Services Authority. I then moved to TSB in 2013 as Chief Internal Auditor, which saw me part of the team that led the Initial Public Offering. My specialist knowledge includes audit, risk, business model analysis and strategy.

As well as my role with the Society, I am also a Non-Executive Director of St James's Place, Vitality Life and Health, and Willis, and I am a Trustee of the King's Foundation. My previous Non-Executive roles include the Pension Protection Fund, Record Currency Management and the homelessness charity Shelter."

Board committees:

Member of Audit Committee

Member of Board Risk Committee

Member of Remuneration Committee

Other roles:

Non-Executive Director of St. James's Place

Non-Executive Director of Vitality Life and Vitality Health

Non-Executive Director of Willis

Trustee of the King's Foundation

Paul Denton
Chief Executive Officer

Chief Executive Officer since July 2019

"I have over 35 years' experience in financial services. I began my career with the Royal Bank of Scotland holding various senior positions before moving to the Co-operative Bank as Director for Branch, Mortgages and Business Banking.

Before joining Scottish Building Society, I was Managing Director, Operations, of the UK's largest funeral business, Co-op Funeralcare. I am also President of the Chartered Banker Institute and a member of the FCA Small Business Practitioner Panel."

Management committees:

Chair of Operational Risk Committee since July 2019

Chair of Executive Committee since April 2021

Other roles:

Trustee of Chartered Banker Institute

Member of FCA Smaller Business Practitioner Panel

Neil Easson
Finance Director

Finance Director since April 2020

"I am a Chartered Accountant with almost 30 years' experience in financial services. I held a range of senior finance positions in Lloyds Banking Group before joining Scottish Building Society in January 2019.

In my role as Finance Director, I am also responsible for the Society's Retail Credit and Product Management teams. I chair the Society's Asset & Liability Committee as well as the Retail Credit Committee. Outside of the Society, I am a Non-Executive Director of Museums Galleries Scotland."

Management committees:

Chair of Asset & Liability Committee since January 2019

Chair of Retail Credit Committee since June 2019

Other roles:

Non-Executive Director of Museums Galleries Scotland

Corporate Governance Report

The Directors are responsible for the governance of the Society, on behalf of the members, and are committed to best practice in corporate governance. During the year they had regard to the principles of the 2018 UK Corporate Governance Code ('the Code') published by the Financial Reporting Council which applies to listed companies and followed those elements considered appropriate and proportionate to the Society in line with the Building Societies Association Guidance on the Code. This has been revised in 2024 and the 2024 UK Corporate Governance Code applies from the year ending 31 January 2026.

The Directors are also mindful of the Building Societies Act 1986 (Amendment) Act 2024, published on 3 June 2024. This will bring changes in relation to the raising of capital and corporate governance requirements.

Board leadership and Society purpose

The Board is responsible for ensuring the long-term sustainable success of the Society for its members. It continues to centre strategic objectives around our members, ensures sufficient resources are in place to meet those objectives and monitors performance against them. The Board also ensures the Society operates within an effective risk management framework. As required, under the Consumer Duty regulations, Sean Gilchrist remains the Society's Consumer Duty Board Champion.

The Board meets regularly with additional meetings as required. In 2024-25 there were eight full formal Board meetings, and also a specific meeting with the Society's Leadership Team to consider future strategy and the Society plan. A table showing details of Directors' attendance during the year in relation to full formal Board and Committee meetings appears on page 41 of this report.

An updated terms of reference for the Board was approved in January 2025. The Board has delegated certain responsibilities to the Committees described below, all of which report to the Board. The Chair of each Committee provides a report at the subsequent Board meeting after each Committee meeting. The terms of reference for the Board and all Board Committees are available on the Society's website.

Membership of Committees is reviewed annually with the aim of leveraging each Director's particular expertise, broadening their knowledge of the Society and to manage succession planning. Minor changes were made to Committee memberships during 2024/25 to support this.

Audit Committee: This Committee met on four occasions during the year. The Committee monitors internal controls and financial reporting. It also reviews audit reports (internal and external), monitors the effectiveness of the internal audit function and approves the annual internal audit plan. It considers and recommends to the Board for approval the appointment or re-appointment of the external auditors, and the policy on the engagement of the external auditors for non-audit services including the approval of their fees. The Committee monitors the external auditors' independence, objectivity, competence and effectiveness. It also ensures that the systems of accounting, business control and management of information are adequate for the Society's needs.

At least annually the Committee meets with the internal and external auditors without the Executive Directors being present. As required by the Code, the Committee provides advice to the Board confirming that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for members to assess the Society's performance, business model and strategy.

The Committee comprises three Non-Executive Directors. Karyn Lamont, who has recent and relevant financial experience, chairs the Committee. In 2024-25 the other members of the Committee were Rosemary Hilary and Andrew Lee. Executive Directors and members of senior management attend by invitation, together with representatives from the internal and external auditors.

Board Risk Committee: The Board Risk Committee met six times in the year. Andrew Hastings chairs the Committee. The other members of the Committee are Karyn Lamont, Sean Gilchrist, Rosemary Hilary and Andrew Lee. Executive Directors, the Chief Risk Officer and members of senior management attend by invitation. The Committee assists the Board in overseeing the Society's risk management and control framework; considers the Board Risk Appetite Statement, supporting metrics and stress testing outputs; and reviews Board policies and key prudential documentation from a risk perspective. The Committee is also responsible for oversight of risk monitoring and assurance, including reviewing the Society's key risk exposures against appetite, trends and concentrations and identifying emerging risks through horizon scanning.

In addition, the Committee oversees the Society's corporate insurance cover, the Society's change programme and regulatory compliance, including the implementation of the Consumer Duty rules and monitoring the Society's Consumer Duty dashboard evidencing the delivery of good customer outcomes.

The three first line risk management Committees: **Asset & Liability Committee; Retail Credit Committee;** and **Operational Risk Committee**, and two Sub-Committees: **Change ExCo** and **Cyber Forum** all report to the Board Risk Committee which in turn reports to the Board through its minutes, summaries of its activities and recommendations, and regular updates by the Committee Chair to the Board.

Nomination & Governance Committee: This Committee reviews Board composition, skills, performance, director elections and succession planning for Board and senior management. In 2024-25, Ian Wilson took on the role of Chair with Sheila Gunn remaining as a member of the Committee, along with Andrew Hastings. The Committee met twice in the year.

Remuneration Committee: This Committee is responsible for remuneration policy and for making recommendations to the Board regarding general remuneration and contractual arrangements. In 2024-25 Sheila Gunn chaired the Committee and the other members of the Committee were Rosemary Hilary and Andrew Lee. Karyn Lamont became a member of the Committee on 1 February 2024. The Committee met three times in the year.

Further information can be found in the Directors' Remuneration Report on pages 42 & 43.

Culture

The Board monitors and assesses culture through a variety of sources including key performance metrics, feedback from internal and external audit, employee surveys and meeting employees from across the Society.

Engagement with stakeholders

As a mutual organisation the Society does not have 'shareholders' as referred to in the Code, and the Society's saving and borrowing customers are also its members. The Society seeks the views of its members through membership surveys, members' events, the Society newsletter and the AGM. Members are given the opportunity to ask questions and voice their opinions. A new members' panel is also being introduced over the course of 2024-25.

In the normal course of business, the Board chooses not to rely on one of the methods of engagement set out in the Code. Instead the Board engages with employees through a combination of attendance of senior management at Board and Committee meetings, Board attendance at employee off-site events, informal employee feedback sessions and employee surveys. Points of focus identified in employee surveys are addressed by employee focus groups. Given the Society's size, these arrangements are considered to provide an effective alternative.

Whistleblowing

The Society has arrangements in place for employees, contractors and temporary workers to raise concerns in confidence (and if they wish anonymously). The Society's Vice-Chair, Andrew Hastings, is the Society's Whistleblowing Champion. He has responsibility for ensuring and overseeing the integrity, independence and effectiveness of the Society's policies and procedures on whistleblowing, including those to protect whistleblowers from victimisation. The Board has delegated oversight for whistleblowing to the Board Risk Committee which reviews the Society's whistleblowing policy and reports at least annually.

Division of responsibilities: Chair and Chief Executive Officer (CEO)

The offices of CEO and Chair are distinct and held by different people. The CEO is responsible for managing the Society's business within the parameters set by the Board. The Chair sets the direction and culture of the Board, facilitating effective contribution from Directors, maintaining constructive relations between Executive and Non-Executive Directors and ensuring that Directors receive accurate, timely and clear advice and information.

Non-Executive Directors

Non-Executive Directors are required to have a full understanding of the risks in the business; to show commercial leadership within a framework of prudent and effective risk management controls; to provide an independent perspective, monitoring performance and resources; and to constructively challenge strategic proposals, whilst supporting the CEO and leadership team. The Non-Executive Directors meet regularly without the Executives present. The Board has appointed a Senior Independent Director, Sheila Gunn, to provide support to the Chair, an alternative route for communication from members and Society colleagues, and to carry out the appraisal of the Chair, taking into account the views of the other Directors.

The Board consists of seven Non-Executive Directors plus the CEO and the Finance Director. Information relating to Directors is set out on pages 34 to 37. The Society's Board has a balance of skills and experience appropriate for the Society and its strategy.

The Board is satisfied that in terms of independence of character, judgement and robustness of challenge to the Society's Management, each Non-Executive Director, including the Chair, is considered independent. Factors taken into account when assessing independence include length of service, material business relationships and whether the Director has recently been an employee of the Society.

There are no material business relationships between the Society and firms connected with Directors. No former employees are, or have been, Non-Executive Directors.

Commitment

The Nomination & Governance Committee evaluates the ability of Non-Executive Directors to commit the time required for their role, prior to appointment. The letter of appointment sets out the expected time commitment and Directors undertake that they have sufficient time to meet those expectations. The formal appraisal process carried out by the Board Chair each year also assesses whether Directors have demonstrated this ability during the year.

The attendance record of Board and Committee members during the year is set out on page 41. This table does not reflect Directors' attendance at additional ad hoc meetings, seminars, conferences and courses during the year or time spent on preparation for meetings etc. Generally each Non-Executive Director spends a minimum of 2-3 days each month on Society business. The time commitment for the Chair, Vice-Chair and Committee Chairs is considerably more.

Composition, succession and evaluation: Appointments to the Board

The Nomination & Governance Committee is responsible for succession planning for Executive and Non-Executive Directors. As part of the annual evaluation process, the Committee considers the balance of skills and experience required, the requirements of the business, and recommends change where appropriate.

The Society values all aspects of diversity and inclusion and ensures that Non-Executive Director appointments are made on merit, based on the specific skills and experience required. Members have the right under the Society's Rules to nominate candidates for election to the Board.

In the event of a Board vacancy, the Nomination & Governance Committee leads the recruitment process with the support of a number of recruitment agencies, although the final decision rests with the Board as a whole. This process is tailored to meet the requirements of each particular vacancy and the method of attracting candidates is adapted depending on the nature of the skills required. The Nomination & Governance Committee remains focused on succession planning for Board and senior management to ensure a diverse pipeline to fill future requirements. This work will continue in 2025-26.

As at the date of this report the percentage of women on the full Board is 33% with 43% of the Non-Executive Directors being female. Female representation on the Senior Management Team stands at 33%.

All Directors must meet the requirements of fitness and propriety and are subject to the Conduct Rules laid down by the regulators. Directors who are to hold certain roles such as the Board Chair, Chair of the Board Risk Committee, Chair of the Remuneration Committee and Chair of the Audit Committee are subject to formal regulatory approval.

Development

All new Directors receive induction training, and ongoing training is provided by attendance at courses and seminars organised by outside bodies, in particular the Building Societies Association. Training and development needs are identified as part of the annual appraisal of the Board's and individual Director's performance and effectiveness. The Secretary has specific responsibility for ensuring that Directors are provided with appropriate information and training.

Information and support

The Chair ensures that the Board receives sufficient information to enable it to discharge its responsibilities. The quality and content of management information provided to the Board and Committees is regularly reviewed by Directors and management. The Secretary provides support on corporate governance matters and the Board can seek independent professional advice if required.

Evaluation

The Chair reviews the performance of the CEO and Non-Executive Directors annually. The Chair is evaluated by the Senior Independent Director, taking into account the views of the other Directors.

Board Effectiveness Review

Following the Board Effectiveness Review in autumn 2023, Thorburn McAlister completed a progress review and evaluation in Q4 2024. The report noted a satisfactory level of progress made from the strong starting position identified in 2023.

Directors' attendance 2024-25

The table below shows the number of full, formal Board meetings attended by each Director and, for each of the Board Committees, the number of full, formal meetings and attendance by individuals as members of those Committees. The figures in brackets denote the number of meetings each Director was eligible to attend. The total number of meetings does not include the Annual General Meeting or the Board Strategy Day.

	Board	Audit Committee	Board Risk Committee	Nomination & Governance Committee	Remuneration Committee
I Wilson	8(8)			2(2)	
A Hastings	8(8)		6(6)	2(2)	
S Gunn	8(8)			2(2)	3(3)
K Lamont	7(8)	4(4)	5(6)		3(3)
S Gilchrist	8(8)		6(6)		
A Lee	8(8)	4(4)	6(6)		3(3)
R Hilary	8(8)	4(4)	5(6)		3(3)
P Denton	8(8)				
N Easson	8(8)				

Re-election

The Society's Rules require that Directors are submitted for election at the AGM following their appointment to the Board. All Directors are required by the Society's Rules to seek re-election if they have not been elected at either of the two previous AGMs. Directors may also submit themselves for re-election voluntarily. In the interests of good governance and having regard to the provisions of the Code, all Directors now stand for election or re-election at every AGM. The Nomination & Governance Committee considers and makes a recommendation to the Board whether each Non-Executive Director should be submitted for re-election, bearing in mind that Director's continued independence and contribution to Board deliberations.

Financial and business reporting

The Statement of Directors' Responsibilities on page 44 sets out the Board's responsibilities in relation to the Society's Annual Report and Accounts and the Directors' Report includes a statement regarding the Society's position as a going concern on page 32.

Remuneration

The Directors' Remuneration Report on pages 42 & 43 sets out the remuneration policies for Executive and Non-Executive Directors and explains how this meets the requirements of the Code.

Ian Wilson
Chair
28 March 2025

Directors' Remuneration Report

The purpose of this report is to inform members of the Society, in line with the relevant provisions of the Code, of the policy for determining the remuneration of Executive and Non-Executive Directors. The Society has adopted a Remuneration Policy which meets the applicable requirements of the Remuneration Code issued by the financial services regulators.

A statement of all Directors' Remuneration is included within this report and also appears in the Annual Review, issued annually to all members. An advisory vote on Directors' Remuneration is included in the AGM agenda.

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

Procedure for developing policy on executive & individual director remuneration

The Board has overall responsibility for overseeing arrangements for remuneration. This is done through the Remuneration Committee.

The Committee reviews remuneration for Directors annually, using data from comparable organisations and taking advice from external consultants when appropriate.

Non-Executive Directors

Non-Executive Directors receive a fixed annual base fee. In addition to the base fee, members of the Board of Directors receive an annual fixed fee for service as a Chair of a Board Committee. The level of fees payable to Non-Executive Directors is assessed at least every three years and will consider as a minimum market information, data from comparable organisations and the Society's colleague pay award.

Fees for Non-Executive Directors are non-pensionable and Non-Executive Directors do not participate in any bonus or incentive schemes or receive any other benefits apart from reimbursement of expenses incurred in the execution of their duties as Directors.

Executive Directors

The basic salaries of the CEO and Finance Director are reviewed annually by reference to jobs carrying similar responsibilities in comparable organisations and by reference to market conditions, personal performance and the Society's colleague pay award.

Their contracts with the Society include a non-pensionable executive bonus scheme which is payable dependent on the Society's performance and the individual's personal performance measured against a number of specific objectives, including strategy, business performance, risk management and corporate governance. No single factor can therefore unduly influence the amount of bonus payable. Bonus payments are not guaranteed and are reviewed each year.

Executive Directors in office as at 31 January 2025 are entitled to receive pension contributions to their private pension arrangements, although depending on their individual circumstances they may be paid a pension replacement amount. Pension contribution rates are aligned with those available to the workforce. Executive Directors also receive a further taxable benefit comprising a Society car, or car allowance.

Service contracts

Executive Directors have service contracts with the Society which can be terminated by either side giving six months' notice.

Non-Executive Directors do not have service contracts but serve under letters of appointment subject to election by the Society's members.

Non-Executive Directors

Fees only

	To 31 January 2025	To 31 January 2024
I Wilson	£50,769	£44,930
A Hastings	£39,086	£36,687
S Gunn	£35,804	£32,100
K Lamont	£35,804	£32,100
S Gilchrist	£30,292	£26,824
A Lee	£30,292	£26,824
R Hilary	£30,292	£26,824
Total	**£252,339**	**£226,289**

Executive Directors

To 31 January 2025

	Salary	Bonus	Pension Contributions	Taxable Benefits	Total
P Denton	£275,560	£53,507	£8,267	£8,079	£345,413
N Easson	£173,199	£33,631	£5,196	£5,665	£217,691
Total	**£448,759**	**£87,138**	**£13,463**	**£13,744**	**£563,104**

To 31 January 2024

	Salary	Bonus	Pension Contributions	Taxable Benefits	Total
P Denton	£261,454	£48,643	£1,277	£13,453	£324,827
N Easson	£164,333	£30,574	£4,930	£5,563	£205,400
Total	**£425,787**	**£79,217**	**£6,207**	**£19,016**	**£530,227**

Pension contributions paid by the Society were in respect of money-purchase pension schemes or cash allowances in lieu of pension.

Ian Wilson
Chair
28 March 2025

Statement of Directors' Responsibilities

Directors' responsibilities in respect of the Annual Report, the Annual Business Statement, the Directors' Report and the Annual Accounts

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

The Building Societies Act 1986 ("the Act") requires the Directors to prepare Society Annual Accounts for each financial year. Under that law they have elected to prepare the Society Annual Accounts in accordance with UK Accounting Standards including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

In preparing these Annual Accounts, the Directors are required to:

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

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

Directors' responsibilities for accounting records and Internal Controls

The Directors are responsible for ensuring that the Society:

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

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

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

Independent Auditors' Report

Report on the audit of the annual accounts

Opinion

In our opinion:

- Scottish Building Society's annual accounts (the "annual accounts") give a true and fair view of the state of the Society's affairs as at 31 January 2025 and of the Society's income and expenditure and cash flows for the year then ended;
- the annual accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the annual accounts have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the annual accounts, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 January 2025; the Income Statement, the Statement of Other Comprehensive Income, the Cash Flow Statement, and the Statement of Changes in Members' Interests for the year then ended; and the notes to the accounts, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Society in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, which includes the FRC's Ethical Standard applicable to public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society.

Other than those disclosed in *Note 5* to the annual accounts, we have provided no non-audit services to the Society in the period from 1 February 2024 to 31 January 2025.

Our audit approach

Overview

Materiality

- £452,000 (2024: £430,000) – Society annual accounts
- Based on 1% of net assets

Scoping

- Audit procedures were performed over material account balances and financial information by a single audit team based in the UK

Key audit matters

- Impairment of loans and advances to customers
- The application of hedge accounting in accordance with accounting standards

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the annual accounts. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Capability of the audit in 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 in the Auditors' responsibilities for the audit of the annual accounts section, 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.

Based on our understanding of the Society/industry, we identified that the principal risks of non-compliance with laws and regulations related to, but are not limited to, breaches of regulations of the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA') and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the annual accounts. We also considered those laws and regulations that have a direct impact on the annual accounts such as the Building Societies Act 1986. We evaluated management's incentives and opportunities for fraudulent manipulation of the annual accounts (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate financial reporting and management bias in critical accounting estimates. Audit procedures performed included:

- Enquiries of management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Assessment of matters reported on the Society's whistleblowing helpline and the results of management's investigation of such matters;
- Review of internal audit reports, in so far as they related to the annual accounts;
- Review of correspondence with, and reports to, the PRA and the FCA;
- Challenging assumptions and judgements made by management in forming significant accounting estimates; and,
- Testing of journal entries which contained unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the annual accounts. Also, 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 or intentional misrepresentations or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the annual accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

The application of hedge accounting is a new key audit matter this year. Effective interest rate accounting, which was a key audit matter last year, is no longer included because of the relative stability of the estimate. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers The Society held £550,000 of loan loss reserves (2024: £675,000) against total loans and advances to customers of £572,770,000 (2024: £536,117,000). The total impairment provisions are split between an individual impairment allowance of £310,000 (2024: £390,000) where specific identifiers of impairment have been identified (e.g. arrears) and a collective provision of £240,000 (2024: £285,000) to cover losses that are incurred but not reported. The determination of impairment provisions is inherently judgemental and requires the use of several assumptions relating to the likelihood of borrowers' default based on past events and the value of collateral realisation. The Society has limited experience of loan losses which gives rise to increased estimation uncertainty. Our work focused on the risk of understatement of loan provisions due to the small size of reserves held relative to the size of total loans and advances to customers. The Society's impairment provision balances are detailed within *Note 12*. Management's associated principal accounting policies are detailed in *Note 1* along with critical accounting estimates.	We understood and critically assessed the methodology applied in loan loss models and considered whether they were compliant with accounting standards. We examined the historical loss experience of the Society and reviewed Retail Credit Committee reporting to assess the credit environment which the Society's borrowers face. We performed testing to assess that loans and advances to customers meeting the defined risk criteria had been captured in the assessment of individual provisions. We considered the appropriateness of the collective model methodologies, and the relevant judgements and assumptions used in the determination of the modelled provisions for loans and advances to customers. We performed sample testing to obtain evidence over the valuation of mortgage collateral and customer account repayment history to assess whether there is any evidence of understatement of loss reserves. We evaluated the adequacy of the disclosures in the annual accounts with a specific focus on the disclosure of critical accounting estimates associated with impairment losses. To support our evaluation of the key audit matter, we tested the accuracy and completeness of underlying data used in the impairment calculations and the mechanical accuracy of the model, by independently recalculating the collective impairment provisions in their entirety, and recalculating specific provisions on a sample basis for loans and advances to customers.
The application of hedge accounting in accordance with accounting standards in relation to mortgage contracts The Society is exposed to fair value exposure due to interest rate changes affecting the fixed interest rate mortgage contracts. As interest rates fluctuate, the fair value of mortgage assets is impacted. To mitigate this fair value risk, the Society has entered into interest rate swap contracts. These swaps are designated within hedge accounting relationships, so that the underlying hedged items are recorded at fair value, as long as the Society can demonstrate that the hedge accounting arrangements are effective in accordance with the accounting standards. As of 31 January 2025, the fair value of all mortgage asset hedged items within designated hedging relationships was £3,579,000 (2024: £5,904,000) lower than their carrying value. We focussed our work on the adjustments that are required to be posted to system outputs to achieve compliance with accounting standards in respect of mortgage assets as hedge accounting rules are complex and the nature of manual adjustments required can give rise to a material misstatement in the annual accounts. The Society's disclosures are presented in *Note 4*, while management's relevant accounting policies are detailed in *Note 1*.	We understood the nature of the hedge accounting relationships designated by management in the context of the risk management strategy. We obtained and reviewed the hedge accounting documentation to evaluate and assess whether the Society's hedging programme was compliant with the requirements of accounting standards. We re-performed a sample of prospective and retrospective effectiveness tests. We re-performed the valuation of a sample of derivatives and underlying hedged items throughout the year using valuation specialists. We assessed the accuracy of the mortgage and swap data flowing into hedging calculations. We tested the completeness and accuracy of income statement ineffectiveness recorded in the income statement in the year and challenged management on the completeness of manual adjustments made to achieve compliance with accounting standards. We reconciled the output of hedging calculations to the general ledger to ensure that the amounts recorded in the annual accounts are accurate. We tested the disclosures in respect of hedge accounting and confirmed that they were compliant with accounting standards.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the annual accounts as a whole, taking into account the structure of the Society, the accounting processes and controls, and the industry in which it operates.

The Society has no active subsidiaries and all of the Society's activities are undertaken in the United Kingdom, in a single line of business being the provision of mortgages and savings products to members and other customers. The accounting records for the Society are located at the Society's head office in Edinburgh.

Audit procedures were performed over all material account balances and financial information of the Society by a single audit team based in the UK.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Society's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Society's financial statements as a whole, or our key audit matters.

Materiality

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

Based on our professional judgement, we determined materiality for the annual accounts as a whole as follows:

Overall materiality	£452,000 (2024: £430,000)
How we determined it	1% of Net Assets
Rationale for benchmark applied	The Society's principal activity is to provide residential mortgage loans financed by savings products. The strategy is not one purely of profit maximisation. The soundness of the Society is based on its regulatory capital, which is closely aligned to accounting net assets. As such we consider a benchmark based on net assets to be appropriate.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £339,000 (2024: £322,500).

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £22,600 (2024: £21,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- A risk assessment to identify critical factors that could impact the going concern basis of accounting, including the current and forecast financial performance and certain regulatory metrics. As part of our risk assessment, we reviewed and considered the Society's financial plan, ICAAP and ILAAP;
- Evaluation of management's going concern assessment, including consideration of the stress testing;
- Evaluation of the reasonableness of the Society's forecasts, including liquidity and regulatory capital risk over the going concern period; and
- Evaluation of the appropriateness of the disclosures in the Annual Report & Accounts.

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Society's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the annual accounts and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Annual Business Statement and Directors' Report we also considered whether the disclosures required by the Building Societies Act 1986 have been included.

Based on our work undertaken in the course of the audit, the Building Societies Act 1986 requires us also to report certain opinions and matters as described below.

Annual Business Statement and Directors' Report

In our opinion, based on our 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 year ended 31 January 2025 is consistent with the accounting records and the annual accounts; 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 light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors' Report.

Responsibilities for the annual accounts and the audit

Responsibilities of the directors for the annual accounts

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

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

Auditors' responsibilities for the audit of the annual accounts

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the annual accounts is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with Section 78 of the Building Societies Act 1986 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Building Societies Act 1986 exception reporting

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 30 May 2018 to audit the annual accounts for the year ended 31 January 2019 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 January 2019 to 31 January 2025.

Heather Varley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 March 2025

Accounts for the year ended 31 January 2025

I am delighted to report that the Society has continued to build on the strong financial foundations in place to deliver another excellent set of results.

We have achieved strong balance sheet growth and profitability in line with our expectations as we continue to invest for the future.

Ian Wilson
Chair

Income Statement
for the year ended 31 January 2025

	Note	2025 £000	2024 £000
Interest receivable and similar income	*2*	**42,900**	35,797
Interest payable and similar charges	*3*	**(28,240)**	(20,923)
Net interest income		**14,660**	14,874
Fees and commissions receivable		**81**	68
Fees and commissions payable		**(75)**	(83)
Net gains/(losses) from derivative financial instruments	*4*	**117**	(234)
Total Net Income		**14,783**	14,625
Administrative expenses	*5*	**(11,783)**	(10,179)
Depreciation and amortisation	*15, 16*	**(356)**	(358)
Operating Profit before movement in acquired assets, impairment losses and provisions		**2,644**	4,088
Impairment gains/(losses) on loans and advances	*12*	**125**	(128)
Net increase in value of acquired assets	*13*	**10**	2
Operating Profit and Profit before tax		**2,779**	3,962
Tax expense	*8*	**(739)**	(982)
Profit for the financial year	*24*	**2,040**	2,980

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

The accompanying notes on pages 59 to 88 form an integral part of the Accounts.

Statement of Other Comprehensive Income

for the year ended 31 January 2025

	Note	**2025 £000**	2024 £000
Profit for the financial year		**2,040**	2,980
Valuation gains/(losses) taken to reserves	*25*	**148**	(69)
Income tax on other comprehensive (expense)/income	*25*	**(37)**	17
Total comprehensive income for the year		**2,151**	2,928

The accompanying notes on pages 59 to 88 form an integral part of the Accounts.

Statement of Financial Position
as at 31 January 2025

	Note	2025 £000	2024 £000
ASSETS			
Liquid Assets:			
Cash in hand and balances with Bank of England		**225,435**	162,434
Loans and advances to credit institutions	*9*	**6,767**	9,533
Debt securities	*10*	**51,983**	21,624
Derivative financial instruments	*21*	**4,823**	6,781
Loans and advances to customers	*11*	**572,220**	535,502
Investment in subsidiary undertaking	*14*	**-**	-
Tangible fixed assets	*15*	**2,574**	2,803
Intangible assets	*16*	**43**	135
Other assets	*17*	**2,631**	1,889
TOTAL ASSETS		**866,476**	740,701
LIABILITIES			
Shares	*18*	**588,349**	490,933
Amounts owed to credit institutions	*19*	**28,854**	51,846
Amounts owed to other customers	*20*	**200,516**	150,152
Derivative financial instruments	*21*	**1,453**	2,035
Other liabilities and accruals	*22*	**1,857**	2,507
Deferred tax liability	*23*	**242**	174
TOTAL LIABILITIES		**821,271**	697,647
RESERVES			
General reserves	*24*	**45,162**	43,122
Available-for-sale reserves	*25*	**43**	(68)
Total reserves attributable to members of the Society		**45,205**	43,054
TOTAL RESERVES AND LIABILITIES		**866,476**	740,701

These accounts were approved and authorised for issue by the Board of Directors on 28 March 2025 and were signed on its behalf by:

Ian Wilson
Chair

Paul Denton
Chief Executive

Neil Easson
Finance Director

The accompanying notes on pages 59 to 88 form an integral part of the Accounts.

Statement of Changes in Members' Interests

for the year ended 31 January 2025

	General reserves	**Available -for-sale reserves**	**Total**	General reserves	Available -for-sale reserves	Total
	2025 £000	**2025 £000**	**2025 £000**	2024 £000	2024 £000	2024 £000
As at 1 February	**43,122**	**(68)**	**43,054**	40,142	(16)	40,126
Total Comprehensive income for the year						
Profit for the financial year	**2,040**	**–**	**2,040**	2,980	–	2,980
Other comprehensive income/(expense) (see *Note 25*)	**–**	**111**	**111**	–	(52)	(52)
Total comprehensive income for the year	**2,040**	**111**	**2,151**	2,980	(52)	2,928
As at 31 January	**45,162**	**43**	**45,205**	43,122	(68)	43,054

The accompanying notes on pages 59 to 88 form an integral part of the Accounts.

Cash Flow Statement
for the year ended 31 January 2025

	2025 £000	2024 £000
Cash flows from operating activities		
Profit before tax	**2,779**	3,962
Adjustments for		
Depreciation, amortisation and impairment	**356**	358
Loss on disposal of fixed assets	**1**	2
(Decrease)/Increase in impairment of loans and advances	**(125)**	128
Amortisation of debt securities	**(1,371)**	–
Total	**1,640**	4,450
Changes in operating assets and liabilities		
Decrease in other assets	**1,216**	2,646
(Decrease)/Increase in other liabilities and accruals	**(1,135)**	1,031
(Increase) in loans and advances to customers incl. fair value hedge adjustment	**(36,593)**	(39,569)
Increase in shares	**97,416**	72,778
Increase in amounts owed to credit institutions and other customers	**27,372**	19,199
(Increase)/Decrease in loans and advances to credit institutions	**–**	–
Taxation paid	**(805)**	(764)
Net cash flows from operating activities	**87,471**	55,321
Cash flows from investing activities		
Purchase of debt securities	**(75,840)**	(14,676)
Sale and maturity of debt securities	**47,000**	–
Purchase of tangible fixed assets	**(36)**	(752)
Disposal of tangible fixed assets	**–**	1
Purchase of intangible assets	**–**	(10)
Net cash flows from investing activities	**(28,876)**	(15,437)
Net Increase in cash and cash equivalents	**60,235**	44,334

	2024 £000	Cash Flows £000	2025 £000
Cash and cash equivalents			
Cash in hand and balances with the Bank of England	**162,434**	**63,001**	**225,435**
Loans and advances to credit institutions – repayable on demand	**9,533**	**(2,766)**	**6,767**
Loans and advances to credit institutions – less than 3 months maturity	**–**	**–**	**–**
	171,967	**60,235**	**232,202**

	2023 £000	Cash Flows £000	2024 £000
Cash in hand and balances with the Bank of England	119,729	42,705	162,434
Loans and advances to credit institutions – repayable on demand	7,904	1,629	9,533
Loans and advances to credit institutions – less than 3 months maturity	–	–	–
	127,633	44,334	171,967

The accompanying notes on pages 59 to 88 form an integral part of the Accounts.

Notes to the Accounts

1. Principal Accounting Policies

Basis of preparation

The Accounts have been prepared in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), as issued in September 2015, including the recognition and measurement provisions of International Accounting Standard 39 Financial Instruments: Recognition and Measurement (as adopted for use in the European Union), as permitted by section 11 of FRS 102.

The financial statements are presented in Sterling (£). There are no foreign currency transactions.

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

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

As noted in the Directors' Report on page 32, the Directors are satisfied that the Society has adequate resources to continue in operational existence for the foreseeable future and therefore these Accounts are prepared on a going concern basis.

Accounting convention

The annual accounts are prepared on a going concern basis under the historic cost convention as modified by the fair value revaluation of available-for-sale assets, derivatives and hedged items.

Consolidation

The Society has one subsidiary undertaking – SBS Mortgages Limited – which is dormant and has share capital and an intercompany loan of £1. The Society has elected not to consolidate the financial results on the basis of materiality. The Accounts are, therefore, presented on a single-entity basis for the Society.

Interest

Interest income and expense is recognised in the Income Statement and Statement of Other Comprehensive Income using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period), to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

Interest income and expense presented in the Income Statement and Statement of Other Comprehensive Income includes:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest rate basis;
- interest on available-for-sale investment securities calculated on an effective interest rate basis;
- the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability, such as arrangement fees, are included in the measurement of the effective interest rate as explained above.

Other fees and commission income, such as transaction charges, are recognised as the related services are performed.

Leases

Assets held under finance leases are recognised as assets of the Society at their fair value or, if lower, at the present value of the minimum lease payments, determined at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised immediately in the Income Statement.

Rental charges under operating leases are charged to the Income Statement evenly over the life of the lease.

Taxation

Tax on the Income Statement for the year comprises current and deferred tax. Tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in the Statement of Other Comprehensive Income, in which case it is recognised directly in the Statement of Other Comprehensive Income.

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

Provision for deferred tax is made, using the liability method, on a non-discounted basis for taxation at the relevant rate in respect of all items where there is a timing difference between their treatment for accounts and taxation purposes except where, in the opinion of the Directors, it is likely that tax assets would not be recoverable in the foreseeable future.

Financial instruments

Recognition

The Society initially recognises loans and advances, deposits, and debt securities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Society becomes a party to the contractual provisions of the instrument.

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

Classification

Financial assets

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

- *Loans and advances*

'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Society does not intend to sell immediately or in the near term.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

- *Available-for-sale*

'Available-for-sale investments' are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprises debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in the Income Statement using the effective interest method. Impairment losses are recognised in the Income Statement.

Other fair value changes, other than impairment losses, are recognised in the Statement of Other Comprehensive Income and presented in the available-for-sale reserve within reserves. When the investment is sold, the gain or loss accumulated in equity is reclassified to the Income Statement.

- *At fair value through profit and loss*

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

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

- *Held to maturity*

There are no financial assets held to maturity.

Fair value hedges

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

The fair value of the Society's derivative financial instruments is measured against the Sterling Overnight Index Average ("SONIA") interest rate as the appropriate benchmark.

Financial liabilities

The Society classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or, in the case of derivative financial instruments, at fair value through the Income Statement.

Derecognition

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

The Society derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Measurement

Amortised cost measurement

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

Fair value measurement

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

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

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

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

Identification and measurement of impairment

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

Objective evidence that financial assets are impaired includes:

a. significant financial difficulty of the borrower or issuer;

b. default or 3-month delinquency by a borrower;

c. the restructuring of a loan or advance by the Society on terms that the Society would not consider otherwise;

d. indications that a borrower or issuer will enter bankruptcy;

e. the disappearance of an active market for a security; or

f. observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The Society considers evidence of impairment for loans and advances at both an individual and collective level. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances that are not individually significant (less than £5,000) are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics.

A collective provision is made against a group of loans and advances where there is objective evidence based on the Society's experience that credit losses have been incurred, but not yet identified, at the reporting date. Where certain emerging impairment characteristics are considered significant but have not been included as part of the impairment calculation, management may elect to apply an overlay to the calculated impairment provision to ensure that the Society has sufficient impairment provisions at the Statement of Financial Position date.

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

Interest on impaired financial assets is recognised at the effective interest rate for the relevant loan. To the extent that interest is not expected to be recovered, an allowance for this is included in the provisions for impairment losses.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value.

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

- Temporary payment reductions;
- Payment plans;
- Capitalisations; and
- Mortgage term extensions.

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

Loans that are subject to restructuring may only be classified as restructured and up-to-date once a specified number and/or amount of qualifying payments have been received. These qualifying payments are set at a level appropriate to the nature of the loan and the customer's ability to make the repayment going forward. Typically the receipt of twelve months' of qualifying payments is required. Loans that have been restructured and would otherwise have been past due or impaired are classified as renegotiated.

Notes to the Accounts

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

Cash and cash equivalents

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

The Cash Flow Statement has been prepared using the indirect method.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

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

- Buildings – 50 years
- Plant and equipment – 4-5 years
- Fixtures and fitting – 10 years
- Motor vehicles – 3-4 years

Intangible assets

Intangible assets that are acquired by the Society are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation starts when the asset becomes available for operational use and is charged to the Income Statement on a straight-line basis over a period of up to 5 years. The assets and the amortisation period are reviewed annually for impairment.

Computer software costs have been classified as intangible assets under FRS 102.

Pension costs

The Society operates defined contribution pension schemes administered by a British life company, the funds of which are separate from those of the Society. Contributions are charged to administrative expenses in the year to which they relate.

Provisions

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

Critical accounting judgements and estimation uncertainty

Information about critical accounting judgements and estimation uncertainties recognised within these financial statements are set out below:

a. *Impairment losses on loans and advances to customers* – the Society reviews its mortgage portfolio regularly to assess impairment. In determining whether an impairment loss should be recorded, the Society is required to exercise a degree of judgement. Impairment provisions are calculated using arrears experience, credit risk characteristics and expected cashflows. Estimates are applied to determine prevailing market conditions and customer behaviour. To the extent that default rates differ from those estimated by 100%, the impairment provisions on loans and advances would change by an estimated £240,000.

b. *Expected mortgage life* – in determining the expected life of mortgage assets, for the purposes of the effective interest rate calculation, the Society uses historical and forecast redemption data as well as management judgement. The accuracy of the estimated expected life would therefore be affected by unexpected changes to these assumptions. A one month increase in the average expected mortgage life would result in an increase in the value of loans on the Statement of Financial Position by approximately £735,000.

2. Interest receivable and similar income

	2025 **£000**	2024 £000
On loans fully secured on residential property	**26,734**	22,792
On other loans	**439**	496
Net Income on derivatives designated in hedging relationships	**4,496**	5,607
Net Income on derivatives designated as fair value through profit and loss	**389**	511
On debt securities:		
– interest and other income	**1,833**	690
On other liquid assets:		
– interest and other income	**9,009**	5,701
	42,900	35,797

Included within loans fully secured on residential property is £130,000 (2024: £116,000) in respect of interest income on impaired loans.

3. Interest payable and similar charges

	2025 **£000**	2024 £000
On shares held by individuals	**22,502**	15,381
On other shares	**5**	6
Net cost on derivatives designated in hedging relationships	**36**	–
On deposits and other borrowings	**5,697**	5,536
	28,240	20,923

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

	2025 **£000**	2024 £000
Derivatives in designated fair value hedge relationships	**(1,399)**	(5,261)
Adjustment to hedged items in fair value hedge accounting relationships	**1,492**	5,237
Derivatives not in designated fair value hedge relationships	**24**	(210)
	117	(234)

Notes to the Accounts

5. Administrative expenses

	2025 £000	2024 £000
Staff costs	**6,754**	6,057
Other expenses, including restructuring costs	**5,029**	4,122
Administrative expenses	**11,783**	10,179

Included in other expenses are the following charges:		
– Property leasing costs	**140**	134
– Remuneration of auditors (excl. VAT):		
Audit of the Annual Accounts under FRS 102	**153**	99
Audit related services	**-**	-

Auditors remuneration includes £1,500 in relation to the audit of Country-by-Country Reporting information (2024: £1,500).

6. Staff numbers and costs

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

	Full time		**Part time**	
	2025	2024	**2025**	2024
Head Office	**57**	54	**9**	7
Relationship Centres/Distribution	**32**	28	**9**	9
	89	82	**18**	16

The aggregate costs of employment of these persons were as follows:

	2025 £000	2024 £000
Wages and salaries	**5,409**	5,083
Social security costs	**603**	515
Pension costs	**742**	459
	6,754	6,057

7. Directors' remuneration

Individual Directors' remuneration of £815,443 (2024: £756,516) is detailed in the Directors' Remuneration Report on pages 42 & 43.

8. Tax expense

	2025 £000	2024 £000
Current Tax		
Corporation tax charge for the year at 25% (2024: 24.03%)	**775**	996
Adjustment in respect of prior year	**(67)**	(52)
Total current tax charge for the year	**708**	944
Deferred tax		
Deferred tax (credit)/charge for the year *(Note 23)*	**(39)**	38
Adjustment in respect of prior year	**70**	–
Total deferred tax charge for the year	**31**	38
Total tax charge for the year	**739**	982

Current tax and deferred tax has been provided at the rate of 25%.

The charge for the year can be reconciled to the profit per the Income Statement as follows:

	2025 £000	2024 £000
Profit on ordinary activities before taxation	**2,779**	3,962
Profit on ordinary activities multiplied by the statutory rate of corporation tax of 25% (2024: 24.03%)	**695**	952
Effects of:		
Expenses not deductible for corporation tax purposes	**41**	31
Income not taxable	**–**	(1)
Effect of change of tax rate on deferred tax	**–**	(1)
Adjustment in respect of prior year	**3**	1
Total tax charge for the year	**739**	982

The total tax charge is recognised as shown in the following table:

	Current tax 2025 £000	Deferred tax 2025 £000	Total tax 2025 £000	Current tax 2024 £000	Deferred tax 2024 £000	Total tax 2024 £000
Recognised in income statement	**708**	**31**	**739**	944	38	982
Recognised in other comprehensive income	**–**	**37**	**37**	–	(17)	(17)
Total Tax	**708**	**68**	**776**	944	21	965

A tax charge of £37,000 (2024: credit of £17,000) has been recognised in the available-for-sale reserves.

Notes to the Accounts

9. Loans and advances to credit institutions

	2025 £000	2024 £000
Accrued interest	**-**	-
Repayable on demand	**6,767**	9,533
In not more than three months	**-**	-
In more than three months but not more than one year	**-**	-
Non-defined maturity	**-**	-
	6,767	9,533

10. Debt securities

	2025 £000	2024 £000
Floating rate notes	**-**	7,063
UK Treasury Gilts	**17,548**	14,561
UK Treasury Bills	**34,435**	-
	51,983	21,624
Debt securities have remaining maturities as follows:		
Accrued interest	**124**	103
In not more than one year	**46,859**	16,587
In more than one year	**5,000**	4,934
	51,983	21,624
Transferable debt securities comprise:		
Listed	**17,677**	22,010
Unlisted	**34,425**	-
Unamortised premia	**(119)**	(386)
	51,983	21,624
Market Value of listed debt securities	**51,983**	21,624
Movements during the year of debt securities:		
At 1 February	**21,624**	7,017
Additions	**75,840**	14,294
Disposals and maturities	**(47,000)**	-
Accrued interest	**21**	69
Movement in Premium and Amortisation	**1,350**	313
Net gains/(losses) from changes in fair value recognised in other comprehensive income	**148**	(69)
As at 31 January	**51,983**	21,624

11. Loans and advances to customers

	2025 £000	2024 £000
Loans fully secured on residential property	**570,590**	535,335
Loans fully secured on land	**5,209**	6,071
Fair value adjustment for hedged risk	**(3,579)**	(5,904)
	572,220	535,502

Maturity Analysis

The remaining maturity of loans and advances to customers as at the date of the balance sheet is as follows:

	2025 £000	2024 £000
On call and at short notice	**984**	1,187
In not more than three months	**5,009**	4,110
In more than three months but not more than one year	**14,684**	13,260
In more than one year but not more than five years	**87,433**	81,956
In more than five years	**464,660**	435,664
	572,770	536,177
Less allowance for impairment *(Note 12)*	**(550)**	(675)
	572,220	535,502

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

The Society has pledged as collateral £60.0m (2024: £70.5m) of mortgages to the Bank of England under the Term Funding Scheme with additional incentives for SMEs (TFSME).

Notes to the Accounts

12. Allowance for impairment on loans and advances

	Individual Impairment 2025 £000	Collective Impairment 2025 £000	Total 2025 £000
Loans fully secured on residential property:			
At 1 February	**390**	**285**	**675**
Amounts written off during the year, net of recoveries	**–**	**–**	**–**
(Release) for the year	**(80)**	**(45)**	**(125)**
As at 31 January	**310**	**240**	**550**

	Individual Impairment 2024 £000	Collective Impairment 2024 £000	Total 2024 £000
Loans fully secured on residential property:			
At 1 February	309	283	592
Amounts written off during the year, net of recoveries	(45)	–	(45)
Charge for the year	126	2	128
As at 31 January	390	285	675

13. Movements in values of acquired assets

Following the merger with the Century Building Society on 1 February 2013, the Society acquired assets which were subsequently subject to a fair value adjustment. Movements in the fair value adjustment of those assets during the year are as outlined below:

	2025 £000	2024 £000
Further impairment of acquired assets	**–**	–
Increase in value of acquired assets	**10**	2
	10	2

14. Investment in subsidiary undertaking

During the year, the Society had a 100% (2024: 100%) holding of the ordinary share capital in its sole subsidiary, SBS Mortgages Ltd, a company incorporated in Scotland under the Companies Act. The subsidiary company was dormant for the full year to 31 January 2025 having sold its mortgage assets to the Society at book value and settled the intercompany loan via a dividend payment on 27 October 2016.

For the duration of the financial year, and as at 31 January 2025, SBS Mortgages Ltd had Share Capital of £1. The Society has elected not to consolidate the financial results on the basis of materiality.

15. Tangible fixed assets

	Land & Buildings Freehold 2025 £000	Land & Buildings Short Leasehold 2025 £000	Office Equipment 2025 £000	Motor Vehicles 2025 £000	Total 2025 £000
Cost					
As at 1 February	2,340	706	1,299	107	4,452
Additions	–	–	36	–	36
Disposals	–	–	(200)	(56)	(256)
As at 31 January	2,340	706	1,135	51	4,232
Accumulated depreciation					
As at 1 February	792	168	639	50	1,649
Charged in the year	46	72	122	24	264
Impairment	–	–	–	–	–
Disposals	–	–	(199)	(56)	(255)
As at 31 January	838	240	562	18	1,658
Net book value					
As at 31 January	1,502	466	573	33	2,574

15. Tangible fixed assets (continued)

	Land & Buildings Freehold 2024 £000	Land & Buildings Short Leasehold 2024 £000	Office Equipment 2024 £000	Motor Vehicles 2024 £000	Total 2024 £000
Cost					
As at 1 February	2,340	316	1,028	76	3,760
Additions	3	390	308	51	752
Disposals	(3)	–	(37)	(20)	(60)
As at 31 January	2,340	706	1,299	107	4,452
Accumulated depreciation					
As at 1 February	755	109	559	42	1,465
Charged in the year	38	59	116	28	241
Impairment	–	–	–	–	–
Disposals	(1)	–	(36)	(20)	(57)
As at 31 January	792	168	639	50	1,649
Net book value					
As at 31 January	1,548	538	660	57	2,803

The net book value of freehold and leasehold property occupied by the Society for its own activities was as follows:

	2025 £000	2024 £000
As at 31 January	**1,502**	1,548

The net book value of motor vehicles includes an amount of £33,000 (2024: £57,000) in respect of assets held under finance leases.

Depreciation charged in the year on these assets amounted to £24,000 (2024: £28,000).

Property is subject to external valuation every three years or sooner if management/directors believe factors have occurred which could impact on the carrying value of property assets. In giving consideration to the future use of the Society's Head Office and Relationship Centre premises, an independent valuation was carried out on 21 November 2022. As a result of the valuation provided, and considering the future use of the Head Office premises and the Relationship Centres, the carrying value of the Society's Head Office was revised upward from £817k to £923k in the year to 31 January 2023, while the Aberdeen and Inverness Relationship Centres were impaired by £141k in the year to 31 January 2023 from £681k to £540k. The Directors consider these valuations to be an appropriate carrying value for the premises at 31 January 2025.

The fair valuation report was prepared by a Royal Institute of Chartered Surveyors ("RICS") registered valuer in accordance with the RICS Valuation – Global Standards 2017 incorporating International Valuation Standards Council international valuation standards. The carrying value is based on the estimated market value and fair valuation, based on vacant possession, in an arms length transaction.

16. Intangible assets

	Computer Software 2025 £000	Computer Software 2024 £000
Cost		
As at 1 February	**1,161**	1,151
Additions	**–**	10
Disposals	**(391)**	–
As at 31 January	**770**	1,161
Accumulated amortisation		
As at 1 February	**1,026**	909
Charged in the year	**92**	117
Disposals	**(391)**	–
As at 31 January	**727**	1,026
Net book value		
As at 31 January	**43**	135

17. Other assets

	2025 £000	2024 £000
Prepayments and accrued income	**2,617**	1,884
Other Debtors	**14**	5
	2,631	1,889

Prepayments and accrued income includes balances relating to the implementation of software provided under contractual arrangements as a service but not under the full ownership or control of the Society. These balances are amortised over the duration of the related contract.

Notes to the Accounts

18. Shares

	2025 £000	2024 £000
a) Held by individuals	**588,177**	490,757
Other shares	**128**	176
Fair value adjustment for hedged risk	**44**	–
	588,349	490,933
b) Repayable from the date of the Financial Statements in the ordinary course of business as follows:		
Accrued interest	**15,284**	11,504
On demand	**320,036**	275,739
In not more than three months	**65,339**	45,465
In more than three months but not more than one year	**121,940**	78,511
In more than one year but not more than five years	**65,750**	79,714
	588,349	490,933

19. Amounts owed to credit institutions

	2025 £000	2024 £000
Repayable from the date of the Financial Statements in the ordinary course of business as follows:		
Accrued interest	**133**	295
On demand	**4,221**	5,551
In not more than three months	**-**	2,000
In more than three months but not more than one year	**24,500**	4,000
In more than one year but not more than five years	**-**	40,000
	28,854	51,846

Included in the amounts above for 2025 is £20m (2024: £40m) borrowed from the Bank of England under the Term Funding Scheme with additional incentives for SMEs (TFSME).

On demand includes £4.2m of cash collateral received from swap counterparties under Bilateral Credit Support Annexes (2024: £5.6m), the duration of which is subject to movements in the fair value of interest rate swaps.

20. Amounts owed to other customers

	2025 £000	2024 £000
Repayable from the date of the Financial Statements in the ordinary course of business as follows:		
Accrued interest	**69**	113
Repayable on demand	**197,447**	147,039
In not more than three months	**1,000**	3,000
In more than three months but not more than one year	**2,000**	–
	200,516	150,152

21. Derivative financial instruments

	Assets 2025 £000	Liabilities 2025 £000	Assets 2024 £000	Liabilities 2024 £000
Derivatives designated as fair value hedges:				
Interest rate swaps	**4,823**	**(1,445)**	6,738	(1,960)
Derivatives designated as fair value through profit and loss:				
Interest rate swaps	**-**	**(8)**	43	(75)
As at 31 January	**4,823**	**(1,453)**	6,781	(2,035)

At 31 January 2025 the Society held £4.2m cash collateral in respect of derivative contracts (2024: £5.6m).

22. Other liabilities and accruals

	2025 £000	2024 £000
Other Liabilities		
Corporation tax	**306**	403
Finance leases *(Note 28)*	**32**	51
Other creditors	**572**	1,105
Accruals and deferred income	**947**	948
	1,857	2,507

23. Deferred tax

	2025 £000	2024 £000
Provided:		
Timing differences between capital allowances and depreciation	**229**	199
FRS 102 transitional adjustments	**-**	(1)
Recognised in other comprehensive income	**13**	(23)
Other timing differences	**-**	(1)
	242	174
As at 1 February	**174**	153
Adjustment in respect of prior year	**70**	–
Deferred tax (credit)/charge for the financial year *(Note 8):*		
– Income Statement	**(39)**	38
Deferred tax charge/(credit) for the financial year *(Note 8):*		
– other comprehensive income	**37**	(17)
As at 31 January	**242**	174

24. General reserves

	2025 £000	2024 £000
As at 1 February	**43,122**	40,142
Profit for the year	**2,040**	2,980
As at 31 January	**45,162**	43,122

25. Available-for-sale reserves

	2025 £000	2024 £000
As at 1 February	**(68)**	(16)
Valuation gains/(losses) recognised directly in other comprehensive income net of tax	**111**	(52)
As at 31 January	**43**	(68)

When an investment is sold, the gain or loss accumulated in equity is reclassified to the Income Statement.

26. Financial instruments

The Society uses financial instruments to invest liquid asset balances and raise wholesale funding. The Society also uses derivative financial instruments (derivatives) to manage the risks arising from its operations.

The Society uses derivatives for economic hedging purposes only. The Society does not run a trading book.

The Society's core business is to provide its members with financial products appropriate to their needs. The Society uses wholesale financial instruments to invest in liquid assets and to raise funds from wholesale money markets in support of its retail savings operations. These instruments also allow it to manage the financial risks arising from these business activities.

The Society has a well-established formal structure for managing financial risks which includes formal risk policies, risk limits, reporting structures, mandates and control procedures. This structure begins with the Board of Directors and its Asset & Liability Committee.

Financial instruments used by the Society for risk management purposes include derivative instruments. In accordance with the Building Societies Act 1986 such instruments are only used to limit the extent to which the Society will be affected by changes in interest rates.

As part of its responsibilities, the Board approves the use of specified instruments within approved limits and business activities. The Society does not undertake transactions for trading or speculative purposes.

The Board approves the use of interest rate swaps in order to manage the Society's balance sheet risk exposures. These instruments are used to protect the Society from exposures arising principally from fixed-rate mortgage lending and from fixed-rate savings products and deposit funding. The duration of the contracts is generally short to medium-term and their maturity profile reflects the nature of exposures arising from underlying business activities.

The notional principal of these instruments reflects the extent of the Society's involvement in the instruments, but does not represent its exposure to credit risk which is assessed by reference to the fair value.

26. Financial instruments (continued)

Categories of financial assets and liabilities

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost. *Note 1* 'Financial instruments' describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the Society's financial assets and liabilities by financial classification:

Carrying values by category as at 31 January 2025	**Held at amortised cost**		**Held at fair value**			
	Loans and receivables £000	**Financial assets and liabilities at amortised cost £000**	**Available-for-sale £000**	**Derivatives designated as fair value hedges £000**	**Unmatched derivatives £000**	**Total £000**
Financial assets						
Cash in hand and with Bank of England	–	225,435	–	–	–	225,435
Loans and advances to credit institutions	6,767	–	–	–	–	6,767
Debt securities	–	–	51,983	–	–	51,983
Derivative financial instruments	–	–	–	4,823	–	4,823
Loans and advances to customers	572,220	–	–	–	–	572,220
	578,987	225,435	51,983	4,823	–	861,228
Total non-financial assets						5,248
Total assets						866,476
Financial liabilities						
Shares	–	588,349	–	–	–	588,349
Amounts owed to credit institutions	–	28,854	–	–	–	28,854
Amounts owed to other customers	–	200,516	–	–	–	200,516
Derivative financial instruments	–	–	–	1,445	8	1,453
	–	817,719	–	1,445	8	819,172
Total non-financial liabilities						2,099
Reserves						45,205
Total liabilities and reserves						866,476

26. Financial instruments (continued)

Carrying values by category as at 31 January 2024	Held at amortised cost		Held at fair value			
	Loans and receivables	Financial assets and liabilities at amortised cost	Available-for-sale	Derivatives designated as fair value hedges	Unmatched derivatives	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Cash in hand and with Bank of England	–	162,434	–	–	–	162,434
Loans and advances to credit institutions	9,533	–	–	–	–	9,533
Debt securities	–	–	21,624	–	–	21,624
Derivative financial instruments	–	–	–	6,738	43	6,781
Loans and advances to customers	535,502	–	–	–	–	535,502
	545,035	162,434	21,624	6,738	43	735,874
Total non-financial assets						4,827
Total assets						740,701
Financial liabilities						
Shares	–	490,933	–	–	–	490,933
Amounts owed to credit institutions	–	51,846	–	–	–	51,846
Amounts owed to other customers	–	150,152	–	–	–	150,152
Derivative financial instruments	–	–	–	1,960	75	2,035
	–	692,931	–	1,960	75	694,966
Total non-financial liabilities						2,681
Reserves						43,054
Total liabilities and reserves						740,701

Loans and advances to customers in the above table includes a £3.6m liability (2024: £5.9m liability) in relation to fair value adjustments in respect of hedged fixed-rate mortgages.

At the year end, the Society has loan commitments to customers of £15.5m (2024: £14.4m) measured at cost less impairment.

26. Financial instruments (continued)

Valuation of financial instruments carried at fair value

The Society holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy (see below).

Valuation techniques

Fair values are determined using the following fair value hierarchy that reflects the significance of the inputs in measuring fair value:

Level 1 The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Society's Level 1 portfolio comprises debt securities for which traded prices are readily available.

Level 2 These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists and quoted prices are available for similar instruments in active markets. The Society's Level 2 portfolio comprises interest rate swaps. The valuation of interest rate swaps is based on the 'present value' method. Expected interest cash flows are discounted using the prevailing SONIA yield curve. The yield curve is 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.

Level 3 These are valuation techniques for which one or more significant input is not based on observable market data. The Society currently does not hold any Level 3 instruments.

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
31 January 2025				
Financial assets				
Debt securities	**51,983**	**–**	**–**	**51,983**
Derivative financial instruments	**–**	**4,823**	**–**	**4,823**
	51,983	**4,823**	**–**	**56,806**
Financial liabilities				
Derivative financial instruments	**–**	**1,453**	**–**	**1,453**
	–	**1,453**	**–**	**1,453**
31 January 2024				
Financial assets				
Debt securities	21,624	–	–	21,624
Derivative financial instruments	–	6,781	–	6,781
	21,624	6,781	–	28,405
Financial liabilities				
Derivative financial instruments	–	2,035	–	2,035
	–	2,035	–	2,035

26. Financial instruments (continued)

Credit Risk

Credit risk is the risk that a borrower or counterparty will cause a financial loss for the Society by failing to discharge an obligation.

All loan applications are assessed with reference to the Society's lending policy. Changes to policy are recommended by the Retail Credit Committee and approved by the Board and loan applications are approved in accordance with delegated lending authorities. The Asset & Liability Committee is responsible for recommending treasury counterparties to the Board for approval.

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

	2025 £000	2024 £000
Cash in hand and with Bank of England	**225,435**	162,434
Loans and advances to credit institutions	**6,767**	9,533
Debt securities	**51,983**	21,624
Derivative financial instruments	**4,823**	6,781
Loans and advances to customers	**572,220**	535,502
Total Statement of Financial Position exposure	**861,228**	735,874
Statement of Financial Position exposure commitments	**15,508**	14,404

Credit quality analysis of loans and advances to credit institutions, debt securities and derivative financial instruments

	AAA £000	**AA- £000**	**A+ £000**	**Total £000**
31 January 2025				
Loans and advances to credit institutions	**–**	**368**	**6,399**	**6,767**
Debt securities	**–**	**51,983**	**–**	**51,983**
Derivative financial instruments	**–**	**3,541**	**1,282**	**4,823**
	–	**55,892**	**7,681**	**63,573**
31 January 2024				
Loans and advances to credit institutions	–	–	9,533	9,533
Debt securities	7,063	14,561	–	21,624
Derivative financial instruments	–	–	6,781	6,781
	7,063	14,561	16,314	37,938

26. Financial instruments (continued)

Credit Risk (continued)

Credit quality analysis of loans and advances to customers

The tables below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Society against those assets.

	2025			2024		
	Loans fully secured on residential property £000	**Loans fully secured on land £000**	**Other loans £000**	Loans fully secured on residential property £000	Loans fully secured on land £000	Other loans £000
Neither past due nor impaired	**559,688**	**5,209**	**–**	523,642	6,071	–
Past due but not impaired						
30 – 60 days	**1,080**	**–**	**–**	1,020	–	–
60 – 90 days	**1,120**	**–**	**–**	915	–	–
90 – 180 days	**1,983**	**–**	**–**	1,271	–	–
180 days+	**2,077**	**–**	**–**	1,541	–	–
	6,260	**–**	**–**	4,747	–	–
Individually impaired						
Not past due	**71**	**–**	**–**	181	–	–
30 – 60 days	**319**	**–**	**–**	–	–	–
60 – 90 days	**–**	**–**	**–**	342	–	–
90 – 180 days	**–**	**–**	**–**	435	–	–
180 days+	**1,092**	**–**	**–**	759	–	–
Possession	**131**	**–**	**–**	–	–	–
	1,613	**–**	**–**	1,717	–	–
Allowance for impairment						
Individual	**(310)**	**–**	**–**	(390)	–	–
Collective	**(240)**	**–**	**–**	(285)	–	–
Total allowance for impairment	**(550)**	**–**	**–**	(675)	–	–

The Society holds collateral against loans and advances to customers in the form of mortgages over residential property and land.

Individual assessments are made of all mortgage loans where objective evidence indicates that losses are likely (for example when loans are past due) or the property is in possession, or where fraud or negligence has been identified. Further consideration is given in *Note 1* to the Accounts.

The following table stratifies credit exposures from mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount committed for loan commitments – to the value of the collateral. The gross amounts exclude any impairment allowance. The valuation of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral for residential mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

26. Financial instruments (continued)

Credit Risk (continued)

The Society does not take physical possession of properties held as collateral and uses external agents to realise the value as soon as practicable to settle indebtedness. Any surplus funds are returned to the borrower or are otherwise dealt with in accordance with appropriate insolvency regulations.

	2025 £000	2024 £000
LTV		
Less than 50%	**264,959**	239,412
51%-70%	**178,561**	168,791
71%-90%	**122,842**	117,790
91%-100%	**6,408**	10,184
More than 100%	**-**	-
As at 31 January	**572,770**	536,177

Forbearance

All temporary payment reductions are agreed for periods relevant to the borrower's circumstances. The arrangement will be subject to regular review with the aim of the borrower re-commencing the contractual monthly payment, together with repayment of the payment shortfall as soon as they are in a position to do so.

Payment plans are agreed to enable borrowers to reduce their arrears balances by an agreed amount per month which is paid in addition to their standard monthly repayment.

Capitalisation occurs where arrears are added to the capital balance outstanding for the purposes of restructuring the loan.

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

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

Regular monitoring of the level of and different types of forbearance activity are reported to the Retail Credit Committee on a quarterly basis. In addition, all forbearance arrangements are reviewed and discussed with the borrower on a regular basis to assess the on-going potential risk to the Society and the suitability of the arrangement for the borrower.

The table below details the number of forbearance cases applied as at the year-end:

	2025	2024
Temporary payment reductions	**-**	1
Payment plans	**24**	19
Capitalisations	**-**	-
Mortgage term extensions	**-**	-
	24	20

Notes to the Accounts

26. Financial instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Society will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Society's policy is to maintain sufficient funds in a liquid form at all times to ensure that the Society can meet its liabilities as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities and to provide a degree of protection against any unexpected developments that might arise.

Maturity analysis for financial assets and financial liabilities

The tables below set out the remaining contractual maturities of the Society's financial liabilities and financial assets. In practice, contractual maturities are not always reflected in actual experience. For example, loans and advances to customers tend to repay ahead of contractual maturity and customer deposits (for example shares) are likely to be repaid later than on the earliest date on which repayment can be required.

As at 31 January 2025	**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**	**Non-defined maturity**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Financial assets							
Cash in hand and with Bank of England	225,358	-	-	-	-	77	225,435
Loans and advances to credit institutions	6,767	-	-	-	-	-	6,767
Debt securities	-	4,947	41,912	5,000	-	124	51,983
Derivative financial instruments	-	12	276	4,519	16	-	4,823
Loans and advances to customers	984	5,009	14,684	87,433	464,660	(550)	572,220
Other assets	-	-	-	-	-	5,248	5,248
	233,109	9,968	56,872	96,952	464,676	4,899	866,476
Financial liabilities and reserves							
Shares	320,036	65,339	121,940	65,750	-	15,284	588,349
Amounts owed to credit institutions	4,221	-	24,500	-	-	133	28,854
Amounts owed to other customers	197,447	1,000	2,000	-	-	69	200,516
Derivative financial instruments	-	-	8	1,445	-	-	1,453
Other liabilities	-	-	-	-	-	2,099	2,099
Reserves	-	-	-	-	-	45,205	45,205
	521,704	66,339	148,448	67,195	-	62,790	866,476

26. Financial instruments (continued)

Liquidity Risk (continued)

As at 31 January 2024	On demand	Not more than three months	More than three months but not more than one year	More than one year but not more than five years	More than five years	Non-defined maturity	Total
	£000	£000	£000	£000	£000	£000	£000
Financial assets							
Cash in hand and with Bank of England	162,348	–	–	–	–	86	162,434
Loans and advances to credit institutions	9,533	–	–	–	–	–	9,533
Debt securities	–	–	16,587	4,934	–	103	21,624
Derivative financial instruments	–	43	344	6,360	34	–	6,781
Loans and advances to customers	1,187	4,110	13,260	81,956	435,664	(675)	535,502
Other assets	–	–	–	–	–	4,827	4,827
	173,068	4,153	30,191	93,250	435,698	4,341	740,701
Financial liabilities and reserves							
Shares	275,739	45,465	78,511	79,714	–	11,504	490,933
Amounts owed to credit institutions	5,551	2,000	4,000	40,000	–	295	51,846
Amounts owed to other customers	147,039	3,000	–	–	–	113	150,152
Derivative financial instruments	–	–	–	2,029	6	–	2,035
Other liabilities	–	–	–	–	–	2,681	2,681
Reserves	–	–	–	–	–	43,054	43,054
	428,329	50,465	82,511	121,743	6	57,647	740,701

26. Financial instruments (continued)

Liquidity Risk (continued)

The tables below show the Society's gross contractual cash flows payable under financial liabilities:

As at 31 January 2025	**On demand £000**	**Not more than three months £000**	**More than three months but not more than one year £000**	**More than one year but not more than five years £000**	**More than five years £000**	**Total £000**
Financial liabilities						
Shares	**328,571**	**67,082**	**125,192**	**67,504**	**–**	**588,349**
Amounts owed to credit institutions	**4,239**	**81**	**24,534**	**–**	**–**	**28,854**
Amounts owed to other customers	**197,457**	**1,025**	**2,034**	**–**	**–**	**200,516**
	530,267	**68,188**	**151,760**	**67,504**	**–**	**817,719**

As at 31 January 2024	On demand £000	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Total £000
Financial liabilities						
Shares	275,739	45,465	78,511	79,714	–	479,429
Amounts owed to credit institutions	5,551	2,000	4,000	40,000	–	51,551
Amounts owed to other customers	147,039	3,000	–	–	–	150,039
	428,329	50,465	82,511	119,714	–	681,019

The analysis of gross contractual cash flows differs from the maturity analysis above due to the inclusion of accrued interest.

26. Financial instruments (continued)

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Society is exposed to movements in interest rates reflecting the mismatch between the dates on which interest receivable on assets and interest payable on liabilities are next reset to market rates or, if earlier, the dates on which the instruments mature. The Society manages this exposure through the use of financial instruments within defined parameters to provide a hedge against identified exposure in fixed-rate lending.

The table below summarises these re-pricing mismatches as at 31 January 2025. Items are allocated to time bands by reference to the earlier of the next interest rate re-pricing date and the maturity date.

As at 31 January 2025	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
	£000	£000	£000	£000	£000	£000
Financial assets						
Liquid assets:	237,072	41,912	5,000	-	201	284,185
Cash in hand with Bank of England	225,358	-	-	-	77	225,435
Loans and advances to credit institutions	6,767	-	-	-	-	6,767
Debt securities	4,947	41,912	5,000	-	124	51,983
Derivative financial instruments	-	-	-	-	4,823	4,823
Loans and advances to customers	223,162	56,299	295,315	-	(2,556)	572,220
Tangible fixed assets	-	-	-	-	2,574	2,574
Intangible fixed assets	-	-	-	-	43	43
Other assets	-	-	-	-	2,631	2,631
	460,234	98,211	300,315	-	7,716	866,476
Financial liabilities						
Shares	385,375	121,940	65,750	-	15,284	588,349
Amounts owed to credit institutions	4,221	24,500	-	-	133	28,854
Amounts owed to other customers	198,447	2,000	-	-	69	200,516
Derivative financial instruments	-	-	-	-	1,453	1,453
Other liabilities and accruals	-	-	-	-	2,099	2,099
Reserves	-	-	-	-	45,205	45,205
	588,043	148,440	65,750	-	64,243	866,476
Notional amount of interest rate swaps	258,300	(10,500)	(244,800)	(3,000)	-	-
Interest rate sensitivity gap	130,491	(60,729)	(10,235)	(3,000)	(56,527)	-
Cumulative Gap	130,491	69,762	59,527	56,527	-	

Notes to the Accounts

26. Financial instruments (continued)

Market Risk (continued)

As at 31 January 2024	Not more than three months £000	More than three months but not more than one year £000	More than one year but not more than five years £000	More than five years £000	Non-interest bearing £000	Total £000
Financial assets						
Liquid assets:	178,889	9,579	4,934	–	189	193,591
Cash in hand with Bank of England	162,348	–	–	–	86	162,434
Loans and advances to credit institutions	9,533	–	–	–	–	9,533
Debt securities	7,008	9,579	4,934	–	103	21,624
Derivative financial instruments	–	–	–	–	6,781	6,781
Loans and advances to customers	268,096	44,251	228,506	–	(5,351)	535,502
Tangible fixed assets	–	–	–	–	2,803	2,803
Intangible fixed assets	–	–	–	–	135	135
Other assets	–	–	–	–	1,889	1,889
	446,985	53,830	233,440	–	6,446	740,701
Financial liabilities						
Shares	321,204	78,511	79,714	–	11,504	490,933
Amounts owed to credit institutions	47,551	4,000	–	–	295	51,846
Amounts owed to other customers	150,039	–	–	–	113	150,152
Derivative financial instruments	–	–	–	–	2,035	2,035
Other liabilities and accruals	–	–	–	–	2,681	2,681
Reserves	–	–	–	–	43,054	43,054
	518,794	82,511	79,714	–	59,682	740,701
Notional amount of interest rate swaps	185,300	(19,300)	(161,000)	(5,000)	–	–
Interest rate sensitivity gap	113,491	(47,981)	(7,274)	(5,000)	(53,236)	–
Cumulative Gap	113,491	65,510	58,236	53,236	–	

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 100-basis point parallel fall or rise in the yield curve in a 12-month period. A 1% rate change will result in a net interest income change of £935k for one year (2024: £1,100k).

27. Capital structure

Gross capital is defined as general reserves as shown in the Society's Statement of Financial Position, and free capital as the aggregate of gross capital and collective impairment provisions less tangible and intangible fixed assets. The Directors ensure that a satisfactory level of capital is maintained to protect the Society against adverse market movements or changes in economic conditions.

At the year end the ratio of gross capital as a percentage of total shares and deposit liabilities was 5.53% (2024: 6.21%) and free capital was 5.24% (2024: 5.83%).

The Society's policy is to maintain a strong capital base to maintain member, creditor and market confidence and to sustain future development of the business. The formal ICAAP (Internal Capital Adequacy Assessment Process) assists the Board with management of capital. Through its annual Corporate Plan the Board monitors the Society's capital position to assess whether adequate capital is held to mitigate the risks faced in the course of the Society's business activities. The Society's actual capital position is reviewed against stated risk appetite and against its regulatory Total Capital Requirement (TCR).

The Society's capital requirements are set and monitored by the Prudential Regulation Authority (PRA).

There were no reported breaches of capital requirements during the year.

As at 31 January 2025, the Society's Total Capital Requirement (TCR) was 8% of Risk Weighted Assets (RWAs) plus regulatory capital buffers. The Society's capital resources were as outlined below:

	Note	**2025 £000**	2024 £000
Common Equity Tier 1 Capital			
General reserves	*24*	**45,162**	43,122
Available-for-sale reserves	*25*	**43**	(68)
Prudent valuation adjustment		**(52)**	(22)
Intangible assets	*16*	**(43)**	(135)
Total common equity tier 1 capital		**45,110**	42,897
Tier 2 Capital			
Collective provision	*12*	**240**	285
Total regulatory capital		**45,350**	43,182

28. Guarantees and other financial commitments

a) At 31 January, non-cancellable operating lease payments for land and buildings were:

	2025 £000	2024 £000
Within one year	**149**	145
Between one and five years	**608**	665
More than five years	**333**	441
	1,090	1,251

28. Guarantees and other financial commitments (continued)

b) At 31 January, amounts payable under finance leases were:

	2025 **£000**	2024 £000
Within one year	**11**	20
Between one and five years	**21**	32
More than five years	**-**	-
	32	52

29. Related parties

Key management personnel remuneration

Remuneration of the key management personnel, who are not Executive Directors, for the year was: £1,503k (2024: £1,453k).

Transactions with Directors and key management personnel

In the normal course of business, Directors, key management personnel, and their close family members, transacted with the Society. The year end balances of transactions with key management personnel, and their close family members, are as follows:

	2025 **Number**	**£000**	2024 Number	£000
Loans and advances to customers	**4**	**614**	4	626
Deposits and share accounts	**45**	**2,300**	39	597

The aggregate amount outstanding at 31 January 2025 in respect of loans, transactions and arrangements made by the Society to Directors or persons connected with a Director was £460,789 (2024: £467,379) comprising secured mortgages to family members of three Directors at normal commercial rates and under the Society's standard terms and conditions.

A Register of loans and transactions subsisting between the Society and its Directors (and connected persons) is maintained. This Register is available for inspection by any member of the Society at the Society's Head Office for a period of fifteen days prior to the Annual General Meeting and at the Annual General Meeting.

30. Post balance sheet subsequent events

The Directors do not consider that there have been any events since the year-end that have a material effect on the financial position of the Society as at 31 January 2025.

31. Registered office

The Scottish Building Society is incorporated in Scotland, UK under the Building Societies Act 1986.

The address of the Society's registered office, which is also the head office, is:

Scottish Building Society
SBS House
193 Dalry Road
Edinburgh
EH11 2EF

Country-by-Country Reporting

Independent auditors' report to the members of Scottish Building Society

Report on the audit of the country-by-country information

Opinion

In our opinion, Scottish Building Society's country-by-country information for the year ended 31 January 2025 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 January 2025 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Society in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- A risk assessment to identify critical factors that could impact the going concern basis of accounting, including the current and forecast financial performance and certain regulatory metrics. As part of our risk assessment, we reviewed and considered the Society's financial plan, ICAAP and ILAAP;
- Evaluation of management's going concern assessment, including consideration of the stress testing;
- Evaluation of the reasonableness of the Society's forecasts, including liquidity and regulatory capital risk over the going concern period; and
- Evaluation of the appropriateness of the disclosures in the Annual Report & Accounts.

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

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Society's ability to continue as a going concern.

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

Country-by-Country Reporting

Independent auditors' report to the directors of Scottish Building Society

Responsibilities for the country-by-country information and the audit

Responsibilities of the directors for the country-by-country information

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation statement to the country-by-country information, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 this country-by-country information.

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.

Based on our understanding of the Society/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of banking regulations including, but not limited to, the Financial Conduct Authority's regulations, the Prudential Regulation Authority's regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to manipulate financial performance and the application of management bias in significant accounting estimates. Audit procedures performed included:

- Enquiries of management and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Assessment of matters reported on the Society's whistleblowing helpline and the results of management's investigation of such matters;
- Review of internal audit reports, in so far as they related to the annual accounts;
- Review of correspondence with, and reports to, the PRA and the FCA;
- Challenging assumptions and judgements made by management in forming significant accounting estimates; and
- Testing of journal entries which contained unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, 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 or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the Society's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
28 March 2025

Directors' responsibilities in relation to the Country-by-Country Reporting (CBCR) information

The CBCR information comprises the information discussed below.

The Directors of the Society are responsible for preparing the CBCR information for the year ended 31 January 2025 in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013. In preparing the CBCR information, the Directors are responsible for:

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

Country-by-Country report

Scottish Building Society is a UK-registered entity, with 100% of its activities within the UK.

The Society's total operating income, profit before tax, tax on profit, public subsidies received and the number of full time equivalent employees during the year to 31 January 2025 were:

	2025 **£000**	2024 £000
Total operating income	**14,783**	14,625
Profit before tax	**2,779**	3,962
Tax paid in year	**805**	764
Public subsidies received	**-**	-
Average number of employees on FTE basis	**101**	92

The country-by-country information has been prepared under FRS102 and on the following basis:

- Total operating income represents Total Net Income for the Society as disclosed in the Income Statement.
- Profit before tax represents Profit before tax as disclosed in the Income Statement.
- Tax paid in year represents actual corporation tax payments made during the year as disclosed in the Society Cash Flow Statement.
- Number of employees on an FTE basis is representative of the average number of persons employed by the Society as disclosed in *Note 6* to the Accounts.

Annual Business Statement

1. Statutory percentages

	2025 %	2024 %	Statutory Limit %
a) Lending limit	**1.57**	1.62	25.0
b) Funding limit	**28.07**	29.18	50.0

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 not in the form of loans fully secured on residential property and the Funding limit measures the proportion of shares and borrowings 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

	2025 %	2024 %
As a percentage of shares and borrowings:		
a) Gross capital	**5.53**	6.21
b) Free capital	**5.24**	5.83
c) Liquid assets	**34.75**	27.94
Profit after tax as a percentage of mean total assets	**0.25**	0.43
Management expenses as a percentage of mean total assets	**1.51**	1.52

Explanation of terms

Shares and borrowings represents the total of shares, amounts owed to credit institutions and amounts owed to other customers (all including accrued interest).

Gross capital is the general reserves as shown in the Statement of Financial Position.

Free capital represents gross capital and collective impairment allowance less tangible fixed assets and intangible assets.

Mean total assets represents the average of total assets shown in the relevant Statements of Financial Position. These amounted to £692,633k for 2024, increasing to £803,589k for 2025.

Management expenses represents the aggregate of administrative expenses, depreciation, amortisation and impairment of fixed assets.

3. Directors as at 31 January 2025

Name and Business Occupation	Age	Date of Appointment	Other Directorships/Appointments
Ian Wilson Chartered Banker	60	01.09.22	Revolut Group Holdings Ltd Revolut Ltd Revolut Newco UK Ltd kompasbank a/s East Pier Advisory Ltd Member of the Investment Committee of the Social Investment Scotland Community Investment Enterprise Facility
Andrew Hastings Chartered Banker	61	01.07.19	US Bank Europe DAC
Sheila Gunn Company Director	61	01.11.19	Gunn Limited The Epaphras Trust
Kathryn (Karyn) Lamont Chartered Accountant	56	30.05.18	North American Income Trust plc Scottish American Investment Company plc iomart Group plc
Sean Gilchrist Chartered Banker	62	23.06.21	Amishane Limited Adviser for Nigerian Bank, FCMB Honorary Treasurer and Trustee of the British Medical Acupuncture Society
Andrew Lee Chartered Accountant	61	17.10.22	St Andrew's Healthcare Trust Guy's & St Thomas' Foundation Trust
Rosemary Hilary Chartered Certified Accountant	69	01.11.22	Vitality Life Limited; Vitality Health Limited; Discovery Holdings Europe Ltd; and Vitality Corporate Service Ltd (all board and committee meetings are held together) Willis Ltd St James's Place plc and subsidiary St James's Place UK plc The King's Foundation Member of the MBA Advisory Board of Bayes Business School
Paul Denton Building Society Chief Executive, Chartered Banker	54	01.07.19	SBS Mortgages Limited BSA Pension Trustees Limited Chartered Banker Institute Board of Trustees
Neil Easson Building Society Finance Director, Chartered Accountant	54	01.04.20	SBS Mortgages Limited Museum Galleries Scotland

Documents may be served on the above named directors at the Society's Registered Office address: Scottish Building Society, SBS House, 193 Dalry Road, Edinburgh, EH11 2EF.

Relationship Centres

1 ABERDEEN
6 Alford Place
Aberdeen
AB10 1YD

2 EDINBURGH
20 Frederick Street
Edinburgh
EH2 2JR

3 GALASHIELS
48 Bank Street
Galashiels
TD1 1EP

4 GLASGOW
78 Queen Street
Glasgow
G1 3DN

5 INVERNESS
71 Queensgate
Inverness
IV1 1DG

6 TROON
27 Ayr Street
Troon
KA10 6EB

scottishbs.co.uk
0333 207 4007

Lines are open 9am to 5pm Monday
to Friday (10am on Wednesdays).
Calls may be monitored and/or recorded

Head Office: SBS House, 193 Dalry Road, Edinburgh EH11 2EF.

SCOTTISH BUILDING SOCIETY