

Performance highlights continued

Sustainable financial performance

Capital ratios

28.0%

**Common Equity
Tier 1**
(2023: 29.1%)

5.7%

UK leverage ratio
(2023: 5.4%)

1. Based on the Society's average month end savings rate compared to the CACI Ltd's Current Account and Savings Database rest of market average rate for savings accounts, excluding current accounts and offset savings, for the 12 months of the year.
2. A measure of customer advocacy that ranges between -100 and +100 representing how likely a customer is to recommend our products and services.
3. Based on average call waiting times between 1 January 2024 and 31 December 2024.
4. Total community investment made by the Society has been determined in line with the Business for Societal Impact (B4SI) framework.
5. A measure indicating a trust-based people first workplace based on positive responses to the annual Great Place to Work survey.

Profitability

£323m

**Reported profit
before tax**
(2023: £474m)
£349m excluding
acquisition & integration
costs

1.07%

Net interest margin
(2023: 1.26%)

Efficiency

54.0%

Cost to income ratio
(2023: 39.4%)

0.57%

**Cost as a percentage
of average assets**
(2023: 0.51%)

Low risk

0.33%

**of mortgages more
than 3 months in
arrears**
(2023: 0.26%)

207%

**Liquidity Coverage
Ratio**
(2023: 227%)



A statement from our Chair



Welcome to our 2024 Annual Report and Accounts.

2024 has become a milestone year for the Society. The year in which we celebrated our 140th anniversary was also the year we laid the foundations of a larger, more diversified and impactful business through the acquisition of The Co-operative Bank ('the Bank'). What links the two organisations is the clarity that mutuality provides in prioritising the long-term needs and interests of members. We have shown this in 2024, not simply by pursuing the transformational combination of the Society and the Bank, but by delivering value, service, security and the positive wider social impact that our members expect every day. In doing so, we have achieved a strong and sustainable financial and business performance that sets the combined organisation up for continued success in the future.

During 2024, we grew savings and mortgages balances, increased the savings member premium once again to record levels, and delivered an outstanding service experience across our customer-facing channels. We also made considerable progress with our investment priorities, adding choice and convenience to members' interactions with us, and building efficiency and resilience into our operations and infrastructure.

We delivered this during a year in which the external environment continued to confound commentators and industry forecasts alike. At the start of 2024, it was widely predicted that inflation would fall quickly within the Bank of England's target range, and that base rate could be cut as many as five times during the course of the year.

Instead, continued geopolitical uncertainty, including elections in the UK and US, together with persistent inflation in the service sector and wages generally, meant that base rate was cut just twice, ending the year at 4.75%. The UK economy performed sluggishly during the year, and whilst it is understandable that the new government has placed economic growth at the heart of its objectives, this will not be easily achieved.

The housing market was forecast to be relatively static in 2024 and this was borne out as the slower than anticipated reduction in interest rates dampened demand. The interest rate environment has also prolonged the concern felt by many borrowers who are yet to remortgage from the extremely low rates of the last few years. In this context, the Board have been reassured by the Society's arrears position, which shows that the combination of our responsible lending and focused customer care, together with tighter regulation, is keeping members in their homes and repayments on track.

Savers, of course, have benefitted as rates remained higher than forecast. Our aim is to encourage the saving habit, with all the attendant benefits of increased personal financial resilience. We continued to recognise our savers' loyalty and introduced additional incentives to help people save, including linking savings to the purchase of their first home. Our priority is always to balance the interests of our savers and borrowers, while maintaining the Society's financial strength for the good of all members, current and future.

The ability to plan for the long-term success of the Society has been at the heart of our transformational acquisition of The Co-operative Bank. Members' interests were central to this acquisition, which we completed on 1 January 2025.

As we celebrate our 140th anniversary, we believe that this groundbreaking combination of ethical and purpose-led organisations is an opportunity to build, and future-proof, a bigger and better mutual building society for the benefit of all stakeholders.

Steve, our Chief Executive, will talk more in his review about the rationale and implications of the acquisition and the integration plans that lie ahead. However, in listening to our members, it is clear that while they see the potential benefits of the acquisition, their immediate priority is that we maintain the strength of the Society's existing proposition, and particularly the outstanding service, value and security that they receive today.

The Board and the Society's executive team are committed to meeting this expectation, and we believe that the Society's performance this year shows that this focus has been unaffected by the additional work required to make the acquisition a reality.

A statement from our Chair continued

By managing growth in a disciplined fashion this year, the Society delivered strong profitability and additional capital ahead of the acquisition, whilst ensuring we met our member commitment through outstanding service and value and returning our largest ever member premium.

We also made substantial progress on our investment priorities, including the very successful launch of our mobile app and further enhancements to mortgage and savings services. I am pleased to say that throughout the year we achieved very high member satisfaction, with these service enhancements being positively received by members and mortgage brokers alike.

It shows that there is clear line of sight between the needs and expectations of our members and our strategic ambitions and performance priorities.

Changes to the Board

Last year we welcomed Vanessa Murden as a non-executive director with specific expertise in technology transformation. In February, she resigned from the Board to take an executive role in financial services. In her short time with the Society, she made a significant contribution to the progress we are reporting in our technology estate. Iain Plunkett, a financial services executive with 30 years' experience in business, technology and operational transformation, was appointed as a non-executive director in July and took over responsibility to chair the Board Technology Oversight Committee.

In July, we also welcomed Ewa Kerin, an experienced financial services executive, to the Board as a non-executive director. Very sadly, Ewa had to resign in November for family reasons, and we offer both Ewa and Vanessa our very best wishes for the future.

In January 2025, Caroline Marsh joined our Board as a non-executive director. Caroline is a former financial services executive with extensive experience in UK retail banking and brings both product and operational expertise as well as Board experience. She will be chairing the Society's Remuneration Committee and will fulfil the same role at the Bank from April 2025. Mark Parker, an existing member of the Bank Board, also joined the Group Board with effect from January 2025.

The acquisition of The Co-operative Bank has meant an extensive review of governance structures and arrangements. This is summarised on page 12 of this Annual Report.

Board priorities for the year ahead

In the coming year, we are anticipating further easing in the interest rate environment and believe this will support an increase in housing market activity. We will continue to work hard to balance the needs of our mortgage and savings members, and ensure we meet their expectations in terms of service and value.

Having completed the acquisition of The Co-operative Bank in January 2025, we have begun the work to integrate the two organisations and deliver the benefits I have outlined. This work will take some years to complete, and our priorities in this time will be to meet the needs of all of our customers and members, and

"The Society is focused on consistently meeting the needs of its members and customers."



ensuring the financial strength and stability of the combined Group.

I believe the acquisition paves the way for an exciting future, one that builds on the shared mutual and co-operative values of our heritage to create a sustainable and differentiated type of financial services organisation, with members and customers at the heart of our decision-making.

David Thorburn

Chair of the Board
6 March 2025