SWANSEA
BUILDING SOCIETY
Established 1923

Annual Report 2022

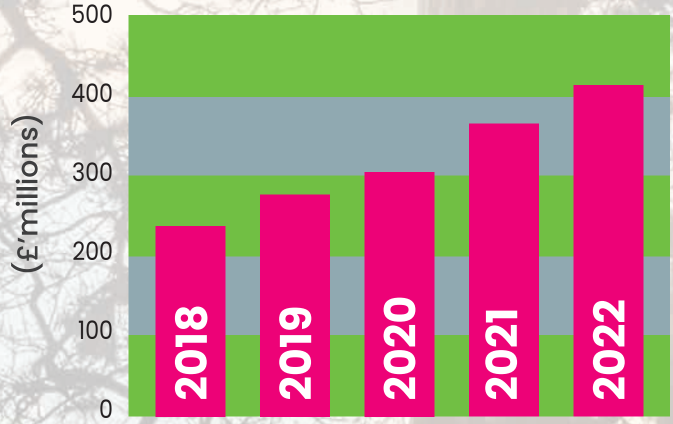
Annual Report and Accounts

Annual Report and Accounts

Performance and Strategy

2022 Highlights

Savings Balances



Mortgage Balances

Total Assets

£529.8 million

(2021: £463.5)

Mortgage Balances

£410.9 million

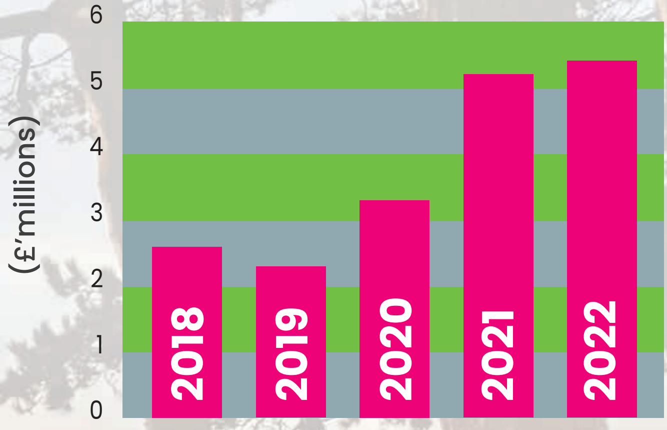
(2021: £360.9)

Savings Balances

£492.9 million

(2021: £431.3)

Capital



Profit Before Tax

Gross Mortgage Lending

£112.3 million

(2021: £114.7)

Net Mortgage Lending

£50.3 million

(2021: £58.0)

Liquid Assets

£115.8 million

(2021: £99.8)

Chairman's Review of 2022

Members and Results

I am delighted to present the Society's 2022 Annual Report and Accounts to our members. Despite a difficult economic environment, I am pleased to report that 2022 has been another record year for the Society. Our core purpose of helping our members build better futures through the Society being a flexible and trusted provider of mortgages and savings in our communities has led to record growth, profitability and strengthened our capital position.

MARKET CONDITIONS

Global and domestic economic volatility, together with significant inflationary pressures leading to cost-of-living challenges and the terrible events taking place in Ukraine have all contributed to a year of uncertainty. Despite this backdrop, the Society achieved its second highest year in mortgage growth (after 2021) and is anticipating further growth of the mortgage book as the Society has entered 2023 with a strong mortgage pipeline. This performance allows us to continue a strategic investment programme that underpins our security, development and sustainability for future years whilst paying strong attention to delivering excellent service with the key objective of looking after our members, staff and suppliers.

Mortgages

The housing market remained strong during the year, with house prices nationally rising on average by 5%, as demand for property exceeded supply. However, global challenges, and significant increases in energy prices have negatively impacted the economy, and have added to already significant inflationary pressures at levels unseen for decades. As a result, the Bank of England (BoE) increased its Bank Base Rate nine times during the year, with this standing at 3.5% at the end of December 2022, its highest since October 2008. The Society is very conscious that many of our mortgage customers have never experienced such a rising interest rate market. It is impossible to predict next year accurately, but the BoE forecasts that household spending will be squeezed by higher interest rates, continuing but reducing inflation and increased taxes. Higher unemployment is predicted, though from a low current level, potentially resulting in the UK economy entering into recession.

Savings

Our range of savings accounts have remained highly competitive throughout the year, as we increased interest rates for all savers. The popularity of the Society's savings range in-year is evidenced by achieving record growth in savings balances. We are determined that the Society remains funded solely by individual member and small/medium business savings. We will continue to be alive to savers needs and market changes, responding accordingly during 2023 to keep the right balance between savings and lending - a key focus for the Society and vital for us to sustain growth and deliver for members.

BOARD STRATEGY

The Board endorsed our existing strategy in November 2022, which is to serve our customers and their communities by providing flexible and tailored mortgage and savings products that meet individual needs and circumstances to help all our customers achieve important life goals safely and securely. In order to deliver this core objective, we specifically agreed to keep our focus on customer value over the long term, to continue to develop and accelerate our online transformation, to deliver strong, sustainable growth, to demonstrate a community conscience and to meet the needs of our colleagues. We also need to continue to expand our member base, continuing to develop a set of services that include both personal face-to-face transactions at our branches and providing expanded digital services for the new generations of members as they join us in the future.

BOARD CHANGES

The Society's Board is responsible for ensuring the Society remains sustainable and financially secure to deliver long-term value for our members. We believe this is best achieved when it is comprised of a diverse group of directors each with expertise in different aspects of our activities and contributing different perspectives. 2023 will see Paula Kathrens retire from the Board at the AGM in April after having served 10 years as a Non-Executive Director, Paula has provided really valuable support and perspective to the Society throughout her tenure. Her legal expertise on employment law was particularly helpful in assisting the Society navigate the rules and regulations implemented as a result of the Covid 19 Pandemic.

We thank Paula for her considerable efforts and wish her every success in her career. We welcome Sophie Thomas to the Board as a Non-Executive Director from January 2023. Sophie comes to the role with over 13 years as a practising solicitor, specialising in commercial litigation with additional significant experience in property law. We are delighted to have secured Sophie's services and look forward to the benefit of her skills and expertise moving forward.

CUSTOMERS AND COMMUNITIES

The Society has a strong customer focused culture that is key to help both our saver and borrower members meet their individual financial goals. During 2022, we donated £8k (2021: £Nil) to local community food banks to support those needing most help, plus donating to various other local community charities with a further £43k (2021: £24k).

CONCLUSION

I would like to thank my fellow Board members, the senior leadership team and, most importantly, our Society colleagues for making the Society the strong organisation it is today and for their on-going commitment in ensuring we continue to be successful into the future. I would also like to thank our members, for their continued loyalty and support. As we enter our centenary year together, we continue to work as a true mutual - helping our members achieve secure ownership of their own homes and a competitive return on their savings balances, through continuing high levels of personal service.

I W Griffiths

I.W. Griffiths
Chairman
8 March 2023


SWANSEA
Alun Williams

Chief Executive's Review of 2022

2022 has been another difficult year for the UK economy due to the severe headwinds we have had to face in recent months, with the Society having to balance the needs of borrowers, savers and colleagues simultaneously. I am therefore incredibly proud of how the Society has thrived in the year, not only successfully navigating the challenges, but also achieving record results in a number of areas, strengthening our financial position for future years, as well as investing in a number of initiatives to better serve the needs of customers and our communities.

Throughout a very busy year, my colleagues have shown the level of dedication and care that our members deserve. Our teams across the Society have worked extremely hard this year to meet the numerous challenges of the changing markets head on.

From a business performance perspective, this has been another record year for the Society. Given the prevailing economic backdrop, the results are even more rewarding. We have looked after our customers while continuing to invest in our people and enhanced our online proposition. We have also invested in our I.T. infrastructure and have completed a large major hardware as well as a system upgrade with SOPRA, our core customer database provider. This has enabled us to have an improved position to drive forward digital activities to provide better services to customers and easier processes for employees.

At the same time the Society has delivered extremely strong financial results with record growth in our balance sheet supported by record profits which has enhanced capital ratios to help fund future growth.

Business performance

The Society's mortgage lending proposition is based on the provision of a competitive range of mortgages discounted off the Society's standard variable mortgage interest rate, mainly for owner occupiers but also for buy-to-let / holiday let landlords and a small number of commercial mortgages. As a mutual, the Society believes its purpose is to lend to all types of aspiring homeowners and therefore as well as the core residential market, we offer mortgages to the self-employed, borrowers with complex income streams and borrowers looking to build their own home.

The Society's manual approach to mortgage underwriting has meant that unlike the majority of larger mortgage lenders, we have not had to remove mortgage products or significantly restrict lending criteria in the second half of 2022. Also, as the Society only has variable interest rate mortgages, we were not impacted by the significant increase in fixed interest rate mortgage prices in the latter period of the year. The Society was instead able to stand firm for its borrowers and intermediaries, allowing property chains to complete and further enhance our members' trust. As reported in the Chairman's Report, the Bank of England has raised the Bank Base interest rate, nine times between December 2021 and December 2022. The Society was very mindful of the impact that these dramatic increases could have on both new and existing borrowers. Recognising the additional cost pressures caused by inflation, we decided to help our mortgage borrowers by not passing on the full increases in the Bank interest rate, with only 1.25% being passed onto variable rate borrowers as at 31st December 2022, compared to an increase in the Bank Base interest rate of 3.4%. This has been applied to both new and existing borrowers, reflecting the Society's view that they should be treated the same, i.e. fairly.

The above factors have meant that the Society has recorded its second highest gross lending after the prior year, achieving £112.2M (2021: £114.7M), with 2021's mortgage completions being helped by the stamp duty exemption that was in place for a large part of the year. At the same time, our arrears statistics have remained excellent during the year, standing at 0.24% of total mortgage balances and are considerably lower than the latest published industry average.

The Society is well prepared should house prices suffer a serious decrease in 2023, with significant headroom for any reductions in house prices. Our average loan to value ratio (LTV) at 31 December 2022 was 47% (2021: 47%) and less than 1% of the mortgage book is over 80% LTV (2021: less than 1%). This significantly decreases the potential for mortgage loan losses. This means the Society comfortably passes all of its credit risk stress tests.

Each time the Bank Base interest rate has changed, we have reviewed the Society's savings interest rates to ensure that they are still highly competitive. The number of changes to the Base interest rate during 2022 has made this task more challenging than in previous years, as it has been more difficult to review

Chief Executive's Review of 2022

the interest rates offered by other savings providers due to the increased volatility in the market. It was therefore extremely pleasing that we were able to offer our savers such competitive rates that we achieved record savings growth of £62M in 2022 (2021: £44M). As with mortgages, the Society applied the same interest rate increases to both existing and new savers, treating everyone fairly.

I am also extremely proud that the Society was able to apply the interest rate increases to savers one month prior to applying it to the variable interest rate for mortgage borrowers. While this reduced the Society's net interest margin, we felt that it was the right thing to do given the economic turbulence in the year, improving the return for savers, while giving respite to borrowers. We see this as a true benefit of mutuality.

Cyber incidents continue to represent an increased and relentless threat. We constantly monitor and improve our defences to ensure that our members' interests are protected from a cyber-attack. We have implemented a number of additional security tools over the past year to help mitigate this threat, including significant investment in security devices and working with our security partner that continually monitors our systems and reacts to any potential incident 24 hours a day.

Financial Performance

The business review on pages 11 to 16 covers our 2022 financial performance in detail, however, I would like to specifically highlight the following new records set by the Society during the year:

- Total assets have increased by £66.3M , to £529.8M.
- Mortgage balances increased by £50.0M to £410.9M.
- Savings balances increased by £61.6M to £492.9M.
- Profit before tax increased by £0.2M to £5.4M.
- Capital + Reserves increased by £4.4M to £35.1M

The Society recorded a pre-tax profit of £5.4M, a small increase from the £5.2M achieved in 2021. This was primarily due to the Society's increased mortgage book balances. As a member owned organisation, we do not aim to maximise our profits. However, we do need to achieve an amount of profit that allows the Society to balance member value with a robust capital position to fund future investment and to support our business growth. The Society has built up a strong capital position over many years through its strategy of achieving sustainable growth, with low credit losses and prudent cost control. This year's increase in profit has led to an uplift in the Society's capital ratio from 18.97% of Risk Weighted Assets to 19.30%, a sound position for the Society to be in as we head into 2023.

People

The Society has a very strong internal culture that reflects our purpose of serving our customers. Our people play a vital role in the continued success of the Society and our members and professional contacts benefit from dealing with loyal, motivated, and well-trained staff. Every single colleague at the Society has had to work hard to provide members with our usual high standard of service, and despite the challenges of recent months, the Society's customer satisfaction score of 98% suggests that we have continued to be successful in doing so.

During the year, we purchased 13 Cradock Street, which is the building adjacent to the Society's Head office in Swansea. We are currently in the process of a complete refurbishment of the building to create a modern, energy efficient, working space that will allow the Society to continue an increased capacity, and to ensure that the Society can operate from the heart of Swansea for a number of years to come. The project is set to be completed in the first half of 2023.

It is with great sadness that Alan Ellerton, our mortgage manager based in our Mumbles branch, suddenly and unexpectedly passed away on Saturday 14th January 2023. Alan joined Swansea Building Society in 2006 after having a successful career with Barclays. In 2010 he was an integral part of the team that opened our first remote branch in Mumbles, with Alan appointed as branch manager. During his time with us, Alan made a significant contribution to the success of the Society, and he will be sorely missed. We have not just lost a trusted colleague but a very good friend.

Community

A key element of the Society's purpose is to be socially responsible and to make a positive difference to the local community. As a member-owned business, community is close to our hearts and we offer support not only through the products and services we provide, but also by donating our time, skills, and resources. Maggies Cancer Charity will again be the Charity of the year in 2023 as we look to support the vital care the charity provides in our communities. As 2023 will be our 100th year of existence, I am delighted to report that we have created an additional £100k centenary fund to provide further support to local good causes in branch communities, as well as a number of other initiatives such as colleague volunteering days.

We also strengthened our partnership with Swansea City A.F.C becoming back of shirt sponsors across their home, away, and third kits. This is in addition to the lounge on the third floor of the Swansea.com Stadium continuing to be named the Swansea Building Society Lounge. The football club has a long and glorious history within the city and has done much to put Swansea on the global map. Both the Society and the football club share a rich heritage together, and, I believe, we also share a commitment to the city and its people.

Green Strategy

The focus and importance of environmental and climate change has never been more prominent, and the Board's Green Ambition Strategy is to minimise our own carbon footprint by improving the energy efficiency of our buildings and conserving energy through new technology. While simultaneously helping to support initiatives to make the homes on which we lend more energy efficient and better prepared for regulatory and environmental changes and to make our members live greener lives.

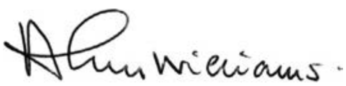
During the year, the Society achieved carbon neutral status for 2021 through our partnership with ClimatePartner, who helped us to measure and accurately calculate the CO_2 emissions from our direct operations. This is an exciting first step in our journey to becoming a better business for our environment.

Future

As we look to our 100th year and beyond, the Society is well placed to navigate through difficult trading conditions caused by the current economic uncertainty. We will continue to operate a simple building society business model with no wholesale funding and our mortgage book will continue to be 100% funded by customer retail savings balances. We see this as the purest form of funding for a mutual building society.

Our future plans continue with the theme of digital transformation, as we embrace change by investing in our people and technology. Our members will therefore continue to see improvements in the way the Society delivers its products and services in the coming years. The increased growth and subsequent profitability of recent years has enabled the Society to make such investments, for the benefit of both current and future members.

Our core goal of serving our customers in any way they choose remains. We will continue to support members through whichever channel is best for them; whether that is in-branch, telephone or online. We remain fully committed to our branch network, and our objective of 'opening and not closing branches'. We will continue to support mortgage niches which the wider mortgage market lacks the resources or knowledge to do so. We aim to further build on our brand awareness in our core geographical areas and to continue to be there for our members and communities when they need us. Together with our robust financial strength, we are in a strong position to deliver on our purpose of providing members with tailored, flexible solutions.



Alun Williams
Chief Executive
8 March 2023

Strategic Business Review

Strategic Business Review

Business Strategy and Objectives

The Directors have pleasure in presenting the Society's 100th Annual Report and Accounts and Annual Business Statement for the year ended 31 December 2022.

The Society's business model is to provide residential mortgages entirely funded by personal and small business savings, predominantly in Wales. These products are delivered through direct and intermediary channels, operating from four retail branches across South Wales and our online savings portal.

Over the last three years the Society has grown by 43% with total assets increasing from £370.4M at 31 December 2019 to £529.8M at 31 December 2022. A key driver for this growth has been our strategy of 'opening not closing branches' with the opening of our third branch in Carmarthen during 2015, our fourth branch in Cowbridge during 2017 and the relocated Swansea branch in January 2019. These branches have enabled us to extend our brand, community presence and membership within Wales. Our aim, as we approach our centenary year in 2023, is to continue delivering strong, controlled growth.

The Society is committed to preserving and enhancing our identity as an independent mutual Building Society offering:

- For savers, the provision of competitive products backed by branch and online service where staff and management are able to offer personal attention to the individual requirements of members in a friendly, efficient and accommodating manner.
- For existing borrowers, the ability to deal quickly and flexibly with changing circumstances and requirements.
- For prospective borrowers, the ability and intent to give individual consideration at senior management level to every enquiry. The Society does not engage in automated underwriting and evaluates each case on its own merits, which includes seeking solutions to some situations and circumstances that are not always straightforward.

KEY PERFORMANCE INDICATORS	2022	2021
Total Assets	£529.8M	£463.5M
Liquid Assets	£115.8M	£99.8M
Retail Shares and Deposits	£492.9M	£431.3M
Loans to Customers	£410.9M	£360.9M
Profit before tax, FSCS levy provision and loan loss provision	£5.7M	£5.0M
Capital – Reserves	£35.1M	£30.7M
Management Expenses (as a % of Mean Total Assets)	1.27%	1.22%
Cost income (%)	52.51%	51.58%
Mortgage arrears - on accounts one month or more in arrears	£52K	£38K

Brand Vision

Our brand vision articulates 'where we want to go and what we want to achieve in the future'. It's the 'why' of our business represented in a short, aspirational and bold statement.

"To enable individuals and families to realise their goals of a better, more secure future based in strong communities"

Brand Mission

Our brand mission details how we'll get to where we want to go. It sets out what we're doing today, for whom, and the benefit they derive, to help them achieve their aims. It's the 'how' roadmap of our business.

"We serve our customers and their communities by providing flexible and tailored mortgage and savings products that meet individual needs and circumstances to safely and securely help all our customers achieve important life goals."

Value Proposition

Our value proposition describes the core benefit or solution we offer, that differentiates us from the competition. It explains how what we offer solves our customers needs by answering the question "why should I buy from you instead of your competitors?"

"As a mutual society, we operate for the benefit of our customers to build better communities. We take the time to listen and to understand you, building personal relationships and tailoring financial advice & guidance that meets your needs, however complex. To ensure we provide you with the right products and services at competitive rates to help you safely and securely achieve your goals."

Brand Values

Act with: **Integrity**

How we behave and what we do says so much about who we are. We work in a principled and professional manner, conducting ourselves with honesty, transparency and respect for others in all our dealings. Valuing colleagues, customers and individuals, we hold our head up and look people in the eye to forge relationships built on trust.

Demonstrate: **Understanding & Empathy**

We work hard to understand the challenges our customers face and clearly demonstrate that in how we communicate. Through our dealings with them we demonstrate how we provide the support and solutions they need to help deliver the outcome they're looking for. Just how we'd want someone to provide support and solutions for us.

Apply: **Knowledge**

We take the time to understand the sector and our customers, ensuring we have our finger on the pulse. Our knowledge and awareness are critical to everything we do. They demonstrate the value we bring and position us as a valuable partner for our customers.

Work in: **Partnership**

For both ourselves and our customers to grow and prosper we need to work together for the greater good. Their success is our success, so we make their goals our goals and work with them at every step of the process to deliver the outcome they need.

Possess: **Drive & Commitment**

Focused on meeting the needs of our customers and working to create positive outcomes, we possess a determined will, unwavering dedication and strong belief in the way we do things, taking the lead to bring about the change we wish to deliver. This passion and desire to create better futures fires our attitude and approach.

Be: **Resourceful**

Always looking for the most effective way to do something stimulates our thinking. And with each of our customers having distinct requirements in specific situations, an adaptable approach where we deliver tailored advice and solutions means we meet their needs and help them achieve their goals.

Total Assets

Total assets have increased by £66.3M (2021: £49.1M), a growth rate of 14.3% (2021: 11.8%). The Society's total assets at 31 December 2022 were £529.8M (2021: £463.5M). The increase is as a result of the record savings growth and profit of £61.6M and £4.4M respectively.

Loans and advances to customers including forbearance

Gross mortgage lending of £112.3M was achieved during 2022 (2021: £114.7M). This was achieved without offering loss leading mortgage products or compromising either the quality of lending or increasing loan to value ratios. The total amounts, outstanding on all mortgage accounts, after reductions by the accumulated provisions of £543K, at 31 December 2022 were £410.9M (2021: £360.9M). This represents a net increase in the value of mortgages of £50.0M (2021: £57.9M), 13.8% in the year (2021: 19.1%).

A mortgage is likely to be the greatest financial commitment the majority of borrowers will enter into in their lifetimes. For many borrowers, their mortgage will run for the agreed term with repayments being made as scheduled. Financial difficulties can cause great stress to the borrower and early proactive engagement is crucial to identifying a viable solution to the situation and, consequently, reaching a positive outcome for the borrower. Such a solution is also preferable for the Society, as the proceeds from a forced sale will usually result in a lower return.

The primary aim of providing a forbearance facility to a customer is to enable a complete recovery of the mortgage through the full repayment of arrears. In this case the long term impact on both the customer and the Society is minimised. Where the circumstances of the customer mean this primary aim cannot be achieved, the secondary aim would be to recover the customer into a 'sustainable terms' position on their mortgage. In all events, the provision of forbearance should aim to minimise the risk of the customer ultimately losing their home. For further information see Note 10.

Liquid assets

The Society holds liquid assets to ensure it has sufficient access to funds to meet its financial obligations in both normal and stressed scenarios and continues to maintain a strong liquidity position, with liquid assets at 31 December 2022 totaling £115.8M (2021: £99.8M) representing 23.5% (2021: 23.1%) of shares, deposits and loans (SDL).

The Liquid Asset Buffer (LAB), as defined by the Prudential Regulation Authority (PRA), includes highly liquid assets, typically central bank and sovereign exposures. All of the Society's qualifying liquid assets are held in a Bank of England Reserves account. The proportion of the Society's total liquid assets assigned to the buffer is 88.8% (2021: 83.7%). The remaining liquid assets not assigned to the LAB comprise deposits with UK financial institutions.

The PRA monitors liquidity using the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), measures introduced as part of the CRD IV regulatory changes. The Society's LCR, a measure of the Society's ability to withstand a short-term liquidity stress, was 286.3% at 31 December 2022 (2021: 305.6%), well above the regulatory requirement of 100%. The NSFR is a longer-term stable funding metric, which measures the sustainability of the Society's long-term funding. The NSFR at 31 December 2022 was 178.6% (2021: 177.2%) which exceeds the expected 100% minimum future requirement.

Strategic Business Review

Funding

Members' savings are, and will remain, the most important part of the Society's funding base. The Society does not borrow from the wholesale funding market and has not borrowed from the Funding for Lending Scheme (FLS), Term Funding Scheme (TFS) or Term Funding Scheme with additional incentives for small and medium sized enterprises (TFSME). Wholesale funding, FLS, TFS and TFSME represent cheap sources of finance to meet mortgage lending requirements. Savings balances at 31 December 2022 increased by £61.6M to £492.9M (2021: £431.3M), 14.3% in the year (2021: 11.5%) reflecting the Society's continued focus on offering attractive savings products with competitive interest rates for members.

Capital

Capital is held to protect members' savings by providing a buffer against unexpected losses. The amount of capital required is assessed in relation to the Society's overall risk appetite, the material risks to which the Society is exposed and the management actions employed to manage those risks. The Society has no supplementary capital, it is instead entirely composed of the Society's retained profits.

The Total Capital Requirement (TCR) consists of a Pillar 1 and Pillar 2A capital requirement. This is set by the PRA as part of the Internal Capital Adequacy Assessment and the Supervisory Review and Evaluation Process. Pillar 1 covers the minimum capital requirement, largely in relation to credit and operational risks. Pillar 2A covers additional firm specific capital requirements for risks not covered in full by Pillar 1 requirements.

The PRA expects the TCR to be met with at least 56% CET1. At 31 December 2022 the Society's CET1 represented 99.9% of its total capital (2021: 99.9%). At 31 December 2022 the Society had surplus Total Regulatory Capital of £14.1M after meeting its TCR of £20.8M. (2021: £13.7M and £17.0M respectively).

Reserves increased by 14.2% to £35.1M. Gross capital was £35.1M (2021: £30.7M) and free capital £32.8M (2021: £28.5M) being, respectively, 7.12% (2021: 7.13%) and 6.66% (2021: 6.60%) of total shares and deposit liabilities. The definitions of Gross Capital and Free Capital are contained within the Annual Business Statement on page 85.

Profit

The Directors have reaffirmed their policy of only generating sufficient profits to maintain capital at the desired level whilst supporting continued investment in member-focused initiatives. The operating profit before tax increased in the year to £5.4M (2021: £5.2M) due to increased net interest margin because of both the strong volume of gross and net mortgage lending achieved in 2022 as well as the increased return on liquid funds. The Society's return on assets, calculated as statutory profit after tax divided by average total assets, was 0.88% (2021: 0.94%). The sector average for 2021 was 0.20%. (Source: BSA Annual Accounts Data).

Net Interest Margin

Net interest margin is the sum of the amount earned on mortgage and liquid assets less amounts paid on savings liabilities, divided by average total assets. The Society's net interest margin percentage has increased in 2022 to 2.38% (2021: 2.33%). The sector average for 2021 was 1.50%. (Source: BSA Annual Accounts Data). The increase in the net interest margin percentage is predominantly because of both the strong volume of gross and net mortgage lending achieved in 2022 as well as the increased return on liquid funds.

Other income and charges

The Society uses the cost income and management expense ratio to measure our efficiency. The cost income ratio is calculated by dividing the operating expenses by total net income. This increased to 52.5% in 2022 (2021: 51.6%). The sector average for 2021 was 80.3%. (Source: BSA Annual Accounts Data). The management expense ratio is calculated by dividing the operating expenses by the average total assets. This ratio increased to 1.27% during 2022 (2021: 1.22%). The sector average for 2021 was 1.25%. (Source: BSA Annual Accounts Data). The Society recognises that operating efficiently is a key factor in achieving optimal Member value, and as such operating expenses remain a key focus.

Impairment provisions for losses on loans and advances

In 2022 the Society experienced a net charge of impairment provisions of £292,782 (2021: release £165,000). The Society's specific and collective provision for bad and doubtful debts at 31 December 2022 was £542,782 (2021: £250,000). This represents 0.13% of the Society's mortgage balances at 31 December 2022. Despite the economic turbulence in the year, this compares favourably to the 2021 sector average of 0.29% (Source: BSA Annual Accounts Data). A full explanation of the Society's current position in relation to impairment provisions can be found within note 10 of the accounts.

Taxation

The actual effective tax rate for the Society was 19.4% (2021: 20.10%) compared with the statutory rate of tax of 19% (2021: 19%). The rate differential is mainly due to timing differences and disallowable expenditure.

Other Indicators

Financial ratios are just one measure of the Society's performance. It is important to the Directors that the Society is also successful in terms of the quality of customer feedback and Member satisfaction. Based on customer survey feedback for 2022, 97% of respondents said they would recommend the Society to other prospective customers and 98% of customers stated that throughout the process of their application the Society's staff were polite and responsive to their needs.

Board of Directors

Board of Directors and Management Team
From left: Mr N.P.A. Griffiths (Finance Director), Mr J.C.D. Union (Non-Executive Director), Mr D.S. Maddock (Non-Executive Director), Miss C.A. Griffiths (Director of Risk & Compliance), Mr A. Williams (Chief Executive), Dr I.W. Griffiths (Chairman), Mrs P. M. Kathrens (Non-Executive Director), Mr G.J. Stroud (Financial Controller & Company Secretary), Mr M.S. Hayes (Non-Executive Director), Miss S. Thomas (Non-Executive Director), Mr A.J. Morgan (Non-Executive Director)

Ieuan Griffiths (Chairman)
Ieuan joined the Board in May 2015 and was appointed Chairman in April 2018. He is an accountant: a Fellow of ICAEW and a member of CIPFA. He was Director of Strategy and Finance at the DVLA for 12 years and previously National Deputy Director of Finance and Performance for the NHS/DoH for England and Wales. He worked for 20 years for major accountancy firms in audit, computer audit/IT consultancy and business strategy before moving into his public sector roles.

Alun Williams (Chief Executive)
Alun joined the Society in May 2001 as Director and Chief Executive. Prior to his appointment, he had spent 20 years in retail, business and corporate banking starting with Williams & Glyns Bank Plc and subsequently Bank of Wales Plc. Alun is a member of the Assets, Liabilities and Credit Risk Committee, and also the Conduct and IT Committees.

Nathan Griffiths (Finance Director)
Nathan joined the Society in July 2019 as Finance Director. He is a Chartered Accountant and spent 8 years at Deloitte specialising in providing assurance and advisory services to the banking and building society sector. He subsequently spent 4 years at Monmouthshire Building Society as Financial Controller. Nathan is a member of the Assets, Liabilities and Credit Risk Committee and the Risk and IT Committees.

Catherine Griffiths (Director of Risk & Compliance)
Catherine joined the Society in January 2017 as a financial accountant, before moving to take responsibility for Risk & Compliance in June 2019. Catherine was appointed to the Board in July 2021. She is a Chartered Accountant with over 25 years' experience within the South Wales area. She has worked in a variety of accountancy practices, both large and small, including spending 5 years as an external audit manager at KPMG. She also subsequently spent 8 years in industry as a finance manager at Tata Steel. Catherine is Chair of the Conduct Committee and a member of the Risk Committee.

Stephen Maddock (Non-Executive Director)
Stephen joined the Board in May 2016 and was appointed Deputy Chairman in May 2019. He is a Chartered Accountant and a Fellow of ICAEW. He started his career at the Swansea office of accountancy firm Deloitte Haskins & Sells and after qualifying, he joined Coopers & Lybrand, now PwC. Before taking early retirement, he was Director of Financial Shared Services for Tata Steel Europe. Steve is Chair of the Assets, Liabilities and Credit Risk Committee. He is also a member of the Audit and Remuneration & Nominations Committees.

Paula Kathrens (Non-Executive Director)
Paula was appointed to the Board in July 2013. Paula is a partner with law firm Blake Morgan based in their Cardiff office and specialises in employment law. She advises organisations in both the public and private sectors, including a number of financial institutions, on all aspects of contentious and non contentious employment law. Paula is Chair of the Remuneration and Nominations Committee.

John Union (Non-Executive Director)
John was appointed to the Board in November 2017. He held several senior roles during a long career with Barclays including as Head of Swansea, Mid and West Wales Corporate Banking and as Head of Wales, Corporate Banking. He is Vice Chair of Cadwyn Housing Association and an Independent Member (Finance) at Cardiff and Vale University Health Board. John is Chair of the Audit Committee and a member of the Assets, Liabilities and Credit Risk Committee and IT Committee.

Andrew Morgan (Non-Executive Director)
Andrew joined the Board in January 2019. He is a Chartered Surveyor with over 35 years' experience in practice within the Mid, West and South West regions of Wales and is a founding partner of Morgan & Davies Estate Agents. Andrew is Chair of the IT Committee and is a member of the Assets, Liabilities and Credit Risk Committee, and also the Remuneration & Nominations and Audit Committees .

Malcolm Hayes (Non-Executive Director)
Malcolm was appointed to the Board in January 2022, having worked in retail and commercial banking for 40 years. He began his career with NatWest, before spending over 25 years in Lloyds Banking Group, where he held senior risk and credit positions in the bank's business and commercial divisions. Malcolm retired from executive roles in 2019 after 6 years as the Chief Risk Officer of Paragon Banking Group. Formerly Chair of Citysave Credit Union, he also currently serves as a non-executive director of Reliance Bank. Malcolm is Chair of the Society's Risk Committee and is a member of the Audit, Assets, Liabilities and Credit Risk Committees.

Corporate Governance

Corporate Governance Report

The Board believes that good governance is vital in providing effective leadership and ensuring the Society continues as a successful organisation run for the benefit of its current and future members.

The Financial Reporting Council published the UK Corporate Governance Code in July 2018. The Code applies to publicly quoted companies. In the interests of transparency, the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) also encourage each building society to explain in its annual report and accounts whether, and to what extent, it adheres to the Code.

The Board is committed to having regard to the UK Corporate Governance Code, to the extent that its provisions are relevant to a building society of this scale, in the continuing development of corporate governance practice at the Society. This report describes the Society's governance practices.

Board Leadership and Company Purpose

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

The primary focus of the Board is to ensure that the Society has a sustainable future based on strong financial and risk management. The Board is effective because it actively encourages an environment of constructive challenge.

The Board has collective responsibility for the oversight and success of the Society. A core part of this role is the determination and setting of business strategy in a constantly evolving environment. The Non-Executive Directors meet at least once a year without the Executive Directors. The Society maintains liability insurance cover for Directors and Officers.

The Board has a formal schedule of matters which are reserved to it and has delegated authority in other matters to Board Committees as described below. All committees report to the Board and the Board meets as often as necessary to discharge these duties effectively, a minimum of eleven times per annum, of which one day is focused on strategy.

Board				
Assets, Liabilities and Credit Risk Committee	Audit Committee	Remuneration and Nominations Committee	Risk Committee	Information Technology Committee

Assets, Liabilities and Credit Risk Committee composition 31 December 2022	Non-Executive	Executive and Senior Management
	S Maddock (Chairman)	A Williams
	J Union	N Griffiths
	A Morgan	G Stroud
	M Hayes	R Miles

The committee's terms of reference include the establishing and monitoring of procedures for treasury operations, reviewing the Society's policy for managing balance sheet interest rate risk, reviewing the performance of the mortgage book, reviewing and approving mortgage and savings rates for products, reviewing and monitoring the investment of surplus funds. The committee met eleven times during the year.

Audit Committee composition 31 December 2022	Non-Executive	Executive and Senior Management
	J Union (Chairman)	-
	S Maddock	-
	A Morgan	-
	M Hayes	-

The Audit Committee reviews the Society's system of internal control and risk management systems. The committee considers all aspects of operational and reputational risk management. It is responsible for assessing the effectiveness of audit and compliance systems of inspection and control; assessing accuracy and completeness of financial information and reviewing accounting policies.

The Audit Committee approved the Internal Audit plan for the year and discussed in detail quarterly reports from Internal Audit. The reports included the key matters raised from the work, as well as management's responses to address the issues reported.

The Audit Committee is also responsible for the oversight of Internal Audit. During the year the committee:

- monitored the adequacy of Internal Audit resources including the financial budget. The availability of external specialists to bring in expertise when appropriate was also considered;
- approved the internal audit charter which sets out the role and expectations of Internal Audit; and

The committee monitors the integrity of the financial statements of the Society and a detailed note on going concern is prepared each year and is contained within the Directors' report on pages 41 to 44. It recommends acceptance of the annual accounts to the Board and monitors the performance, independence, objectivity, competence and effectiveness of the internal and external auditors. It is responsible for recommending appointment, reappointment or removal of external and internal auditors.

The Audit Committee is also responsible for approving any non-audit fees paid to the auditors. No non-audit work was undertaken in the year.

The Audit Committee met five times during the year.

Minutes of the committee's meetings are distributed to all Board members and the Chairman of the committee reports to the Board at the Board meeting following a committee meeting.

Remuneration and Nominations Committee composition 31 December 2022	Non-Executive	Executive and Senior Management
	P Kathrens (Chairman)	-
	S Maddock	-
	A Morgan	-

The committee is charged with the responsibility of reviewing the remuneration of the Chief Executive, Finance Director, and the Director of Risk and Compliance as well as making recommendations to the Board on Non-Executive Directors' fees and salaries. The committee is also responsible for succession planning and making recommendations for appointments to the Board.

Corporate Governance Report

Non-Executive candidates are sought in various ways, including through press articles. Candidates must meet the tests of fitness and propriety as prescribed by the FCA and must receive any required regulatory approvals prior to taking up their role.

In addition, the Society's Rules require that new directors must stand for election at the Annual General Meeting in the year following the year in which they are appointed.

The Society's remuneration policy is designed to ensure that executive directors' remuneration reflects performance and enables the Society to attract, retain and motivate executives to deliver improving business performance for the benefit of members. The committee reports on its activities and provides recommendations to the Board for approval. The committee met ten times during the year.

Risk Committee composition 31 December 2022	Non-Executive	Executive and Senior Management
	M Hayes (Chairman)	A Williams
	S Maddock	N Griffiths
	J Union	C Griffiths
	P Kathrens	G Stroud
	-	N Longar

The committee is responsible for identifying, monitoring and managing the key risks of the Society. All Society risks are categorised into several primary risk types and risk areas. The primary risks cover strategic and business risk, credit and concentration risk, financial soundness risk, market and interest rate risk, operational risk and legal and regulatory risk. The Committee is also responsible for establishing effective whistle-blowing controls.

As a provider of financial services, the Society's business is the managed acceptance of risk. The system of internal control is an essential and integral part of the risk management process. Management perform an assessment of the impact and likelihood of key risks and of the effectiveness of the controls in place to manage them. The assessment is reviewed regularly throughout the year, and formally reviewed by the Risk Committee twice yearly. The committee met five times during the year.

Details of the Society's procedures for the management of treasury risks are set out in note 20 on pages 77 to 86.

I.T. Committee composition 31 December 2022	Non-Executive	Executive and Senior Management
	A Morgan (Chairman)	A Williams
	I Griffiths	N Griffiths
	-	N Longar
	-	C Wright

The committee is charged with proposing an annual IT and IT Security Strategy to the Board of Directors (ensuring that it conforms to and supports the Business Strategy adopted by the Building Society) and to monitor delivery once agreed. The committee has the remit to consider new and proposed technology initiatives and innovations in use and their potential for use within the Society. The committee is required to implement the agreed strategic objectives, including the monitoring of value for money for the initiatives undertaken. The committee is responsible for approving detailed technical IT policies and procedures relating to Information Security. It also has the responsibility of ensuring that adequate cyber security measures are adopted and enforced, as the risks involved are recognised as key risks for the Society. The committee monitors all IT projects that the Society undertakes, reporting on all changes in risk status to the Risk Committee. The committee met six times during the year.

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

The Board considers its strategy annually together with the Society's purpose and values, to ensure our culture is aligned. The Board through its committees regularly receives information to provide assurance that culture is aligned to our purpose and values.

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

The Board is collectively responsible for determining strategies for risk management and control as described in the Society's Risk Management Framework. Senior management is responsible for designing, operating and monitoring risk management systems and controls. Each Board committee has oversight responsibility for the risks and controls within its remit. The Risk Committee assesses the adequacy of this process. The Society's internal auditors provide independent and objective assurance that the systems are appropriate and controls effectively applied. The Society has a strong and prudent approach to risk management and compliance and is satisfied that the systems and controls are effective and appropriate for the scale and complexity of the business and protect the interests of the members.

The Board receives regular reporting on both business performance relative to plan and risk management, including strategic risks, risk assurance on an enterprise wide basis and risk governance arrangements.

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

As a mutual organisation, the Society does not have shareholders but is responsible to its members.

The Society values its mutual status and seeks the views of its members in a variety of ways, including customer feedback surveys which are presented to the Risk Committee quarterly.

Each year the Society sends details of the AGM to members who are eligible to vote. The resolutions include the election of Directors and a separate advisory vote on the Directors' Remuneration Report. Members are encouraged to exercise their right to vote. Members are provided with forms, which enable them to appoint a proxy to vote on their behalf if they are unable to attend the AGM. At the AGM a poll is called in relation to each resolution and the proxy votes cast are included in the result. The results are subsequently disclosed on the Society's website. All members of the Board are present at the AGM each year unless their absence is unavoidable. The Chairmen of the committees are therefore available to answer questions raised by the Society's members. The AGM includes a presentation from the Chief Executive on the performance of the Society. Members are actively encouraged to raise questions at the end of the presentation.

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

In the year, the Remuneration and Nominations Committee reviewed colleague remuneration alongside Executive and Director remuneration to ensure that related policies, incentives and rewards are aligned with our culture to promote long-term sustainable success.

The Society has an established Whistleblowing policy designed to support our values and ensure colleagues can raise concerns without fear of suffering retribution or victimization, providing a transparent and confidential process for dealing with concerns. The Society's Whistleblowing Champion is Mrs P Kathrens.

Division of Responsibilities

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

The Chairman has a key role in strategy development for the organisation and 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. The Chairman leads the annual Board evaluation with input from the individual Chairs of each Board sub-committee. Appointed Chair in 2018, Dr Griffiths was considered to be independent at that time.

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

At 31 December 2022, the Board comprised six Non-Executive and three Executive Directors providing a balance of skills appropriate to the requirements of the business.

All but one Non-Executive Directors have held office for less than nine years. Mrs P Kathrens will retire at the AGM on 27 April 2023 having served for 10 years.

The Board has considered the independence of all Non-Executive Directors. The UK Corporate Governance Code confirms that the test of independence is not appropriate to the position of Chairman. Under the Code, the Board considers all its Non-Executive Directors to be independent in character and judgement.

The offices of Chief Executive and Chairman are distinct and held by different Directors, with a clear division of responsibilities. The Chair, who is a part-time Non-Executive Director, is responsible for leading the Board and ensuring it acts effectively. The Chief Executive is responsible for managing the Society's business and for the implementation of the strategies and policies agreed by Board.

Mr S Maddock is the Society's Senior Independent Director acting as a sounding board for the Chairman and with other Non-Executive Directors, appraises the Chairman's performance at least annually.

H. **Non-Executive Directors should have sufficient time to meet their Board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.**

The requirements for Directors to devote sufficient time to discharge their responsibilities effectively is stated in the letter of engagement supplied on appointment. This point is considered as part of the annual performance evaluation review. Details of the number of Board and Committee meetings in 2022 and the attendance record of individual Directors are set out below. All Directors have the right of attendance at Committee meetings, however only the attendance record of those who were members of the respective Committee meeting is detailed below.

Directors' Attendance Record at Board Committees () = number of meetings required to attend

Director	Board	Audit	Risk	Remuneration / Nominations	Assets & Liabilities	IT
I.W. Griffiths (Chairman)	11 (11)	5 (5)*	5 (5)*	4 (5)*	12 (13)*	5 (6)
D.S. Maddock (Deputy Chairman)	11 (11)	5 (5)	5 (5)	5 (5)	13 (13)	0 (6)*
A. Williams	11 (11)	5 (5)*	5 (5)	5 (5)*	13 (13)	6 (6)
N.P.A. Griffiths	11 (11)	5 (5)*	5 (5)	4 (5)*	13 (13)	6 (6)
C.A. Griffiths	9 (11)	5 (5)*	5 (5)	4 (5)*	10 (13)*	4 (6)*
P.M. Kathrens	10 (11)	5 (5)*	5 (5)	5 (5)	13 (13)*	0 (6)*
J.C.D. Union	11 (11)	5 (5)	5 (5)	4 (5)*	13 (13)	6 (6)*
A.J. Morgan	11 (11)	5 (5)	5 (5)*	5 (5)	13 (13)	5 (6)
M. Hayes	11 (11)	5 (5)	5 (5)	4 (5)*	13 (13)	6 (6)*

* Attendance by invitation

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

The Directors receive timely, accurate and relevant information to enable them to fulfil their duties.

All Directors have access to the advice and services of the Secretary who is responsible for ensuring compliance with all Board procedures and advising the Board, through the Chairman, on governance matters. The Board has access to independent professional advice, at the expense of the Society, if required.

Composition, Succession and Evaluation

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

The Board understands the importance of having a diverse membership and recognises that diversity encompasses not only gender but also background and experience. In 2021 the Society signed up to both the Race at Work and the Women in Finance Charters and has committed to improving the Society's diversity wherever possible over the coming years. The Board has adopted the principle that appointments should be made solely on merit, the key criterion being whether or not the appointee can add to or complement the existing range of skills, experience and perspectives of the Board. The Society appoints Non-Executive Director based on the specific skills and experience required under the succession plan. The Remuneration and Nominations Committee leads the selection process, although the Board as a whole makes the final decision.

Board vacancies are widely advertised in relevant media and circulated to all members to ensure that suitable candidates are attracted. External professional firms have been added to the process in recent appointments to ensure a wider field and geographic catchment area can be covered.

All Directors must meet the tests of fitness and propriety designed by the Financial Conduct Authority (FCA). Each Director must receive any required regulatory approvals prior to taking up their role. Interviews by the regulators are included as part of the recruitment process at their request, with regular confirmation and vetting checks also undertaken.

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

Information relating to Directors is set out on pages 17 to 18. This demonstrates that the Society's Board has a strong mix of skills and experience relevant to the Society and its strategy.

All new Non-Executive Directors receive a comprehensive induction programme tailored to their individual needs to ensure that they can fulfil the requirements of their role. This includes the nature of building societies; responsibilities and duties; the management information they will be provided with and how to interpret this; information on the Society and the local market; an overview of the regulatory requirements; and details of significant current issues for the sector. Training and development needs are identified as part of the annual appraisal of the Board and individual assessment of Director performance and effectiveness. These needs are usually met by internal briefings and via attendance at sector specific seminars and conferences alongside the online training provided.

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

Each Director, including the Deputy Chairman has an annual review undertaken by the Chairman. The Chairman's performance is reviewed annually by the Deputy Chairman. The Board evaluates its overall performance and that of each committee. The Society is able to confirm that the performance of all Board members and committees continue to be effective and that all members are committed to providing sufficient time for Board and committee meetings and any other necessary duties.

The Society's Rules require that Directors are submitted for election at the Annual General Meeting (AGM) following their appointment to the Board. The Society's Directors are then required by the Society's Rules to seek re-election every three years. This time-period is non-compliant with the UK Corporate Governance code which states that Directors should seek re-election every year. The Society has chosen three years as the period to seek re-election for business continuity purposes as it will ensure the Society always has serving directors. Each Non-Executive Director is appointed to the Board for a term of up to three years, subject to satisfactory performance. Non-Executive Directors normally serve a maximum of three terms. Any Non-executive directors serving for over nine years are subject to annual re-election by the members. The Remuneration and Nominations Committee reviews the independence, character and judgement of Directors to ensure that they are able to commit the appropriate time and demonstrate capability. The Board agrees the appropriateness of Non-Executive Directors to be re-elected.

Audit, Risk and Internal Control

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

The Audit Committee meets at least five times a year. Minutes of the Committee's meetings are provided to the subsequent Board meeting.

The Chairman of the Board is not a member of the Audit Committee.

The Audit Committee Report on pages 31 to 32 describes how the Audit Committee applies the Code principles in relation to corporate reporting and internal control.

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

The responsibilities of the Directors in respect of preparation of the annual accounts, accounting records and internal controls and the statement that the Society's accounts are prepared on a going concern basis, are set out on pages 41 to 44 in the Directors' Report. The Strategic Business Review on pages 11 to 16 provides members with a detailed review of the position of the Society and its future prospects.

Prior to approval, the Directors review and resolve that the Annual Report and Accounts, taken as a whole:

- Are fair, balanced and understandable; and
- That narrative reports are consistent with the financial statements and accurately reflect performance of the Society; and
- Contains the information necessary for members to assess the Society's performance, business model and strategy.

The Audit Committee report on pages 31 to 32 describes the main areas of accounting judgement considered by the Audit Committee.

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

The Board has a duty to ensure the Society operates within a framework of prudent controls which enables risk to be assessed and managed.

The Board of Directors has overall responsibility for the Society's internal control system and for reporting its effectiveness to the members in the annual financial statements. The Board is also responsible for defining and influencing the culture of risk management across the Society including:

- Determining the Society's appetite for risk;
- Determining which types of risk are acceptable and which are not;
- Providing guidance to management on conduct and probity;
- Reviewing and approving the Society's Internal Capital Adequacy Assessment Process (ICAAP), Individual Liquidity Adequacy Assessment Process (ILAAP) and Recovery Plan (RP).

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 Individual Liquidity Adequacy Assessment Process (ILAAP). The Board monitors the role of Management in identification, monitoring and review of major risks facing the Society through the following Committee Structure:

- Risk Committee - Responsible for ensuring that both the entire risk management framework and monitoring and oversight of significant risk positions are effective and advising the Board on overall and local risk appetite.
- Audit Committee - Responsible for ensuring that monitoring of the effectiveness of systems and controls over the whole risk universe, in particular control over significant risks, is effective.
- Assets, Liabilities and Credit Risk Committee - Responsible for monitoring and review of strategic risks prior to review at Board. Responsible for managing significant Financial Risks including Interest Rate, Counterparty Credit, Liquidity, Funding and Encumbrance Risk and Product Pricing and the Net Interest Margin. Responsible for reviewing changes in the credit risk profile of the Society, discussing and, where appropriate, recommending changes to lending policy.

The Society operates a three lines of defence model as summarized below:

- The Senior Management Team own and manage risks as the first line of defence. They are responsible for identifying, assessing, controlling and mitigating risks by implementing corrective actions to address process and control deficiencies.
- The Society's Risk function is the second line of defence and the Director of Risk and Compliance oversaw the Risk and Compliance Function in the year. This function challenges and guides the business in managing risk exposure and feed up to the Risk Committee, which is responsible for oversight of the risk management framework and monitoring risk profile against Board Risk Appetite.
- Internal Audit provide the third line of defence which provides independent assurance to the Board, via the Audit Committee, of the adequacy and effectiveness of systems and controls in the first and second lines in identifying and managing risk.

Senior management are responsible for designing, implementing, maintaining and monitoring the systems of internal control. The Board and each Board Committee has oversight responsibility for risks within its remit. The Society's internal auditors provide assurance that systems and controls are effectively applied.

Each year the Board conducts a review of the effectiveness of the risk management and internal control systems. The review involves consideration of material risks facing the Society and related controls, the adequacy of controls in place to ensure compliance with standards under the regulatory system and the findings of Internal Audit activity in the year. The Board has concluded that the Society operates effective systems and controls which are appropriate to the nature, scale and complexity of the Society's business.

Remuneration

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

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

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

The Report of the Remuneration Committee on pages 39 to 40 details the Board's position on code principles related to remuneration.

On behalf of the Board of Directors

I.W. Griffiths
Chairman
8 March 2023

Audit Committee Report

An overview of the responsibilities of the Committee is as follows:

- Monitoring the integrity of financial statements of the Society.
- Reviewing effectiveness of the internal controls and risk management systems.
- Appointment, re-appointment and removal of providers of Internal Audit services.
- Reviewing the effectiveness of the provider of Internal Audit services including consideration of quarterly reports and monitoring the delivery of the Internal Audit plan.
- Making recommendations to the Board on the appointment, re-appointment and removal of external auditors and approval of their remuneration and terms of engagement.
- Reviewing and monitoring the independence, objectivity and effectiveness of the external auditors and setting and monitoring policy for the engagement of the external auditors to supply non-audit services.

Membership of the Committee is drawn from four independent Non-Executive Directors. The composition of the Committee as at 31 December 2022 was J Union (Chair), S Maddock, A Morgan and M Hayes. At the invitation of the Chairman of the Committee, the Chief Executive, Finance Director, Director of Risk and Compliance and Financial Controller together with representatives from both Internal and External Audit attend meetings. The Board is satisfied that the composition of the Audit Committee contains relevant and recent financial sector experience to provide appropriate challenge to management.

Financial Reporting

In relation to financial reporting, the role of the Committee is to monitor the integrity of the financial statements. In order to discharge this responsibility, the Audit Committee considered the accounting policies adopted by the Society, the presentation and disclosure of financial information and key accounting judgements made by management. During the year, the Committee focused on matters having regard to the significance of their impact on the reported position and the involvement of a high degree of complexity, judgement or estimation by management with specific focus in the following areas.

Provisioning for Loan Impairment

The Committee monitored loan impairment provisions through review of the key inputs and assumptions to the Society provisioning model. In the absence of historical loss experience by the Society, the Committee focused closely on the methodology and model inputs developed by management, including the appropriateness of any external information used. The Committee paid attention to the variation in impact of movement in provision input assumptions, including assumptions for house prices, probability of default and management overlay.

Effective Interest Rate

Income in the form of fees earned and incurred as a result of bringing mortgages onto the balance sheet, are measured under the effective interest rate method. This approach involves consideration of the effective life of the loan. The Committee reviewed empirical data prepared by management on effective life and conclusions formed for utilization in determining the approach taken and judgements applied by management in recognition of income on mortgages and is satisfied that the estimates and accounting treatment are appropriate.

Risk Management and Internal Control

The Society recognises the importance of maintenance of a sound system of internal control.

Management is responsible for designing an internal control framework appropriate to the nature, scale and complexity of its operations. The Audit Committee is responsible for keeping under review the Society's internal financial controls and systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems, confirming performance by receipt of reports from Internal Audit plus any second line of defence risk monitoring.

Deloitte LLP deliver internal audit services to the Society and provide independent assurance to the Board, via the Audit Committee, on the effectiveness of the Internal Control Framework. The Committee receives, considers and approves the Internal Audit Strategy and Plan, including the budget for and focus of assurance activity. Internal Audit provides the Committee with reports on its findings and recommendations as part of its work and updates on progress by management in implementing agreed actions, including verification actions have been implemented as agreed.

The following aspects of internal control were reviewed by the Committee during the year:

- Deposits
- Capital Management and Model Risk
- Information Security (GDPR)
- Governance
- Responsible Lending (Policy and Underwriting) and Credit Risk Framework
- Change Management (inc. Outsourcing risk)

External Audit

The Committee is responsible for overseeing the Society's relationship with the External Auditor including appointment and tendering, terms of engagement and remuneration, assessment of independence and the annual audit cycle.
At the start of the audit cycle each year the Committee undertakes a review of the Audit Strategy put forward by the External Auditor and receives a formal update on conclusion of the Interim and Final Audit including details of any material control weaknesses brought to its attention. The Committee is also responsible for monitoring the performance, objectivity and independence of the external auditor, ensuring the policy on provision of non-audit services by the external auditor is strictly applied.

In order to retain independence and objectivity, the Society's policy is to tender for audit services on a regular basis and at least every 10 years. The external auditors are required to rotate every 20 years. The current auditors are Mazars LLP who have held the role for two year ends, commencing with the 31 December 2021 year end.

Conclusion

Having regard to the work outlined in this report and following a review of the financial statements the Committee concluded that taken as a whole the Annual Report and Accounts were fair, balanced and understandable and provide a clear and accurate representation of the Society's financial position and prospects.

On behalf of the Board

J C D Union
Chair of the Audit Committee
8 March 2023

Risk Management Report

Risk Overview

The Board has responsibility for the Society's system of internal control and for reviewing its effectiveness. The control procedures and systems the Society has established are designed to manage, rather than eliminate, the risk of failure to meet business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The system of internal controls includes financial, operational and compliance controls and risk management procedures.

The Society, like every business, faces risks and uncertainties in both its day-to-day operations and through events relating to the achievement of its long-term strategic objectives. The Board has ultimate responsibility for risk management within the Society and there is an ongoing and embedded process of assessing, monitoring, managing and reporting on significant risks faced by the Society. To mitigate these risks, the Board has implemented a clearly defined risk management framework that contains the following features:

- Risk focused governance structure;
- Risk policy statements and risk appetite measures;
- Risk identification, monitoring and reporting processes; and
- Effective internal control framework

Risk Culture

A sound risk culture is one that supports appropriate risk awareness, behaviour, and judgements about risk-taking within a strong governance framework.

The Board has established a culture that is guided by strong risk management to support and provide appropriate standards and incentives for professional and responsible behaviour. In this regard, it is the responsibility of the Society Chairman and of the Board to ensure that a strong risk management culture is embedded throughout the Society.

The Society's risk culture is represented by the attitudes and behaviour demonstrated by all employees with regard to risk awareness, risk taking and risk management. The Board has created an environment for employees where integrity, ownership, accountability, customer interests and respect are at the heart of the Society's values and practices.

The Society's values are outlined on page 13. An effective risk culture is one of the primary means by which the Society ensures these core values are upheld.

Risk Management Framework ('RMF')

The Society's RMF has established a formal, consistent process for the identification, prioritisation and management of risk. The Risk Function is responsible for overseeing the effective engagement of colleagues in the operation of the RMF, providing guidance, training as well as oversight and challenge. The Risk Committee establishes an appropriate tone through clear articulation of the Board's risk appetite and values linked to the Society's strategic objectives.

Three Lines of Defence Approach

The Society's RMF is based on a 'Three Lines of Defence' model which is recognised as an industry standard for risk management. This approach ensures clear independence of responsibilities for risk control, oversight and governance and ensures that colleagues are aware of their risk and control related responsibilities and that an effective segregation of duties is in place across the Society. The model is summarised below.

First Line of Defence: Individual Risk Owners	**Day to day risk management by the business:** • Overall accountability & ownership of risks within their area • Implementation of the RMF, including identification, analysis, reporting & review of their risks • Establish & promote strong risk management culture & set tone from the top • Board sets Risk Appetite with business input
Second Line of Defence: Risk and Compliance Functions	**Risk oversight and compliance:** • Design RMF and develop processes for its implementation • Promote strong risk management culture • Provide support, oversight & challenge, and report directly through to the Risk Committee • Support the business in delivering strategy in line with risk appetite
Third Line of Defence: Internal Audit	**Internal Audit:** • Independent review of the design and operation of the RMF • Provide assurance that the controls and processes of the first two lines of defence are operating effectively

Risk Governance Structure

The Board is ultimately responsible for all aspects of the Society's activities in pursuit of its strategic objectives. The Board retains overall accountability and ownership of the RMF and delegate to the Risk Committee the responsibility for ensuring the ongoing development, implementation and enhancement of the Framework. The governance structure is robust and designed to promote open and constructive challenge.

Principal Risks and Uncertainties

The Society's exposure to current and emerging risks is closely tracked through the formal risk governance structure. The Society keeps the risks under close observation through risk reporting and measuring of performance against key risk indicators. The Society conducts regular horizon scanning to identify any new or emerging risks which could impact delivery of the Board's strategy. The most significant risks to the Society's strategy are detailed below, together with the actions being taken to mitigate those risks.

Risk Management Report

Principal Risk	Society Approach	Risk Control and Mitigation
Strategic / Business Risk: The risks that affect or are created by the Society's business strategy and strategic objectives. Risks arising from any changes to the Society's business model and the risk of the Strategic Plan proving inappropriate due to economic, geopolitical, regulatory or other factors	Maintain earnings stability over the 3-5 year business plan to maintain sustainable asset growth and capital reserves. The Society has an appetite for top quartile peer group profit performance. The Society also has no appetite for complex or unusual tax dealings.	• Business planning processes • Quarterly strategic updates to Board • Ongoing monitoring of Key Performance Indicators and Risk Appetite measures • Investment in underlying processes, systems and people to support strategic objectives • Business planning stress testing • Robust risk management and corporate governance frameworks
Credit & Concentration Risk: The risks of losses arising from a borrower or treasury counterparty failing to make timely repayment of a loan or other credit commitment. The risk of loss due to large exposure to an individual or group of connected individuals that are affected by a common issue (e.g. property price falls in a specific area)	A prudent lending approach to mortgage customers and treasury counterparties to avoid losses, by targeting a balanced portfolio of assets that match expertise and experience of underwriters, whilst generating an appropriate level of return to reflect the risk. Money is only lent to customers who meet the Society's affordability requirements. The mortgage book should also be appropriately diverse to deliver a variety of income streams.	• Board approved risk appetite and risk limits • Board approved Lending Policy • Board approved Treasury Policy • Robust underwriting criteria • Mortgage loans are manually underwritten • Affordability stresses • Counterparty and exposure limits and Assets, Liabilities and Credit Risk Committee review • Stress testing • Credit Risk Committee oversight for mortgage lending risk and financial soundness risk (including market risk) • Capital planning as part of the Society's ICAAP
Market Risk / Interest Rate Risk: The risk of losses or reduced profitability arising from fluctuations in values of or income from assets or in interest or exchange rates	Minimise potential losses on interest rate and basis risk positions from adverse movement in market rates to ensure they remain within forecast market expectations	• Board approved risk appetite and risk limits • Use of specialist external treasury advisers • Stress testing • Assets, Liabilities and Credit Risk Committee oversight
Legal & Regulatory Risk: The risk of fines, penalties, public censure, limitation on business, or restitution costs arising from failing to understand, interpret, implement and comply with UK or EU legal and regulatory requirements	Maintain robust controls to ensure compliance with relevant laws and regulations	• Board approved risk appetite and risk limits • Regulatory horizon scanning • Strong compliance culture • Risk Committee oversight • Compliance Monitoring Plan • Open and transparent relationship with all regulatory bodies

Principal Risk	Society Approach	Risk Control and Mitigation
Financial Soundness Risk: The risk that insufficient funds are available to meet financial obligations as they fall due and/or, insufficient capital resources, resulting in the inability to support business activities, as well as an inability to meet liquidity and capital regulatory requirements	Liquidity: Maintain sufficient liquid resources to at least meet the regulatory requirement and to meet our severe stress test minimum survival days, to enable management to put in place contingency measures as set out in the Contingency Funding Plan Capital: Maintain sufficient Capital to support current and future business initiatives, including stressed losses that arise as a result of plausible but extreme scenarios and to at least meet regulatory requirements. Capital surplus may be utilised by the Board during 'normal' times to implement the Corporate Plan, although in uncertain times the preference is to maintain the surplus.	• Business planning processes • Quarterly strategic updates to Board • Ongoing monitoring of Key Performance Indicators and Risk Appetite measures • Investment in underlying processes, systems and people to support strategic objectives • Business planning stress testing • Robust risk management and corporate governance frameworks
Operational Risk: The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events	Develop robust processes and controls to optimise resources, increase resilience and reduce the impact of operational risks on the Society's performance. Financial Crime: We do not tolerate operating without the proportionate systems and controls in place designed to detect and prevent Financial Crime and will not knowingly conduct business with individuals or organisations that we either suspect or believe to be engaged in behaviour which supports financial crime. Whilst we recognise we cannot eliminate fraud, we have a zero appetite for any such failures. Cyber Security: To maintain 'best practice' cyber threat detection & prevention tools to minimise the risk of an attack & to recover quickly from any such event	• Board approved risk appetite and risk limits • Strong and effective internal control environment • Insurances • Risk Committee oversight • Continued investment in developing risk management frameworks, policies, systems and processes • Continuous improvement, learning from internal and external events and responding to findings from Second Line and Third Line reviews • Continued investment in our operational resilience including cyber-crime and IT

Risk Management Report

Principal Risk	Society Approach	Risk Control and Mitigation
Conduct Risk: The risk of financial or reputational loss as a result of treating customers unfairly, and delivering inappropriate outcomes that lead to customer detriment &/or harm	Aim to deliver positive outcomes for customers, maintaining a high degree of customer and public confidence by focusing on the Society's aims and values	• Board approved risk appetite and risk limits • Board approved Conduct Risk Policy • Members are placed at the heart of our decision making, aligned to our core values • Risk Committee oversight • Strong risk management culture • Vulnerable Customer Policy

Climate Change

The Society also recognises the risks and challenges posed by climate change. While the financial risks from climate change may only crystallise in full over longer time horizons, they are becoming apparent now. The Society particularly recognises two risks: physical and transitional. Physical risks relate to specific weather events such as flooding, or longer-term events such as rising sea levels. A key element of this risk is to property, both the Society's own properties and properties held as security for lending.

In both 2021 and 2022, the Society commissioned a report to assess the risks to the mortgage portfolio from climate change. This analysis suggests that direct, physical risks may not present a significant risk to the Society's business, but that transitional risks, especially the remediation costs of converting low energy efficiency homes to a better standard of energy efficiency may be substantial. The impact of this has been considered during 2021 and 2022 as part of the Society's annual assessment of its capital position and the impact on this of various stress scenarios.

Emerging Risks / Horizon Scanning

An emerging risk is a risk which has not yet materialised but is 'on the horizon' and may affect the Society in the future (typically outside of a 12-month horizon). The main purpose of raising an emerging risk is to notify the relevant Committee of the potential exposure to the Society. This will ensure that the emerging risk is monitored, and any future potential risk exposure is minimised.

Responsibility for the identification of emerging risks, for reporting them to the appropriate Committee, for assessing the impact on the organisation and for implementing the required changes to policy and procedures, lies with the Executive and Senior Manager responsible for each respective business area. All such risks are reported by the Senior Management Team to the Director of Risk & Compliance on a quarterly basis, as part of the risk review process, to ensure they are appropriately considered and captured, where required, within the Society wide risk register. In all cases, the risk is reviewed and mapped against the current risk register to determine whether already adequately captured and quantified, or not. Similarly, any proposed changes in risk levels are also reported and documented in the same way.

The Society has identified a number of risks which may have a future impact on the Society. These include Macro-economic conditions including a recession, continued high levels of inflation and higher interest rates than have been experienced in recent times, leading to increased borrower difficulties in making repayments and house price reductions. The Society is protected from the more significant impacts of such conditions by its prudent lending policy, including affordability checks and stress testing, which has resulted in an average LTV of the mortgage book of 47%. A key factor in repayment difficulty relates to employment being maintained. The latest OBR forecasts indicate that unemployment will peak at 4.9% during 2024, before returning to 4% during 2027. It is likely that the Society will see an increased level of arrears and forbearance arrangements as a result.

Whistleblowing

The committee is responsible for reviewing and approving the Society's Whistleblowing Policy annually. The committee continues to be satisfied that the Society's Whistleblowing Policy remains appropriate and that the requisite arrangements are in place to enable colleagues to raise concerns about possible improprieties on a confidential basis.

On behalf of the Board

M Hayes
Chair of the Risk Committee
8 March 2023

Report of the Remuneration Committee

The purpose of this report is to explain the Society's policies on the remuneration of directors. The Society believes that these policies comply with the FCA's Remuneration Code. The remuneration of the individual Directors is detailed on page 40.

Unaudited Information

The level and components of remuneration

The Society's policy is to reward Directors according to their expertise, experience and overall contribution to the successful performance of the business. The Executive Directors' benefit package is designed to motivate decision making in the interests of the members as a whole. A performance related pay scheme operated during the year for Executive Directors, which was carefully designed to encourage achievement of targets that maintain the financial security and financial strength of the Society; and to recognise corporate and individual performance in accordance with good risk management.

Executive Directors' Emoluments

The remuneration of Executive Directors reflects their responsibilities and time commitment. This year it comprised basic salary, an annual performance related pay scheme and various benefits. Performance related payments are not pensionable.

Basic salaries

Basic salaries are reviewed annually by reference to jobs carrying similar responsibilities in comparable organisations from the building society sector and in the light of market conditions generally.

Annual Performance Related Pay Scheme

The annual scheme is based on the Society's key financial measures of profitability, control of costs and growth in mortgages and savings balances. A maximum of 10% of salary can be earned for achievement of these targets. The Remuneration and Nomination Committee sets targets and assesses as whether any payment should be made. Fundamental prerequisites for any performance related payments include demonstrating the appropriate conduct to meet the Society's values framework and FCA conduct rules, to maintain ethical standards and appropriate risk management capabilities.

Pensions

In lieu of his entitlement to pension contributions, Mr A. Williams opted to receive a cash equivalent sum at the same gross cost to the Society. Pension contributions for Mr N.P.A. Griffiths and Miss C.A. Griffiths are made to the Society-wide defined contribution pension plan.

Benefits

Executive Directors receive other benefits including a company car, a subsidised mortgage and a private health care scheme.

Contractual terms

Executive Directors each have service contracts with the Society, terminable by either party giving twelve months notice.

Executive Directors Pay Ratio Reporting

In order to promote transparency and good governance, the Society has chosen to voluntarily disclose a snapshot of the overall pay gap between the basic salary of the executive directors, being the highest paid within the organisation, and the lowest paid employee. For 2022 these pay ratios were as follows:
Chief Executive: 8:1
Finance Director: 5:1
Director of Risk and Compliance: 5:1

Non-Executive Directors

The level of fees payable to Non-Executive Directors is assessed using information from comparable organisations in the building society sector. Remuneration comprises a basic fee with a supplementary payment for the Chairman which reflects the additional responsibility of this position. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not participate in any incentive scheme or receive any other benefits. Non-Executive Directors have letters of appointment instead of service contracts. They are appointed for a maximum of nine years.

The procedure for determining remuneration

The Remuneration & Nominations Committee consists of three Non-Executive Directors. The Chief Executive attends by invitation only but takes no part in the discussion of his own salary. The committee reviews Directors' and Executive management remuneration annually using data from comparable organisations. Minutes of the committee's meetings are distributed to all Board members, and the Chairman of the committee reports at the Board meeting following a committee meeting.

Audited Information

EXECUTIVE 2022	Salary £'000	Payment in lieu of pension £'000	Benefits £'000	Annual Bonus £'000	Pension Contributions £'000	Total
A. Williams	162	24	3	24	-	213
N.P.A. Griffiths	111	-	2	17	16	146
C.A. Griffiths	101	-	1	14	14	130
TOTAL	**374**	**24**	**6**	**55**	**30**	**489**
EXECUTIVE 2021						
A. Williams	152	23	21	15	-	211
N.P.A. Griffiths	100	-	5	10	15	130
C.A. Griffiths (App. 01.07.21)	45	-	-	5	7	57
TOTAL	**297**	**23**	**26**	**30**	**22**	**398**

Fees

NON-EXECUTIVE	2021 £'000	2020 £'000
I.W. Griffiths (Chairman)	42	41
D.S. Maddock (Deputy Chairman)	30	29
P.M. Kathrens	30	29
J.N. Herdman (Until 31.07.2021)	-	17
J.C.D. Union	30	29
A.J. Morgan	30	29
M.S. Hayes (Appointed 01.01.22)	32*	-
Sub-total	**194**	**174**
Executive remuneration total	**489**	**398**
Total directors' remuneration	**683**	**572**

* Includes £2k travel cost contribution

PMKathrens

P.M. Kathrens
Chairman of the
Remuneration and
Nominations Committee
8 March 2023

Directors' Report

The Directors have pleasure in presenting the Society's one hundredth Annual Report, together with the audited Annual Accounts and Annual Business Statement of the Society for the financial year ended 31 December 2022.

Business objectives and activities

The business objectives, review and key performance indicators are referred to in the Strategic Business Review on pages 11 to 16.

Profit and capital

The Society's profit before tax amounted to £5.4M (2021: £5.2M). The total reserves at 31 December 2022 were £35.1M (2021: £30.7M).

Gross capital was 7.12% (2021: 7.13%) and free capital 6.66% (2021: 6.60%). For further details see page 85. Detailed Pillar 3 capital disclosures for 2022 will be available on the Society website by 30 April 2023.

Principal risk and uncertainties
The Society's principal risk and uncertainties are covered within the risk management report on pages 33 to 38.

Mortgage arrears

Total mortgage arrears at 31 December 2022 amounted to £51,500 (2021: £37,719). The capital balances on the arrears cases at 31 December 2022 amounted to £3.5M (2021: £2.6M). This low level of arrears demonstrates the quality of the mortgage book. At 31 December 2022, there were no cases (2021: 0) where repayments were 12 months or more in arrears. At 31 December 2022 there was 1 case in possession (2021 : 1).

Directors

The following served as Directors of the Society during the year:

- I.W. Griffiths (Chairman)
- D.S. Maddock (Deputy Chairman)
- A. Williams (Chief Executive)
- N.P.A. Griffiths (Finance Director)
- C.A. Griffiths (Director of Risk & Compliance)
- P.M. Kathrens
- J.C.D. Union
- A.J. Morgan
- M. Hayes

Biographies for the Directors appear on pages 17 to 18. The names, responsibilities and occupations of all Directors are set out on page 90 in the Annual Business Statement. None of the Directors has any beneficial interest in shares in any associated body of the Society. The Society maintains liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986.

Mrs S. Thomas was appointed a Director of the Society on 1 January 2023 and offers herself for election at the Annual General Meeting on 27 April 2023.
Mrs P.M. Kathrens, Mr D.S Maddock and Mr A.J. Morgan will retire at the Annual General Meeting on 27 April 2023. Being eligible for re-election Mr D.S Maddock and Mr A.J Morgan will seek re-election to the board.

Tenure (Non-executives only)	
0 – 3 years	1
4 - 6 years	3
7 – 9 years	1
Over 9 years	1

Male / Female	
Male	5
Female	1

Equality and Diversity

The Society values people from all backgrounds and recognises the importance of diversity and inclusion. The Society is better equipped to put its members first if it has a diverse workforce of talented people that's representative of the communities we live and work in. The Society wants everyone who works for it to feel engaged, valued and respected and to experience that their potential is not in any way limited by their background, gender, age, race, disability, religion or sexual identity. The Society has signed the Business in the Community Race at Work Charter as well as HM Treasury's Women in Finance Charter.

The Gender breakdown at the Society is detailed in the following table:

Role	Male (Number)	Female (Number)	Total (Number)	Male (%)	Female (%)	Total (%)
Board	7	2	9	78	22	100
Senior Management Team	4	2	6	67	33	100
Management	10	2	12	83	17	100
Colleagues	9	45	54	17	83	100
Total	**7**	**2**	**9**	**78**	**22**	**100**

Acknowledgements

The Board is grateful to all our members and professional contacts for their continued support.

Governance and Regulation

There has been a continued increase in regulatory activity in the past year and with the dedication of our staff, professional advisers and trade bodies we have a strong commitment to meet the challenges of significant legislation. The Board of Directors is committed to best practice in Corporate Governance. The report on pages 19 to 30 explains how the Society applies the principles of the UK Corporate Governance Code.

Independent auditors

At the Annual General Meeting held on 28 April 2022, a resolution to re-appoint Mazars LLP as External Auditor to the Society was passed. The Auditors Mazars LLP have expressed their willingness to continue in office and in accordance with Section 77 of the Building Societies Act 1986, a resolution for the re-appointment of Mazars LLP as Auditors is to be proposed at the Annual General Meeting on 27 April 2023

Disclosure of information to auditors

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

Directors' Report

Directors Indemnity

All Directors have access to independent professional advice if required. Directors and Officers insurance has been put in place by the Society.

Other Matters

Creditor Payment Policy

It is the Society's policy to discharge suppliers' invoices for the complete provision of goods and services (unless there is an express provision for stage payments) in full conformity with the conditions of the purchase and within the agreed payment terms. It is intended that this policy be continued in 2023. The Society had 2 days purchases outstanding at 31 December 2022 (2021: 2 days) based on the average daily amount invoiced by suppliers during the year ended 31 December 2022.

Charitable and Political donations

During the year the Society made donations of £51k (2021: £24k) to charities. No contributions were made for political purposes. The Society sponsors, and its colleagues commit their time to, a range of local charitable and community causes.

Colleagues

The Directors are extremely appreciative of the contribution made by our colleagues to the Society's successful performance. The Society obtains feedback from both borrowers and saving Members throughout the year in order to monitor our performance and make improvements where appropriate. The feedback we have received indicates a high level of satisfaction with the service provided by our colleagues.

The Society in the Community

The Society remains firmly committed to conducting all its affairs in an ethical and socially responsible manner. In particular, itis recognised that the major part of the Society's business and Membership is drawn from the local community in which we operate. Consequently, the Society actively endeavours to identify with and support the community. The Society actively sources purchases and services locally if possible, and provides support in terms of both finance and practical assistance to local charities, worthwhile causes and community-based organisations.

The Society actively pursues environmentally friendly initiatives with the aim of mitigating the environmental impact of the business it undertakes. Members can play their part by registering to receive future AGM packs on-line.

Going Concern

In accordance with best practice, the Board undertakes regular rigorous assessments of whether the Society is a going concern in the light of current economic and market conditions and all available information about future risks and uncertainties.

The future risks considered throughout 2022 included:
- the aftermath of the Covid-19 pandemic;
- ongoing issues relating to Brexit;
- further changes to the regulatory framework;
- the impact of a rising interest rate environment;
- the impact of high inflation; and
- recession.

Factors addressed when considering the Society's ability to manage future risks and uncertainties included liquidity, funding, capital resources, future profitability and risk management processes. Stress testing was used to assess the Society's ability to withstand a variety of extreme circumstances and conditions.

The Directors have developed a three year view of the forecast of the Group's financial position for the period ending 31 December 2025. In doing so they have also considered the effects on the Society's business of operating under stressed but plausible operating conditions, with specific reference to changing economic conditions and other known sensitivities.

The Society prepares detailed forecasts ('Corporate Plan') for the three years following the year ended in these financial statements. The forecasts reflect the uncertain economic environment, specifically with reference to the cost of living crisis and Brexit. Furthermore, the Society models the impact of severe but plausible scenarios on capital and liquidity through robust stress testing and analysis of changes on key sensitivities. The Board is satisfied that based on empirical evidence, and current market data, the severe but plausible stress scenarios are in fact more severe than that previously or currently experienced by the Society, particularly in reference to COVID-19 and/or Brexit and the financial crisis of 2007/2008. These severe but plausible stresses are established and defined in detail during the annual Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), in line with PRA requirements.

Considerations are given to a range of factors, including but not limited to HPI fluctuations, changes in customer propensity of default, unemployment, interest rate changes and circumstances that may give rise to funding outflows either on an idiosyncratic level or sector wide. The Society maintains a surplus over regulatory limits for both capital and liquidity throughout the stresses. The Board, therefore, is satisfied that the Society has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements. Accordingly it continues to adopt the going concern basis in preparing the financial statements.

Events since the end of the financial year and Future Developments

The Board considers that there have been no events since 31 December 2022 that have a material effect on the financial position of the Society. We shall continue to promote savings and home ownership through a competitive interest rate structure on a variety of straightforward products combined with the highest levels of personal service to all our members. These are the strengths of a regional building society and we look forward to working with our members and professional contacts to ensure that we continue to meet these objectives.

The Future

The Board believes that the Society is in a strong position, both financially and operationally. The Board will continually monitor developments to current and emerging risks. Further information in respect of these risks can be found on page 37 in the Risk Management Report. The Society continues to maintain a prudent lending policy which is regularly reviewed to take account of best practice and the evolving nature of the mortgage industry. Despite the difficult market conditions in which we operate, the Board firmly believes a successful future lies ahead as an independent, mutually owned business. The Board's strategy for the coming years will be to place more emphasis on both strong capital and liquidity positions to address the economic environment in which it operates. Providing regulation is proportionate, the Board is confident that the Society will continue to deliver exceptional service and value for its members.

On behalf of the Board of Directors.

I.W. Griffiths
Chairman
8 March 2023

Statement of Directors' Responsibilities

Directors' Responsibilities for Preparing the Annual Accounts

The following statement, which should be read in conjunction with the Independent Auditor's Report on pages 47 to 52, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Accounts, Annual Business Statement and Directors' Report.

The Directors are required by the Building Societies Act 1986 ("the Act") to prepare, for each financial year, Annual Accounts which give a true and fair view of the state of the affairs of the Society as at the end of the financial year 2022, and of the income and expenditure of the Society for the financial year 2022. Under that law they have elected to prepare the Annual Accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

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

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

Directors' Responsibilities for Accounting Records and Internal Control

The Directors are responsible for ensuring that, in accordance with the Act, the Society:

- keeps accounting records in accordance with the Building Societies Act 1986, and
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulatory Authority under the Financial Services and Markets Act 2000

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

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

I.W. Griffiths
Chairman
8 March 2023

Independent Auditors' Report to the members of Swansea Building Society

Opinion

We have audited the annual accounts of Swansea Building Society (the 'Society') for the year ended 31 December 2022 which comprise the Income statement, the Statement of financial position, the Statement of changes in members' interests, the Cashflow statement and notes to the annual accounts, including a summary of significant accounting policies.

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

In our opinion, the annual accounts:

- give a true and fair view of the state of the Society's affairs as at 31 December 2022 and of the Society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986.

Basis for opinion

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

Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Society's ability to continue as a going concern;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance;
- Challenging the appropriateness of the directors' key assumptions in their cash flow forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the directors' consideration of severe but plausible scenarios. This included reviewing the Society's latest 3-Year Corporate Plan, ICAAP, ILAAP and its reverse stress testing;
- Testing the accuracy and functionality of the model used to prepare the directors' forecasts;
- Assessing the historical accuracy of forecasts prepared by the directors;
- Assessing and challenging key assumptions and mitigating actions put in place in response to the current economic situation, including but not limited to, the 'cost of living crisis', inflation, levels and interest rates;
- Considering the consistency of the directors' forecasts with other areas of the annual accounts and our audit; and
- Evaluating the appropriateness of the directors' disclosures in the annual accounts on going concern.

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

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

Key audit matters

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

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

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

Key audit matter

Credit risk – impairment of loans and advances to customers £543k (2021; £259k)

Refer to note 1 accounting policies: Impairment of financial assets, note 2(a) for the critical accounting judgements and estimation uncertainty, and note 10 and 20 for the disclosures in the annual accounts.

Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of estimation in arriving at the year end provision requirement.

The individual impairment is booked on an individual basis for mortgages whose partial or full collectability is uncertain. Management judgement is required in determining mortgages requiring provision and estimating the recoverable amount. The Society has limited historical experiences of losses on which to base its impairment assessments, resulting in management judgement being required in deriving assumptions to be applied in the assessment. The individual assessments are most sensitive to movements in the forced sale discounts (FSD) against collateral and the probability of default (PD).

The collective impairment is derived from a model that uses a combination of being aligned to peers and management's own view. The collective provision is sensitive to movements in the FSD against collateral and the movement in future house prices.

The risk of impairment on loans and advances to customers arising from estimation uncertainty and judgement has increased in 2022 as a result of the uncertain macroeconomic and geopolitical environment, high levels of inflation and a rising global interest rate environment.

How our scope addressed this matter

Our audit procedures included, but were not limited to:

- Assessing the design and implementation, and testing the operating effectiveness of the key controls in relation to credit processes (loan origination and approval, loan redemptions, arrears monitoring);
- Critically assessing the methodology for identifying impaired loans and whether they are subject to individual impairment assessment;
- Assessing the reasonableness of external data used in the provision model and checked relevance of this data based on our understanding of the Society's portfolio;
- Comparing the society's key assumptions to similar lenders and considered whether they are consistent with industry practice;
- Challenging the reasonableness of the future house price movement assumption applied in determining the present value of the future cash flows from defaulted loans;
- Developing an auditor's range estimate of the collective provision using reasonable alternative assumptions relevant to the society's portfolio;
- Engaging our internal property valuation experts to assess the reasonableness of the collateral value on individually assessed impairments and independently assessed the level of provision required;
- Performing a stand back assessment of the resulting individual and collective impairment estimates to assess their appropriateness; and
- Assessing the adequacy of impairment provision disclosures in relation to the degree of estimation uncertainty involved in arriving at the provision for impairment losses on loans and advances to customers.

Our observations

Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision as at 31 December 2022 to be reasonable and in compliance with FRS 102.

Independent Auditors' Report to the members of Swansea Building Society

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

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

Overall materiality	£346,000 (2021: £300,000)
How we determined it	1 % of net assets (2021: 1 % of net assets)
Rationale for benchmark applied	We consider that net assets is the most appropriate benchmark to use for the Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximisation. Further, net assets as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where net reserves is an approximation of regulatory capital resources.
Performance materiality	Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the annual accounts exceeds materiality for the annual accounts as a whole. Performance materiality of £242,000 (2021: £180,000) was applied in the audit based on 70% (2021: 60%) of overall materiality. In determining the performance materiality, we considered a number of factors, including the effectiveness of internal controls and the history of misstatements, and concluded that an amount toward the upper end of our normal range was appropriate.
Reporting threshold	We agreed with the directors that we would report to them misstatements identified during our audit above £10,000 (2021: £9,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on the Annual Business Statement and the Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the statement of directors' responsibilities set out on page 46, the directors are responsible for the preparation of the annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the annual accounts

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

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

Independent Auditors' Report to the members of Swansea Building Society

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

Based on our understanding of the Society and its industry, we identified that the principal risks of non-compliance with laws and regulations related to: regulatory and supervisory requirements of the Prudential Regulatory Authority ('PRA') and the Financial Conduct Authority ('FCA') and anti-money laundering regulations, and we considered the extent to which non-compliance with these laws and regulations might have a material effect on the annual accounts.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance with laws and regulations, our procedures included but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Society, the industry in which it operates, and considering the risk of acts by the Society which were contrary to the applicable laws and regulations including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Society is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities, including the PRA and FCA;
- Reviewing minutes of directors' meetings in the year;
- Discussing amongst the engagement team the identified laws and regulations, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the annual accounts from our general commercial and sector experience and through discussions with the directors, from inspection of the Society's regulatory and legal correspondence and review of minutes of the Board of Directors and Audit, Risk and Compliance Committee during the period.

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

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

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

- Making enquiries of the directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.
- Being skeptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

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

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

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

Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by the directors on 22 April 2021 to audit the annual accounts for the year ended 31 December 2021 and subsequent financial periods. The period of total uninterrupted engagement is two years, covering the years ended 31 December 2021 to 31 December 2022.

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

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

Use of the audit report

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

David Allen (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
30 Old Bailey London

8 March 2023

Financial Statements

Income statement for the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Interest receivable and similar income	3	16,944	12,157
Interest payable and similar charges	4	(5,103)	(1,940)
NET INTEREST INCOME		**11,841**	**10,217**
Fees and commissions receivable		146	155
Fees and commissions payable		(53)	(113)
Other income		77	105
TOTAL NET INCOME		**12,011**	**10,364**
Administrative expenses	5	(5,762)	(4,941)
Depreciation and amortisation	12, 13	(545)	(405)
OPERATING PROFIT BEFORE IMPAIRMENT LOSSES AND PROVISIONS		**5,704**	**5,018**
Impairment release/(charge) on loans and advances	10	(293)	165
PROFIT BEFORE TAX		**5,411**	**5,183**
Tax on profit	8	(1,047)	(1,041)
PROFIT FOR THE FINANCIAL YEAR	18	**4,364**	**4,142**

The profit before tax is derived from the continuing operations of the Society.
The accounting policies and notes on pages 59 to 87 form part of these accounts.

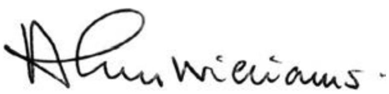
Statement of financial position as at 31 December 2022

ASSETS	Notes	2022 £'000	2021 £'000
Liquid assets			
Cash in hand and balances with the Bank of England		103,162	83,717
Loans and advances to credit institutions	9	12,649	16,066
Loans and advances to customers	10	410,873	360,920
Prepayments and accrued income		587	506
Other assets	11	6	2
Property, plant and equipment	12	2,072	1,933
Intangible assets	13	451	321
TOTAL ASSETS		**529,800**	**463,465**
LIABILITIES			
Shares	14	458,176	408,750
Amounts owed to other customers	15	34,753	22,567
Accruals and deferred income	16	911	715
Current tax liabilities		505	412
Deferred tax liabilities	17	357	287
TOTAL LIABILITIES		**494,702**	**432,731**
RESERVES			
General reserves		35,098	30,734
TOTAL RESERVES ATTRIBUTABLE TO MEMBERS OF THE SOCIETY		**35,098**	**30,734**
TOTAL RESERVES AND LIABILITIES		**529,800**	**463,465**

The accounting policies and notes on pages 59 to 87 form part of these accounts.

The accounts on pages 55 to 87 were approved by the Board of Directors on 8 March 2023 and were signed on its behalf by:

I.W. Griffiths - Chairman



A. Williams - Chief Executive

N.P.A. Griffiths - Finance Director

Statements of changes in members' interests for the year ended 31 December 2022

	General reserves	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 January 2022	30,734	-	30,734
Profit for the financial year	4,364	-	4,364
BALANCE AS AT 31 December 2022	**35,098**	**-**	**35,098**

	General reserves	Revaluation reserve	Total
Balance as at 1 January 2021	26,592	20	26,612
Profit for the financial year	4,142	-	4,142
Transfer	-	(20)	(20)
BALANCE AS AT 31 December 2021	**30,734**	**-**	**30,734**

Cash Flow Statement for the year ended 31 December 2022

CASHFLOWS FROM OPERATING ACTIVITIES	Notes	2022 £'000	2021 £'000
Profit before tax		5,411	5,183
Depreciation and amortization	12, 13	545	405
Profit on disposal of property, plant, equipment and intangible assets	12, 13	-	(23)
Increase in effective interest rate adjustment		(55)	(261)
Impairment charge/ (release)		293	(165)
TOTAL		**6,194**	**5,139**

CHANGES IN OPERATING ASSETS AND LIABILITIES			
(Increase)/decrease in loans and advances to credit institutions		(25)	1
Increase in loans and advances to customers		(50,191)	(57,539)
Increase in prepayments, accrued income and other assets		(84)	(124)
Increase in shares		49,426	41,646
Increase in amounts owed to other customers		12,185	2,831
Increase in accruals and deferred income		196	226
Taxation paid		(900)	(812)
NET CASH GENERATED FROM OPERATING ACTIVITIES		**16,801**	**(8,632)**

CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and intangible assets		(814)	(973)
Disposal of property, plant and equipment and intangible assets	12	-	87
NET CASH USED IN INVESTING ACTIVITIES	13	**(814)**	**(886)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**15,987**	**(9,518)**
Cash and cash equivalents at 1 January		94,780	104,298
CASH AND CASH EQUIVALENTS AT 31 DECEMBER		**110,767**	**94,780**

REPRESENTED BY:			
Cash and balances with The Bank of England		103,162	83,717
Loans and advances to credit institutions repayable on demand		7,605	11,063
TOTAL		**110,767**	**94,780**

Notes to the Accounts

Notes to the Accounts

1. Accounting policies

Basis of accounting

Swansea Building Society (the "Society") has prepared these annual accounts:

- In accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102, The Financial Reporting Standard, applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these annual accounts is Sterling. All amounts in the annual accounts have been rounded to the nearest £1,000.
- On the historical cost basis except in the case of Financial Instruments which are measured in line with FRS 102 (sections 11 and 12) and treated as either basic or non-basic. Basic instruments are measured at amortised cost and non-basic instruments are stated at their fair value. The Society does not currently have any assets measured at fair value.
- On a going concern basis. This is discussed in the Directors' Report on pages 43 to 44.

Income recognition

(i) Interest income and interest payable

Interest income and interest payable for all interest bearing financial instruments are recognised in 'interest receivable and similar income' or 'interest payable and similar charges' using the effective interest rates of the financial assets or financial liabilities to which they relate. The effective interest rate is the rate that discounts the expected future cash flows, over the expected life of the financial instrument, to the net carrying amount of the financial asset or liability.

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

(ii) Fees and commissions

Fees, commission income and expenses associated with bringing a mortgage onto the statement of financial position are amortised over the expected life of the mortgage on an effective interest rate basis. These are primarily arrangement fees and procurement fees.

Other fees and commission income are recognised on an accruals basis in the income statement when the service has been provided or on the completion of an act to which the fee relates.

Valuation fees receivable, less amounts payable to valuers, are included in fees and commissions receivable.

Financial Instruments

(i) Loans and receivables

Loans and receivables are predominantly mortgages to customers and money market advances held for liquidity purposes. They are initially measured at fair value plus incremental direct transact costs, then subsequently recorded amortised cost, including any effective interest rate adjustment, less any impairment losses.

(ii) Offsetting

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously. No such assets or liabilities are offset in the Statement of Financial Position.

(iii) Financial liabilities

Financial liabilities are measured at amortised cost, and are recognised on the Statement of Financial Position when the Society becomes a party to the contractual provision of the instrument. Financial liabilities are derecognised when the liability is extinguished which is when the contractual obligation is discharged or expires.

Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred tax

Deferred tax arises from timing differences that are differences between taxable profits and the profit as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1. Accounting policies (continued)

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Deferred tax balances are not discounted.

Intangible assets

Computer software

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

Intangible assets are stated at cost less cumulative amortisation and impairment losses.

Amortisation begins when the asset becomes available for operational use and is charged to the income statement on a straight-line basis over the estimated useful life of the software, which is 4 years. The amortisation periods used are reviewed annually.

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

Property, plant and equipment

Additions and improvements to office premises and equipment, including costs directly attributable to the acquisition of the asset, are capitalised at cost. The Society has, on transition to FRS 102, elected to treat the fair value of freehold property as the Society's deemed cost. All other items of property, plant and equipment are included in the statement of financial position at the original cost, less cumulative depreciation and any impairment. The cost, less estimated residual values of any asset, is depreciated on a straight-line basis over its estimated useful economic life of the asset as follows:

- Freehold Buildings over 50 years
- Leasehold land and buildings over the remainder of the lease
- Property improvements over 10 years
- Computer equipment, fixtures, fittings and vehicles over 4 years

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

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash, treasury bills and other eligible bills and loans and advances to credit institutions.

Impairment of financial assets

The Society assesses, at least quarterly whether there is objective evidence that a financial asset or group of financial assets is impaired. This forms the watchlist. Objective evidence of impairment may include:

- indications that the borrower or group of borrowers are experiencing significant financial difficulty,
- default or delinquency in interest or principal payments,
- the debt being restructured to reduce the burden on the borrower,
- any breach of contract and other material deterioration in overall economic conditions.

If there is evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the net present value of estimated discounted future cash flows. Loans are considered for the specific provision at three or more months in arrears. Loans less than three months in arrears are considered for the collective provision. The resultant provisions are deducted from the related asset values in the Statement of Financial Position and the movement is recorded in the Income Statement.

Leased assets

At inception the Society assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Lease incentives

Incentives received to enter into an operating lease are credited to the income statement, to reduce the lease expense, on a straight-line basis over the period of the lease. The Society has no finance leases.

Notes to the Accounts

1. Accounting policies (continued)

Employee benefits

The Society provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined contribution pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

(ii) Defined contribution pension plans

The Society operates a defined contribution pension scheme. The cost of providing retirement pensions and related benefits is charged each year to the income statement. The assets are held in a separate fund

2. Critical accounting judgements and estimation uncertainty

Provisions and contingent liabilities

The Society recognises a provision when there is a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

The Society makes estimates and judgements that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Society has identified the following critical areas of estimation uncertainty:

(a) Impairment losses on loans and advances to customers

The Society reviews its mortgage advances portfolio on at least a quarterly basis to assess impairment. In determining whether an impairment loss should be recorded, the Society is required to exercise a degree of judgement.

Impairment provisions are calculated using historical arrears experience. Assumptions are applied to determine prevailing market conditions (e.g. interest rates and house prices), customer behaviour (e.g. default rates), forced sale discount and the length of time expected to complete the sale of properties in possession. The accuracy of the provision would therefore be affected by unexpected changes to these assumptions.

Based on the assumptions in the Society's model and management overlay, a provision of £543k has been calculated. The management overlay from the house prices adjustment resulted in an additional provision requirement of £169k.

An increase in the forced sale discount of 5% would result in an additional provision requirement of £91k. A 5% decrease in the forced sale discount would cause the provision to decrease by £57k.

An increase in the time to sell a defaulted property by one year would increase the provision by £53k. A decrease in the time to sell a property by one year would decrease the provision by £42k.

(b) Effective Interest Rate ("EIR") Accounting

In determining the amount of interest to be recognised on the EIR basis of accounting, the Society uses historical and forecast redemption data in order to estimate the expected lives of mortgages and to support the assessment of future early redemption interest.

The appropriateness of the assumptions made is re-assessed on a regular basis. Changes to the assumptions will change the carrying value of mortgages in the statement of financial position and the timing of recognition of interest income. A decrease of one year in the expected lives of the mortgages would increase the income recorded by approximately £54k. An increase of one year in the expected lives of the mortgages would decrease the income recorded by approximately £63k.

Notes to the Accounts

3. Interest receivable and similar income

	2022 £'000	2021 £'000
On loans fully secured on residential property	14,885	11,691
On other loans fully secured on land	552	357
On other liquid assets	1,507	109
	16,944	**12,157**

4. Interest payable and similar charges

	2022 £'000	2021 £'000
On shares held by individuals	4,872	1,909
On deposits and other borrowings	231	31
	5,103	**1,940**

5. Administrative expenses

	2022 £'000	2021 £'000
Employee costs (see note 6 and 7)		
- Wages and salaries	2,634	2,193
- Social security costs	294	230
- Other pension costs	209	187
	3,137	**2,610**
Other administrative expenses	2,625	2,331
	5,762	**4,941**
Other administrative expenses include:		
Remuneration of auditor		
- audit of annual accounts (Exc. VAT)	97	84
Payments under operating leases		
- Rent of office premises	79	69

6. Directors' and Key Managers' Remuneration

Total remuneration of the Society's Directors for the year was £683,000 (2021: £572,000). Full details are given in the Directors' Remuneration Report on page 36. Details of Directors' loans and transactions can be found in note 20 on page 70. Remuneration of the Leadership Team, including the Executive Directors, for the year was £911,000 (2021: 596,000). Key Management Personnel includes all Directors and other members of staff who have responsibilities under the Senior Managers Regime.

Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not participate in any incentive scheme or receive any other benefits.

7. Employee information

The average monthly number of persons employed by the Society (including executive directors) during the financial year was as follows:

	2022 Full Time	2022 Part Time	2021 Full Time	2021 Part Time
Head Office and Administration staff	22	1	18	2
Branch offices	20	27	19	26
Executive Directors	3	–	3	-
	45	**28**	**40**	**28**

8. Tax on profit

	2022 £'000	2021 £'000
The taxation charge for the year comprises:		
UK corporation tax on the profits in the year	978	850
Adjustments in respect of prior periods	-	3
Total current tax charge	**978**	**853**
Deferred taxation:		
Origination and reversal of timing differences	53	157
Adjustment in respect of prior periods	-	-
Effect of tax rate change on opening balance	16	31
Tax on profit	**1,047**	**1,041**

	2022 £'000	2021 £'000
Profit before tax	**5,411**	**5,183**
Profit before tax multiplied by 19.00% (2021: 19.00%) rate of corporation tax in the UK	1,028	984
Effects of:		
Fixed asset differences	(4)	(19)
Expenses not deductible for tax purposes	7	4
Adjustments to tax charge in respect of previous periods		3
Additional deduction for land remediation expenditure	(1)	-
Remeasurement of deferred tax for changes in tax rates	17	69
Tax charge for the year	**1,047**	**1,041**

The standard rate of Corporation Tax in the UK was 19% and accordingly the Society's profits have been taxed at this effective rate (2021:19%). Deferred tax has been measured based on the substantively enacted rate of 25%. Further details on deferred tax are included in Note 17.

9. Loans and advances to credit institutions

Maturity analysis

In the ordinary course of business, loans and advances to credit institutions are repayable from the statement of financial position date, as follows:

	2022 £'000	2021 £'000
Accrued interest	44	3
On demand	7,605	11,063
Not more than three months	5,000	5,000
At 31 December	**12,649**	**16,066**

10. Loans and advances to customers

Maturity analysis

The maturity analysis of loans and advances to customers, from the date of the statement of financial position, is as follows (instalments being regarded as separate amounts):

	2022 £'000	2021 £'000
Repayable on demand	-	1,328
Deferred fees and charges	(1,149)	(1,094)
Not more than three months	4,244	4,635
More than three months but not more than one year	10,545	8,566
More than one year but not more than five years	58,640	62,921
More than five years	339,136	284,814
	411,416	**361,170**
Less: allowance for impairment	(543)	(250)
	410,873	**360,920**
Loans fully secured on residential property	397,992	351,867
Other loans fully secured on land	12,881	9,053
At 31 December	**410,873**	**360,920**

It should be noted that the above may not reflect actual experience of repayments since many mortgage loans are repaid early. In addition the analysis below reflects the legal position that all accounts in arrears are repayable on demand, except where arrangements or concessions are in force.

Forbearance

The Society uses forbearance tools in line with industry guidance where they are deemed appropriate for an individual customer's circumstances. Forbearance tools which the Society may offer include capitalisation, temporary interest only concessions, payment arrangements, payment holidays and term extensions.

The analysis below sets out a total of £1.7M (2021: £0.5M) of mortgage balances which are subject to some form of forbearance. The impairment provisioning methodology and assumptions are applied to provide adequate cover in respect of lending which is subject to forbearance.

	Positive Arrears Arrangements*	Payment Holidays	Temporary Interest Only	Term Extension	Negative Arrears**	Total
2022	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Not in arrears	-	109	556	167	-	832
Less than one month	-	-	-	-	-	-
One to two months	-	-	-	-	-	-
Two to three months	830	-	-	-	-	830
Three to six months	-	-	66	-	-	66
	830	**109**	**622**	**167**	**-**	**1,728**

	Positive Arrears Arrangements*	Payment Holidays	Temporary Interest Only	Term Extension	Negative Arrears**	Total
2021	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Not in arrears	-	-	157	303	-	460
Less than one month	-	-	-	-	-	-
One to two months	-	-	-	-	-	-
Two to three months	-	-	-	-	-	-
Three to six months	-	-	68	-	-	68
	-	**-**	**225**	**303**	**-**	**528**

* A positive arrears arrangement is one where the customer's regular monthly repayments are in excess of their contractual repayment amount in order to reduce their arrears situation.

** A negative arrears arrangement is one where the customer's regular monthly repayments are lower than their contractual repayment amount, agreed by the Society for an defined period of time.

10. Loans and advances to customers (continued)

The movement on the allowance for impairment is summarised as follows:

	Individual £'000	Collective £'000
At 1 January 2022	220	30
Amounts charged in the year	66	227
At 31 December 2022	**286**	**257**

	Individual £'000	Collective £'000
At 1 January 2021	258	157
Amounts released in the year	(38)	(127)
At 31 December 2021	**220**	**30**

The movement on the allowance for impairment for loans secured on land is summarised as follows:

	Individual £'000	Collective £'000
At 1 January 2022	-	-
Amounts charged in the year	-	10
At 31 December 2022	**-**	**10**

11. Prepayments and accrued income

	2022 £'000	2021 £'000
Prepayments	593	508
At 31 December	**593**	**508**

12. Tangible assets (Property, plant and equipment)

Cost or valuation (see below)	Freehold land and buildings £'000	Long Leasehold land and buildings £'000	Property improve-ments £'000	Computer equipment, fixtures, fittings and vehicles £'000	Total £'000
At 1 January 2022	387	240	1,004	1,545	3,176
Additions	-	95	359	75	529
Disposals	-	-	-	(140)	(140)
At 31 December 2022	**387**	**335**	**1,363**	**1,480**	**3,565**

Accumulated Depreciation

At 1 January 2022	35	17	472	719	1,243
Charge	8	3	88	291	390
Disposals	-	-	-	(140)	(140)
At 31 December 2022	**43**	**20**	**560**	**870**	**1,493**

Carrying amount

At 31 December 2022	**344**	**315**	**803**	**610**	**2,072**
At 31 December 2021	**352**	**223**	**532**	**826**	**1,933**

13. Intangible assets

Cost	Software £'000
At 1 January 2022	1,328
Additions	285
Disposal	(341)
At 31 December 2022	**1,272**

Amortisation and impairment	
At 1 January 2022	1,007
Charge for the year	155
Disposal	(341)
At 31 December 2022	**821**

Carrying amount	
At 31 December 2022	**451**
At 31 December 2021	**321**

14. Shares

Shares	2022 £'000	2021 £'000
Held by individuals	**458,176**	**408,750**

Maturity analysis

In the ordinary course of business, shares are repayable from the balance sheet date as follows:

Accrued interest	1,508	465
On demand	418,464	375,175
In not more than three months	38,204	33,110
At 31 December	**458,176**	**408,750**

15. Amounts owed to other customers

Maturity analysis

In the ordinary course of business, amounts owed to other customers are repayable from the balance sheet date as follows:

	2022 £'000	2021 £'000
Accrued interest	2	-
On demand	34,228	22,345
In not more than three months	523	222
At 31 December	**34,753**	**22,567**

16. Accruals and deferred income

	2022 £'000	2021 £'000
Lease incentive	21	36
Accruals	890	679
At 31 December	**911**	**715**

17. Deferred tax liabilities

	Deferred taxation liability 2022 £'000	Deferred taxation liability 2021 £'000
At 1 January	287	99
Transferred from income statement	69	188
At 31 December	**357**	**287**

Deferred taxation

Deferred tax has been accounted for in respect of:

	2022 £'000	2021 £'000
Capital allowances in excess of depreciation	377	315
Other short term timing differences	(20)	(28)
At 31 December	**357**	**287**

18. Guarantees and other financial commitments

(a) At 31 December 2022, the Society had commitments to the following future minimum lease payments under non-cancellable operating leases for each of the following periods.

Payments due	2022 £'000	2021 £'000
Not later than one year	96	91
Later than one year and not later than five years	261	297
Later than five years	-	38
Total	**357**	**426**

(b) The Society operates a mortgage product which allows borrowers to receive the contracted advance balance over a period of time. The amounts in respect of completed advances which have not yet been received by borrowers are:

	2022 £'000	2021 £'000
Committed loan facilities	322	204

19. Directors' loans and transactions

(a) As required under section 68(1) and section 68(3) of the Building Societies Act 1986, registers are maintained at the principal office of the Society containing details of loans, transactions and arrangements between the Society and its directors and connected persons. These may be inspected during normal office hours for a period of fifteen days up to and including the date of the Society's Annual General Meeting to be held on 27 April 2023.

At 31 December 2022, the total secured advances outstanding in respect of 5 directors and connected persons (2021: 5) amounted to £993,034 (2021: £1,032,272).

(b) Directors are required to have share accounts. As at 31 December 2022 a total of £509,864 (2021: £340,471) was held in Society savings by the Directors.

(c) The following directors of the Society are directors or partners in external businesses which provide services to the Society:

Director	Company
P.M. Kathrens	Blake Morgan LLP – Solicitors
A.J. Morgan	Morgan & Davies Ltd.

During the financial year the Society paid £14,100 (2020: £2,755) in respect of fees to Blake Morgan - Solicitors. There were no outstanding balances at 31 December 2022 or 2021.

During the financial year the Society paid £62,737 (2021: £79,064) in respect of fees to Morgan & Davies Ltd. There was an outstanding balance of £360 at 31 December 2022. (2021: £145)

Amounts in respect of additional services provided by the above individuals in (c) above or businesses in which they are involved are not included in directors' emoluments.

20. Financial Instruments

A financial instrument is a contract that gives rise to a financial asset or financial liability. As a Building Society, the Society is involved in financial instrument transactions as follows:

(a) Retailer of financial instruments
The Society retails mortgages and savings products.

(b) Management of risk
The Society invests liquid asset balances with UK clearing banks and the Bank of England to manage liquidity risk. The Society does not use equity instruments.

The Society has procedures to manage the Treasury risks associated with its activities. The principal areas of risk are:

(a) liquidity risk;
(b) interest rate risk; and
(c) credit risk.

The approach to the management of these risks is described below. The Society is not directly subject to any currency risks.

The management of the Society's exposure to liquidity and interest rate risk is reviewed and controlled by the Assets, Liabilities and Credit Risk Committee. This committee is responsible to the Board for managing and controlling the balance sheet exposures of the Society. Minutes of the Assets, Liabilities and Credit Risk Committee are presented monthly to the Board.

The Society has a formal structure for managing risks, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Society's Board of Directors ("the Board") who are charged with the responsibility for managing and controlling the balance sheet exposures of the Society and the use of financial instruments for risk management purposes.

Summary terms and conditions and accounting policies of financial instruments

Financial instrument	Terms and conditions	Accounting policy
Loans and advances to credit institutions	Variable interest rates	Held at amortised cost
Cash in hand and balances with the Bank of England	Variable interest rates	Held at amortised cost
Loans and advances to customers	Variable interest rates	Held at amortised cost
Shares	Variable interest rates	Held at amortised cost
Amounts owed to other customers	Variable interest rates	Held at amortised cost
Note: None of the instruments on hand at year end constitute fixed rate instruments.		

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

Carrying values by category 31 December 2022	Loans and receivables	Cash and financial assets and liabilities at amortised cost	Total
	£'000	**£'000**	**£'000**
Financial assets			
Cash in hand and balances with Bank of England	-	103,162	103,162
Loans and advances to credit institutions	12,649	-	12,649
Loans and advances to customers	410,873	-	410,873
Total financial assets	**423,522**	**103,162**	**526,684**
Total non-financial assets			3,116
Total assets			**529,800**
Financial liabilities			
Shares	-	458,176	458,176
Amounts owed to other customers	-	34,753	34,753
Total financial liabilities	**-**	**492,929**	**492,929**
Total non-financial liabilities			1,773
General reserves			35,098
Total liabilities			**529,800**

Carrying values by category 31 December 2021	Loans and receivables	Cash and financial assets and liabilities at amortised cost	Total
	£'000	**£'000**	**£'000**
Financial assets			
Cash in hand and balances with Bank of England	-	83,717	83,717
Loans and advances to credit institutions	16,066	-	16,066
Loans and advances to customers	360,920	-	360,920
Total financial assets	**376,986**	**83,717**	**460,703**
Total non-financial assets			2,762
Total assets			**463,465**
Financial liabilities			
Shares	-	408,750	408,750
Amounts owed to other customers	-	22,567	22,567
Total financial liabilities	**-**	**431,317**	**431,317**
Total non-financial liabilities			1,414
General reserves			30,734
Total liabilities			**463,465**

20. Financial Instruments (continued)

(A) Credit risk

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

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

	2022 £'000	2021 £'000
Credit Risk Exposure		
Cash in hand and balances with the Bank of England	103,162	83,708
Loans and advances to credit institutions	12,649	16,075
Loans and advances to customers	410,873	360,920
Total statement of financial position	**526,684**	**460,703**
Off balance sheet exposure – mortgage commitments	322	204
TOTAL	**527,006**	**460,907**

(a) Loans and advances to credit institutions

The Assets, Liabilities and Credit Risk Committee is responsible for approving treasury counterparties for investment purposes. Limits are placed on the amount of risk accepted in relation to one counterparty, or group of counterparties, and to industry sectors. This is monitored daily by the Society's Finance team and reviewed monthly by the Assets, Liabilities and Credit Risk Committee.

The Society's policy only permits lending to the Bank of England and the UK clearing banks.

The Society's Finance team perform regular reviews of counterparty risk and monitoring of publicly available information to highlight possible indirect exposure.

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

	2022 £'000	2022 %	2021 £'000	2021 %
Industry sector				
Banks	12,649	10.9	16,075	16.1
Central Government	103,033	89.1	83,708	83.9
TOTAL	**115,682**	**100.0**	**99,783**	**100.0**

The Society only lends in the United Kingdom.

(b) Loans and advances to customers

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

The lending portfolio is monitored by the Assets, Liabilities and Credit Risk Committee and Risk Committees to ensure that it remains in line with the stated risk appetite of the Society, including adherence to the lending principles, policies and lending limits.

For new customers, the first element of the retail credit control framework is achieved via an affordability assessment, which includes an assessment of the credit quality of potential customers prior to making loan offers. A second element is lending policy rules which are applied to new applications to ensure that they meet the risk appetite of the Society. All mortgage applications are overseen by the Lending team who ensure that any additional lending criteria are applied and that all information submitted within the application is validated.

For existing borrowers within the lending portfolio, management use behaviouralanalysis to review the ongoing creditworthiness of customers by determining the likelihood of default over a rolling 12 month period together with the amount of loss anticipated if they do default. The Society has considered the impact of the cost of living crisis. Further information is contained within the Risk Management Report on pages 33 to 38.

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

The Society does not have any exposure to the sub-prime market.

Loans and advances to customers are predominately in Wales and made up of retail loans fully secured against UK residential property £398.0M (2021: £351.9.M), comprising residential and buy-to-lets with the remaining £12.9M (2021: £9.1M) being secured on commercial property.

Allowance for impairment

	£'000
Residential	498
Buy-to-Let	35
Commercial	10
TOTAL	**543**

20. Financial Instruments (continued)

Retail loans

Loans fully secured on residential property are split between residential and buy to let. The average loan to value (LTV) is the mean LTV for the portfolio. Each individual LTV is calculated by comparing the value of the mortgage to the value of collateral held, which is based on original valuation and not indexed linked.

The average LTV of residential mortgages is 47% (2021: 47%).

Further LTV information on the Society's residential mortgage portfolio is shown below:

LTV analysis

	2022	2021
	%	%
Residential		
0% - 30%	10	10
30% - 60%	39	38
60% - 80%	47	48
80% - 90%	3	4
90% - 100%	-	-
>100%	-	-
Average loan to value of residential mortgage loans	47	47
Average loan to value of new business	52	52
Buy-to-let		
0% - 30%	8	6
30% - 60%	39	31
60% - 80%	53	61
80% - 90%	1	1
90% - 100%	-	-
>100%	-	1
Average loan to value of buy-to-let mortgage loans	50	52
Average loan to value of new business	51	52

The main factor for loans moving into arrears tends to be the general economic environment.

The table below provides information on residential and buy to let mortgage loans by payment due status.

Arrears analysis	2022 £'000	2022 %	2021 £'000	2021 %
Not impaired:				
Neither past due or impaired	396,185	99.55	350,567	99.63
Past due up to 3 months but not impaired	2,502	0.63	1,665	0.46
Past due over 3 months but not impaired	270	0.07	298	0.08
Possessions	-	-	-	-
Impaired:				
Not past due	-	-	-	-
Past due up to 3 months	-	-	-	-
Past due over 3 months	-	-	-	-
Possessions	727	0.18	681	0.18
Other:				
Deferred fees and charges	(1,149)	(0.29)	(1,094)	(0.30)
Allowance for impairment	(543)	(0.14)	(250)	(0.05)
TOTAL	**397,992**	**100.0**	**351,867**	**100.0**

Value of collateral held	£'000	Average LTV%	£'000	Average LTV%
Neither past due or impaired	869,645	47.9	732,184	47.9
Past due but not impaired	4,650	53.8	3,652	53.8
Impaired	470	136.3	500	136.3
TOTAL	**874,765**	**47.2**	**736,336**	**48.0**

The collateral consists of residential property valued at the mortgage date or re-inspection date.

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

Possession balances represent those loans where the Society has taken ownership of the underlying security pending its sale. The Society has various forbearance options to support customers who may find themselves in financial difficulty. These include payment plans, capitalisations, term extensions and reduced payment concessions.

20. Financial Instruments (continued)

Forbearance

Temporary interest only concessions are offered to customers in financial difficulty, subject to formal periodic reviews. The concession allows the customer to reduce monthly payments to cover interest only, and if made, the arrears status will not increase.

Reduced payment concessions allow a customer to make an agreed underpayment for a specific period of time. The monthly underpaid amount accrues as arrears and agreement is reached at the end of the concession period on how the arrears will be repaid.

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

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

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

All forbearance arrangements are formally discussed with the customer and reviewed by management. By offering customers in financial difficulty the option of forbearance the Society potentially exposes itself to an increased level of risk through prolonging the period of non-contractual payment and/or potentially placing the customer into a detrimental position at the end of the forbearance period. In order to minimise any potential risks to the Society or our customers, regular monitoring of the level and different types of forbearance activity is undertaken and reported to the Board.

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

The table below details the number of forbearance cases at 31 December 2022. Further information can be found in note 10 on page 70.

Type of forbearance	2022 Number	2021 Number
Positive arrears arrangement	1	-
Payment holiday	1	-
Temporary interest only	2 [1]	2 [2]
Mortgage term extensions	4	5
Negative Arrears	-	-
TOTAL	**8 [1]**	**7 [2]**

[ ] denotes the number of forbearance cases at 31 December 2021 and 2022 that were impacted by the pandemic

Secured Business Loans

Secured Business Loans (SBL) are primarily made available to Small and Medium sized enterprises for either owner occupied, investment property or residential development purposes. Loans are also only granted against the 'bricks and mortar' of the property and not against working capital or machinery etc.

The composition of the SBL book at 31 December is as follows:

	2022	2022	2021	2021
	£'000	%	£'000	%
Residential investment	4,268	33	1,539	17
Non residential investment	6,678	52	5,024	56
Residential development	1,935	15	2,490	27
TOTAL	**12,881**	**100**	**9,053**	**100**

The table below provides information on the original LTV of the Society's SBL mortgage portfolio:

LTV analysis	2022	2021
SBL	%	%
0% - 30%	3	11
30% - 60%	41	22
60% - 80%	55	65
80% - 90%	1	2
Average loan to value of SBL	**54**	**47**
Average loan to value of new business	**53**	**29**

(B) Liquidity risk

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

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

Monitoring of liquidity, in line with the Society's prudent policy framework, is performed daily. Compliance with these policies is reported to the Assets, Liabilities and Credit Risk Committee monthly and to the Risk Committee quarterly.

20. Financial Instruments (continued)

The Society's liquidity policy is designed to ensure the Society has sufficient liquid resources to withstand a range of stressed scenarios. A series of liquidity stress tests have been developed as part of the Individual Liquidity Adequacy Assessment (ILAAP) process. They include scenarios that fulfil the specific requirements of the PRA (the idiosyncratic, market-wide and combination stress tests) and scenarios identified by the Society which are specific to its business model. The stress tests are performed monthly and reported to Assets, Liabilities and Credit Risk Committee to confirm that liquidity policy remains appropriate.

The Society's liquid resources comprise high quality liquid assets in the form of a Bank of England reserves account. At the end of the year the ratio of liquid assets to shares and deposits was 23.5% compared to 23.1% at the end of 2021.

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

The table below analyses the Society's assets and liabilities into relevant maturity groupings, based on the remaining period to contractual maturity at the statement of financial position date. This is not representative of the Society's management of liquidity. Loans and advances to customers rarely run their full course. The actual repayment profile is likely to be significantly different from that shown in the analysis. For example most mortgages have a contractual maturity of around 25 years but are generally repaid much sooner. The average life of a mortgage at the Society, currently in product, is 6 years. Conversely, retail deposits repayable on demand generally remain on balance sheet much longer.

Contractual maturity as at 31 December 2022	On Demand £'000	Not more than 3 months £'000	More than 3 months, but not more than 1 year £'000	More than 1 year, but not more than 5 years £'000	More than 5 years £'000	Total £'000
Financial liabilities						
Shares	419,972	39,024	-	-	-	458,996
Amounts owed to other customers	34,230	526	-	-	-	34,756
Total liabilities	**454,202**	**39,550**	**-**	**-**		**493,752**

Contractual maturity as at 31 December 2021	On Demand £'000	Not more than 3 months £'000	More than 3 months, but not more than 1 year £'000	More than 1 year, but not more than 5 years £'000	More than 5 years £'000	Total £'000
Financial liabilities						
Shares	372,981	35,942	-	-	-	408,923
Amounts owed to other customers	22,346	222	-	-	-	22,568
Total liabilities	**395,327**	**36,164**	**-**	**-**		**431,491**
Net)						

All liquid assets are unencumbered as at the statement of financial position date.

The above analysis of contractual maturity includes interest accrued at current rates, for the average period until maturity on the amounts outstanding at the statement of financial position date.

(C) Market risk

Market risk is the risk of changes to the Society's financial condition caused by market interest rates. The Society is modestly exposed to market risk in the form of changes (or potential changes) in the general level of interest rates, changes in the relationship between short and long-term interest rates and divergence of interest rates for different balance sheet elements (basis risk).

The PRA has devised five models for financial risk management and treasury operations, described 'supervisory treasury approaches', of increasing sophistications, to assist societies. The approaches are described as 'Administered', 'Matched', 'Extended' and 'Comprehensive'. The Society has adopted the 'Administered' approach and in accordance with that approach must have at least 90% of its savings and deposits on administered rates, i.e. not fixed. Similarly, it must have at least 90% of its mortgage assets on administered rates. This requirement therefore reduces the Society's Market risk considerably.

The management of interest rate risk is based on a full statement of financial position gap analysis. The statement of financial position is subjected to several interest rate shock stress tests on a monthly basis and the results are reported to the monthly Assets, Liabilities and Credit Risk Committee meeting. These are in turn reviewed monthly by the Assets, Liabilities and Credit Risk Committee and reported to the Risk Committee.

The table below summarises the Society's exposure to interest rate risk.

+200bps Parallel Increase Sensitivity of reported reserves to interest rate movement (economic value)	£'000
As at 31 December 2022	**(104)**

+200bps Parallel Increase Sensitivity of reported reserves to interest rate movement (economic value)	£'000
As at 31 December 2021	**(49)**

21. Country-by-Country Reporting for the year ending December 2022

Article 89 of the Capital Requirements Directive IV (CRD IV) requires credit institutions and investment firms in the EU to disclose annually, specifying, by Member State and by third country in which it has an establishment, the information shown below. At 31 December 2022, Swansea Building Society met the definition of a 'credit institution' and is classified within the retail banking category. It is registered and trades solely in the United Kingdom.

	2022	**2021**
Number of employees (full time equivalent)	61	54
Turnover £M [1]	12.01	10.36
Pre-tax profit £M	5.70	5.18
Corporation tax paid £M [2]	0.90	0.66
Public subsidies received	Nil	Nil

1) Turnover is defined as total net income (net interest receivable and net fee/commission income) in accordance with guidance from UK Treasury.
2) Corporation tax paid in 2022 is partly in respect of the results for the year ended 31 December 2021 and partly in respect of the results for the year ended 31 December 2022.

Basis of preparation

The Society's Country-By-Country Reporting ("CBCR") has been prepared to comply with the Regulations which came into effect in 1 January 2014. The requirements place certain reporting obligations on financial institutions that are within the scope of CRD IV. CBCR requires annual publication of certain statutory information on a consolidated basis, by country where an institution has a subsidiary or branch. All of the Society's operations are in the United Kingdom.

Other Information

Annual Business Statement for the year ended 31 December 2022

1. Statutory percentages

	At 31 December 2022	Statutory Limit
	%	%
The Lending limit	3.23	25
The Funding limit	7.05	50

The percentages are calculated in accordance with, and the statutory limits are those prescribed by, sections 6 and 7 of the Building Societies Act 1986 as amended by the Building Societies Act 1997.

The lending limit measures the proportion of business assets not in the form of loans secured on residential property. Business assets are the total assets of the Society as shown in the statement of financial position plus loan loss impairment less liquid assets and tangible fixed assets as shown in the Society's statement of financial position.

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

	At 31 December 2022	At 31 December 2021
	%	%
Gross capital as a percentage of shares and borrowings	7.12	7.13
Free capital as a percentage of shares and borrowings	6.66	6.60
Liquid assets as a percentage of shares and borrowings	23.49	23.13
Profit after taxation as a percentage of mean total assets	0.88	0.94
Management expenses as a percentage of mean total assets	1.27	1.22

The above percentages have been calculated from the Society's accounts.
'Shares and Borrowings' represents the aggregate of shares, amounts owed to credit institutions and amounts owed to other customers;

'Gross capital' represents the aggregate of total reserves and subordinated liabilities in the Society statement of financial position;

'Free capital' represents the total reserves and subordinated liabilities plus collective impairment less tangible and intangible fixed assets;

'Liquid assets' represents the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities;

'Mean total assets' are the average of the 2022 and 2021 total assets in the Society statement of financial position at the beginning and end of the financial year;

'Management expenses' are the total of staff costs (which include wages and salaries, social security costs and other pension costs) and other administrative expenses and depreciation and amortisation.

Unaudited
3. Information relating to the Directors

Name	Age	Business occupation	Date first appointed	Other directorships during the year
I.W. Griffiths (Chairman)	68	Chartered Accountant	1.5.2015	IW Griffiths Professional Services Ltd
D.S. Maddock (Deputy Chairman)	65	Chartered Accountant	1.5.2016	None
A. Williams (Chief Executive)	58	Building Society Chief Executive	1.5.2001	Coastal Housing Group: Pennant Housing Association
N.P.A. Griffiths (Financial Director)	38	Building Society Finance Director	1.7.2019	None
C.A. Griffiths (Director of Risk & Compliance)	50	Building Society Director of Risk & Compliance	1.6.2021	None
P.M. Kathrens	49	Solicitor	1.7.2013	Blake Morgan Group LLP; Blake Morgan LLP; Morgan Cole LLP; Blake Lapthorn LLP;
J.C.D. Union	67	Banker	1.11.2017	Cadwyn Housing Association; Cardiff Business Club Ltd; Igneous Ltd
A.J. Morgan	61	Chartered Surveyor	1.1.2019	Morgan & Davies Ltd; Old Rec Cottages Ltd; Minelen Ltd; GAD Property & Finance Ltd
M.S. Hayes	62	Banker	1.1.2022	Reliance Bank Ltd; The Lookout Swanage Management Company Ltd; Citysave Credit Union Ltd (Resigned April 2022)

A.Williams is employed on a service agreement dated 1 April 2011 which takes him to the age of 65 in 2029 unless terminated by either party by not less than 12 months notice.

N.P.A. Griffiths is employed on a service agreement dated 6 March 2019 which takes him to the age of 65 in 2049 unless terminated by either party by not less than 12 months notice.

C.A. Griffiths is employed on a service agreement dated 1 June 2021 which takes her to the age of 65 in 2037 unless terminated by either party by not less than 12 months notice.

Correspondence and other documents may be served on any of the Directors, care of Blake Morgan, One, Central Square, Cardiff.

4. Other officers (as defined by the Building Societies Act 1986)

Name	Business occupation	Other directorships during the year
G.J. Stroud	Financial Controller and Company Secretary	Coleg Llanymddyfri
S.P.P Darshan	Head of Lending	None
R. Miles	Head of Savings & Area Manager (East Wales)	Linc-Cymru Housing Association; Tarbed Ltd
N. Longar	Head of IT	Outsource Wales Ltd
S. Jones	Area Manager (West Wales)	None
J. Parker	Area manager, Swansea, Neath & Port Talbot	None

Swansea Building Society Branches (Unaudited)

Swansea Building Society Management Team
(Unaudited)

Mr G.J. Stroud
Financial Controller & Company Secretary
Age: 49
Appointed: 05/05/98

Mr S.P.P. Darshan
Head of Lending
Age: 55
Appointed: 12/05/14

Mr. R Miles
Head of Savings and Marketing and Area Manager (East Wales)
Age: 53
Appointed: 12/06/17

Mrs L. Whittington
Finance Manager
Age: 34
Appointed: 15/11/10

Mr D. Osterland
Branch Manager (Cowbridge)
Age: 33
Appointed: 05/01/15

Mr A. Smith
Underwriting Manager
Age: 40
Appointed: 06/07/16

Mr T. Rees
Branch Manager (Swansea)
Age: 58
Appointed: 21/08/17

Mr M. Hughes
Mortgage Manager
Age: 55
Appointed: 01/07/19

Mr R. Rudland
Mortgage Advisor
Age: 40
Appointed: 21/02/22

Mrs J. Parker
Area Manager
(Swansea, Neath & Port Talbot)
Age: 56
Appointed: 20/01/10

Mrs S. Jones
Area Manager (West Wales)
Age: 55
Appointed: 06/07/15

Mr N. Longar
Head of IT
Age: 39
Appointed: 04/02/19

Mr M.D. Lewis
Business Development Manager (East Wales)
Age: 57
Appointed: 12/11/12

Mrs P. John
Mortgage Advisor
Age: 53
Appointed: 04/02/19

Mr C. Wright
IT Application Delivery Manager
Age: 38
Appointed: 05/09/16

Mr N. Morris
Mortgage Department Manager
Age: 53
Appointed: 26/02/18

Mr D. Goulding
Business Development Manager
Age: 50
Appointed: 22/03/21

Swansea Building Society

External Auditors

Mazars LLP
30 Old Bailey, London, EC4M 7AU

Internal Auditors

Deloitte LLP
4 Brindley Place, Birmingham B1 2HZ

Bankers

Bank of England
Threadneedle Street, London, EC2R 8AH

Barclays Corporate Bank
Barclays Octagon House, Gadbrook Park, Northwich, Cheshire CW9 7RB

Tax Advisors

BDO
Bridgwater House, Finzels Reach, Counterslip, Bristol, BS1 6BX

Solicitors

Blake Morgan
One Central Square, Cardiff, CF10 1FS

JCP
Venture Court, Valley Way, Enterprise Park, Swansea, SA6 8AH

Morgan La Roche
PO Box 176, Bay House, Tawe Business Village, Phoenix Way Enterprise Park, Swansea, SA7 9YT

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SWANSEA
BUILDING SOCIETY
Established 1923

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Swansea Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register Number: 206066

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