Annual Report & Accounts 2024

Bath Building Society
We're different because you are

Contents

Key Highlights of the 2024 Financial Year

Profit on ordinary activities before tax decreased by 51% to:
£1.6m
(2023: £3.3m)

Society reserves increased by 3.2% to:
↑£48.6m
(2023: £47.1m)

Gross mortgage lending increased by 39.2% to:
↑£74.2m
(2023: £53.3m)

Net Promoter Score remained above 70
71.2
But was marginally below 2023 (74.3)

Total assets of the Society increased to:
↑£405.2m
9.3% higher than 2023 (£370.9m)

Savings book increased by 10.8% to:
↑£352m
(2023: £317.7m)

Liquid assets ratio reduced to:
↓24.4%
(2023: 25.6%)

Arrears cases increased in the year to:
↑10
(2023: 7 cases)

Chair's Report

Bath Building Society was founded in 1904 to enable home ownership in the city by Society Members. 2024 was therefore a year of celebration of the Society's 120th anniversary, with the milestone commemorated at the tea party at the AGM in April and events in the Branches in the summer.

2024 was also a year of significant change as the Society was reorganised to prepare for the future. Following Kevin Gray's retirement in March 2024 Richard Ingle took on the Chief Executive Officer (CEO) role, having previously been the Chief Financial Officer. In his new role Richard worked with the rest of the Board to establish a new strategy for the Society, to deliver on the updated purpose of the Society, to help Members live sustainable and financially resilient lives.

In March the Society welcomed Ash Kassam as the new Chief Financial Officer (CFO) and Executive Director, to take the lead on oversight of the Society's financial performance and support the required faster growth.

Andrew Payton joined the Board as Non-Executive Director on 1 January 2024 and now chairs the Society's Audit Committee, leveraging his many years of experience in this area. We said a fond goodbye to Angela Cha at the April 2024 AGM, after she completed her full nine-year term as a Non-Executive Director. David Smith completes his full term as a Non-Executive Director in April 2025. In anticipation of his retirement, I'd like to thank David for his many contributions over the last nine years, including as the former Chair of the Audit Committee. We welcome Andrew Healy MBE as our new Non-Executive Director, from February 2025.

We also said a fond goodbye to Tonia Lovell who retired as Executive Director and Society Secretary in November, with Andy Reid taking on the Society Secretary role, in addition to his Financial Controller responsibilities.

In the external world, after the rapid interest rate rises of the preceding two years, there was a gradual easing of monetary policy with two 0.25% point reductions to the Bank of England base rate taking it down to 4.75% at the end of the year.

When interest rates were rising, the Society sought to balance the needs of Savings and Mortgages Members by passing on approximately 80% of the change in the Bank of England base rate to administered rate savings customers and to the Standard Variable Rate (SVR) for Mortgage customers with a variable-rate mortgage. The Society has adopted a similar approach as the Bank of England base rate has fallen, and expect to continue this in 2025, when it is expected to fall further.

The overall mortgage market grew in 2024 and UK-wide savings balances also grew significantly, with around half of the market demand being for savings bonds and Fixed Rate ISAs (FRISAs). We responded to Members' desire for better access to fixed term products by launching new savings bonds and FRISAs, at attractive rates, including to new Members. These products are readily available through our Bath Online customer portal and Mobile App as well as through the Branches.

The Society's new strategy responds to Members requests for support in making their homes more energy efficient and identifies how Society membership will grow much faster in the coming years, to support the Society's long-term financial sustainability.

As well as establishing a compelling new strategy for the future, the Society has delivered excellent performance in 2024. The Society grew at a record rate last year, with a more than 10% increase in both net mortgage lending and savings balances. This generates early momentum for improving long-term financial resilience for the Society.

The high-quality service that is delivered to Members has been recognised with the Build It Best Self Build Lender award and the Moneyfacts 5 Star award for 'easy to open savings accounts.' The Best Self Build Lender award recognises our early successes in helping to improve the environmental sustainability of Members' homes.

The Society is part way through its ambitious Bath Future Architecture (BFA) transformation programme to upgrade all the IT systems that support delivery of products and services to Members. The Society has already improved the Bath Online customer portal system and launched the Mobile App, as well as a new system that provides greater clarity for Members paying into their savings accounts ("Confirmation of Payee").

As was expected the Society's profitability was lower in 2024 than in preceding years and is forecast to remain lower than average in 2025 and 2026, while the Society makes major investments in IT systems. Profitability is then planned to increase from 2027, to a level consistent with delivering enough of a financial surplus each year to support growth in the Society's overall mortgage balances.

I would like to thank Members, mortgage intermediaries and suppliers for their valued support over 2024. The Society will continue to deeply engage with Members and also intermediaries in how we plan to develop the Society, so that it best serves the needs of current and future Members.

The Society's success in 2024 has been achieved through the support of Members and the dedication and hard work of the Society's colleagues. I want to thank Members for their support and all colleagues for all that they have delivered in the Society's 120th anniversary year.

Joanne Evans
Chair of the Board
6 March 2025

Chief Executive's Review

The Society has developed a new strategy, to support realisation of the Society's updated purpose to help Members live sustainable and financially resilient lives. This new strategy was agreed by the Board in July 2024, after asking Members how they wanted the Society to develop, in surveys and in face-to-face Member Forums. The Society also asked intermediaries what improvements we need to make to the service we offer to them and researched what products and services other building societies offer to their customers.

The Society needs to continue to improve Member service, in person and online, which is summarised in the Digital First, Always Human strategic pillar, which captures further improvement in the service provided by colleagues, as well as the priority of improvement in digital service.

The new strategy also identifies how the Society will help Members improve the environmental sustainability of their homes and bolster their financial resilience, by rewarding positive savings habits.

At the start of 2024 the Society was the seventh smallest of the 42 Building Societies in the UK. The Society needs to grow overall Society membership and balances faster in the future than has been achieved in the past, in order to secure the long-term financial resilience of the Society. The Society's ambitious Bath Future Architecture IT systems transformation programme is a key enabler of faster future growth, together with investment in developing Society colleagues' capabilities, through enhanced training and development.

At the end of 2024 the Society had 20,071 Members, with a record lending year and very strong savings inflows.

Mortgage lending

The UK mortgage market expanded in 2024 as house buyer confidence rose together with rising real salaries, which supported modest house price growth.

The Society has long supported Self Build lending, which forms approximately 15-20% of the UK mortgage market. In late 2023 we improved the attractiveness of our Self Build mortgage product, including to incorporate a wider variety of modern methods of home construction. Self Build homes are normally highly energy efficient, providing benefits to owners and the wider environment. The proportion of the Society's total gross mortgage lending in 2024 to Self Build homeowners was 25%, compared to 8% in 2023.

The Society's Executive team was reorganised in the year, to bring all mortgage teams together under the Chief Mortgage Officer. The combination of improved ways of working following the reorganisation, tactical improvements to IT systems and the focus on boosting Self Build lending have contributed to a record year of gross lending of £74.2m (2023: £53.3m) of new loans. The net mortgage book grew by 10% (2023: 6.3%) for the year.

Service performance for mortgage customers and intermediaries was not as strong as we wanted it to be. Customers had to wait for longer between their initial mortgage application until they received an offer than the much shorter time that we want to achieve in the future.

We will be investing in a new Mortgage Origination Platform in 2025 to support much improved service to our Members and Brokers, as well as greatly increasing our mortgage processing capacity.

In common with many other building societies, the Society is a signatory to the UK Government's Mortgage Charter, which was launched in 2023 and is aimed at supporting borrowers in difficulty. In total 21 concessions have been made under the terms of the Charter.

The Society continues to take a supportive approach to mortgage Members in financial difficulty. The number of loans being three or more months in arrears or otherwise in default, increased to ten (2023: seven) but is still a very low proportion of the mortgage book. The Society had one case in possession at the end of 2024 (2023: none).

Savings balance growth

Building Societies and Banks, including Bath Building Society, competed hard for Savers' deposits in 2024.

Many firms had to replace money they had borrowed from the Government after the Global Financial Crisis of 2008-09, including through the Term Funding Scheme for Small and Medium-Sized Enterprises (TFSME). The Society did not borrow from the Government under the TFSME scheme so had nothing to repay, but it did have to compete with those firms who needed to replace their Government loans with savings deposits. The increased competition for savings balances increased the Society's Cost of Funding and reduced the Net Interest Margin.

Many Members have asked the Society that more savings bonds and Fixed Rate ISAs (FRISAs) be provided by the Society. The Society responded by extending the range of bond and FRISA products and making them available to both current and new Members.

Overall shares and deposits increased by £34.7m /10.9% in 2024 (2023: £9.4m/3.1%).

Profit Before Tax

During 2022 and 2023 interest rates rose rapidly, boosting Society profitably, including through the interest earned on surplus "cash" that the Society has on deposit with the Bank of England, which is remunerated at the Bank of England base rate level, which peaked at 5.25%. As interest rates eased in 2024 the Society's Net Interest Margin fell a little compared to 2023, with this trend expected to continue in 2025. The extensive efforts to modernise the Society's IT systems through the BFA transformation programme pushed up management expenses in 2024, which further reduced profitability compared to 2023. The BFA programme continues through to 2026, which will reduce profitability until then. Better service and faster growth in membership will be realised from 2026.

In 2024 the Society delivered a Profit Before Tax of £1.6m (2023: £3.3m).

Systems transformation

In Q1 2024 the Society completed the initial implementation of the new Bath Online customer portal, then broadened the system's functionality through the year, including adding the functionality to open new savings bonds and FRISAs in the customer portal and in the Mobile App. At the end of 2024, 6,570 Members had enrolled to use new Bath Online system and the Mobile App.

In Q4 2024 the Society implemented a new "Confirmation of Payee" service, which was a regulatory requirement, that helps make sure Members pay new funds into the correct savings account.

The Society has carefully developed use of Artificial Intelligence (AI) to support customer and broker service, particularly outside of core hours. While the use of AI within the "Bea" electronic assistant helped some customers it didn't help enough so the use of Bea has been paused while the capability of the AI that sits behind it is further developed.

The Society also makes use of AI to support efficient ways of colleague working, including Microsoft Copilot and some use of ChatGPT for preparing documents, but not for customer data. The Society will continue to carefully investigate opportunities for using AI to improve customer service and the efficiency of running the Society.

In 2025 and 2026 the Society will be implementing a new Mortgage Origination Platform to offer a much better service for new Mortgage customers and brokers and upgrading the core platform that underpins day to day service to Members. Once completed these improved IT systems will enable better and faster service to Members. The new systems will also enable the Society to grow membership faster and thereby improve the long-term financial sustainability of the Society.

Regulatory change

Thankfully the pace of regulatory change reduced in 2024. The Society implemented the second phase of the Consumer Duty regulatory project, which helps make sure that customers who have a mortgage or savings product that are no longer on offer continue to get good outcomes.

The Bank of England requires all building societies (and banks) to ensure high levels of Operational Resilience, so that customers can continue to be served in the event of system issues or other problems. The Society

Strategy & Performance
Chief Executive's Review (continued)

has systematically identified the most Important Business Services that it offers to Members.

It has then made sure that the underpinning systems and processes are as robust as possible, so that service to Members is continually maintained at a very high level, with a self-assessment of the level of resilience approved by the Board.

The final piece of post Global Financial Crisis macroprudential regulation change is the "Basel 3.1" updated assessment of the relative riskiness of different type of lending, as measured by "risk-weighting assets". Under the Basel 3.1 regulation there is an updated and more accurate view of the riskiness of different types of loans and therefore how much of a capital buffer must be set aside for each loan.

Furthermore, following the departure of the UK from the EU the Bank of England has been able to simplify some of the capital and liquidity rules for smaller building societies, which will somewhat ease the burden of compliance with the extensive Bank of England regulations that the Society must adhere to.

The Society now benefits from being a "Small Domestic Deposit Taker", under the "Strong and Simple" rules and will be able to submit slightly simplified capital and liquidity plans and regulatory reports to the Bank of England.

As a consequence of "Basel 3.1", as implemented through the "Strong and Simple" rules, the Society will need to set aside a slightly larger regulatory capital buffer which the Society is able to do. The Society will also have to update all the calculations within the related regulatory reports that are submitted to the Bank of England on a regular basis.

Membership and customer service

There was robust growth in membership of 1,224 Members in 2024. More people wanted to be part of a successful and growing building society, that offers great value products, excellent service and supports its local community, as well as making the world more environmentally sustainable.

In 2023, the Society refurbished its Oldfield Park Branch to provide a bright and modern space to serve Members from.

Chief Executive's Review (continued)

The Society's Head Office building was comprehensively refurbished in 2024, to offer an excellent environment for Society colleagues to work together to serve Members.

In 2025 the Wood Street Branch is due to be refurbished to complete the programme and make this Branch an uplifting environment to serve Members from. The Society was honoured to be joined by the Right Worshipful Mayor of Bath, Councillor Michelle O'Doherty, Wera Hobhouse MP and community partners to commemorate the reopening of the Head Office.

In addition to the award that the Mortgages team received in recognition of the improvements made to the Self Build mortgage product the Savings team were recognised by Moneyfacts for the ease of opening a savings account, through the Bath Online system and Mobile App.

Sustainability

Responding to requests from Members for more support from the Society to make their homes more energy efficient, the Society has brought improving environmental sustainability to the centre of its strategy.

The Society has further reduced its annual carbon emissions by installing energy efficient lighting as part of the refurbishment of the Head Office building. Emissions will be further reduced when the Head Office gas boiler is replaced with an improved technology.

The Society is developing propositions to help Members identify what energy efficiency improvements they could make to their home and to reward them for doing this with lower cost finance. More details will be shared as the new products are prepared for launch in 2025.

Community

The Society has made a new commitment from 2025, to donate at least 2% of pre-tax profits to charitable causes.

Members and the Society's colleagues have jointly elected Julian House to be the Society's Charity of the Year for 2025. This important charity helps homeless people and other vulnerable adults in and around Bath, and the South West. The Society's support of Julian House will include donations, colleague volunteering time and fundraising.

Through its charity awards programme the Society supported some amazing projects in our local community. Over the past 19 years we've donated over £123,000 to small, local charities and community groups including, Oasis Bath, Connect Bath, Grow for Life and Bath FoodBank.

In 2024 the Society continued with its Colleague Volunteering Programme, with all colleagues allocated a day per year to volunteer either as part of Society team activities or for a charity close to their heart. For 2025 this volunteering support has been doubled, to two days per year, so that the Society can support even more local good causes.

Team volunteering days in 2024 have included two sessions with More Trees BANES, to plant a total of 1,200 saplings to mark the Society's 120th anniversary in 2024.

Investing in our people

The Society is investing in colleagues in front-line roles and support functions to increase their capability and therefore improve the in-person and digital service and product range offered to Members. Following the recruitment of the Society's first Head of People in 2023 the People team was expanded in 2024. Recognising the importance of strong People leadership for the future success of the Society, this role was promoted onto the Executive Committee as Chief People Officer at the end of 2024.

Richard Ingle
Chief Executive
6 March 2025

Strategic Report

Business strategy

The Society has developed a new strategy in 2024, to support realisation of the Society's updated purpose to *help Members live sustainable and financially resilient lives.*

The three strategic pillars of the new strategy are:

Digital first, always human.
Members have long valued the Society's friendly service, including in Branches, and this will continue. The focus for development will be offering the ability to open and manage accounts online, in the Bath Online system and in the Mobile App.

Products for a sustainable world.
Members have asked the Society to help them identify how to make their homes energy efficient. We work with trusted partners to help Members understand what measures they can take to improve the energy efficiency of their homes and reward them for doing this with lower cost finance.

Supporting member financial resilience.
We support Savings Members' financial wellbeing with robust, flexible savings products that support financial growth and security across all life stages. For Mortgage Members we offer a variety of innovative mortgage products that enable more first-time buyers to realise their dream of home ownership.

The new strategy will be fully realised over the next five years, with most of the IT system improvements being delivered through the Bath Future Architecture (BFA) transformation programme, in 2025 and 2026.

Due to the strength of its relationship with intermediaries and its underwriting expertise the Society also has a particularly strong reputation and capability to offer Buy to Let mortgages.

The Society's ability to identify and mitigate the risks associated with this type of lending means that it can generate above average returns, allowing it to invest in improving the service offered to customers and provide better interest rates for saving Members.

The Society funds the cash advanced for mortgages by offering savings and deposit accounts to individuals and small business customers. It delivers sustained value to Members through excellent customer service and offering higher interest rates than its competitors, which means the benefits of its mutual business model are shared fairly. New and existing savings customers are offered the same great savings rates, on variable rate and notice accounts, so loyal customers always get the best rates and don't need to move their money around or keep checking the latest interest rate.

The Society generates the regulatory capital required to cover potential credit risk losses on mortgages and other risks, by retaining the profit after tax generated each year. It is important for the Society to make a modest profit each year to continue to grow and generate income to cover the cost of running and developing the service that the Society offers to Members. At the end of 2024 the Society had:

- 20,097 (2023: 18,970) Savings and Deposits customers, of whom 18,672 (2023: 17,615) were Members; and
- 2,532 (2023: 2,343) Mortgage customers, of whom 1,399 (2023: 1,325) were Members.

Customer Type	2024	2023	% increase
Savings	20,097	18,970	5.9%
Mortgages	2,532	2,343	8.1%
Total Customers*	22,588	21,271	6.2%

*Total customers is not the sum of savings and mortgage customers due to some customers existing in both groups.

Financial review and future developments

In 2024, UK inflation decreased markedly compared to 2023, but remained above the Bank of England's 2% target for most of the year.

Overall inflation in 2024 averaged 3.0% over the year and ended at approximately 2.6% in December. The slowdown is attributed to the stabilisation of key sectors (energy and food, and reduced consumer demand) though some areas, such as housing and services have remained sources of persistent inflation.

As inflation eased, the Bank of England began to cautiously lower the base rate, reflecting progress in its fight against inflation whilst balancing risks of persistent price pressures. The base rate at the end of the year was 4.75%, 0.5% lower than the 2024 high of 5.25%.

The mortgage market showed signs of recovery during 2024. In Q2 2024 gross mortgage advances increased by 16.7% from the previous quarter to £60.2bn, marking the first rise since Q3 2023 and a 15.5% year on year increase. This upward trend continued in Q3 2024 with advances rising by 8.8% to £65.5bn, the highest since Q4 2022.

New mortgage commitments increased during 2024 compared to 2023 indicating sustained lender confidence in future market activity. Despite the recovery in 2024, forecasts suggest that mortgage lending may face challenges in 2025 due to ongoing economic uncertainties and potential regulatory changes.

UK house prices experienced a modest recovery following a period of decline in 2023. According to Nationwide, house prices increased by 4.7% over the year with the average property price reaching £269K. Looking ahead market expectations indicate further modest growth, with a potential spike pre-April 2025, when stamp duty relief ends for first time buyers.

The Society managed to take advantage of the improved mortgage market, growing mortgage balances by over 10%. Net interest income remained just shy of the 2023 amount despite a rise in funding costs due to increased competition. PBT decreased as the Society began its extensive investment programme to update premises and IT systems. Capital and liquidity remained strong with the CET1 ratio at 30.9% (2023: 32.9%) and liquidity as a proportion of total savings and deposit balances at 24.4% (2023: 25.6%).

Key Performance Indicators – Financials	2024	2023
Mortgage Asset Growth	10.9%	4.4%
Profit Before Tax £M	1.61	3.29
Net Interest Margin	2.94%	3.17%
Management Expenses Ratio	2.54%	2.07%
Common Equity Tier 1 Ratio	29.7%	32.9%
Leverage Ratio	10.6%	11.9%
Liquidity Coverage Ratio	245%	239%

Profitability

Profit Before Tax reduced to £1.6m from £3.3m in 2023. Net interest income remained fairly equal across both 2023 and 2024 and was characterised by higher interest income from the larger mortgage book and higher interest expense arising from increased competition for savings. Net Interest Margin has been resilient with an average for the year of 2.94% (2023: 3.17%). Both years' results have been helped by high market interest rates, however as expected, 2024 profitability reduced as the cost of the Society's five year investment programme was progressed during the year. Profitability as well as member service performance is forecast to improve in later years as the new systems and resulting gains in productivity are realised.

Costs increased by £2.2m to £9.9m (2023: £7.7m) as the Society continued its investment in the Bath Building Society Future Architecture programme. The investment will help to deliver the systems improvements that will support better and more efficient customer service in the future, as well as enable faster growth. The latter will support the Society's long-term financial sustainability, with income rising to cover the Society's increased cost base.

The Society's impairment charges for loan losses were lower than anticipated at £13k (2023: £101k) in the year, reflecting a small increase in the collateral value of mortgage customer's properties and therefore a slightly lower impairment loss on those loans that are significantly in arrears. At the same time the number of loans in arrears remains low, with no major increase on the previous year.

The Society uses interest rate swaps to reduce the risk associated with fixed interest rate mortgage loans to customers. The Society only ever uses interest rate swaps to reduce risk. There is a small gap between the updated valuation of these interest rate swaps and the fixed rate mortgages that these are hedging, which amounted to a gain of £0.1m (2023: loss £0.5m).

Assets

The (notional) mortgage book grew by £30.5m (10.9%) in 2024, to £311.4m (2023: £283.5m). The proportion of the total mortgage book comprised of owner-occupier customers is 65.9%, with Buy to Let making up 32.1% and legacy Commercial property loans comprising the final 2.0%.

Shares and Deposits

Total Shares and Deposits grew by £34.3m in 2024, to £352m (2023: £317.7m), of which £290m are Shares held by personal customers and £62m are Deposits held by Small Businesses, Charities and Pensions Savings customers.

Reserves

At the end of 2024, total reserves stood at £48.6m, an increase of £1.6m in the year, almost all due to retained Profit After Tax.

These reserves represent Members equity in the business and form the principal part of the Society's regulatory capital resources. These capital resources form a buffer that protects depositors from risks faced by the Society such as potential losses arising from credit risk on mortgages.

Solvency

The main measure of the Society's capital strength is the "Core Equity Tier 1" ratio. The Society has one of the highest CET1 ratios in the building society sector, at 30.9% (2023: 31.2%).

The following table sets out the reconciliation of capital per the Statement of financial position to regulatory capital:

Unaudited	2024 £000	2023 £000
Capital available:		
General reserve	47,356	46,096
Revaluation reserve	1,200	955
Total capital per Statement of financial position	**48,566**	**47,051**
Regulatory adjustments to obtain Common Equity Tier 1 and Tier 1 capital		
Intangible assets	(853)	(546)
Prudent Valuation Adjustment	(277)	(93)
Common Equity Tier 1 capital and Tier 1 capital	**47,427**	**46,412**
Tier 2 capital – collective allowance for impairment	170	180
Total regulatory capital	**47,597**	**46,592**
Total capital requirement	12,448	11,287
Surplus over Total Capital Requirement	35,149	35,305

Liquidity

The Society maintained strong liquidity despite a competitive funding market characterised by challenger banks with teaser rates, reduced market liquidity as quantitative easing unwinds ("Quantitative Tightening") and peers needing to replace central bank "TFSME funding" with retail funding.

A breakdown of the Society's total liquid resources is set out in the table below:

	2024 £000	2023 £000
Total High Quality Liquid Assets		
Cash in hand and balances with the Bank of England	57,496	62,782
UK Tbills & Gilts	22,675	-
Loans and advances to credit institutions	**5,824**	**18,536**
Total liquid resources	**85,995**	**81,318**

Sustainability

The Society has brought being a highly sustainable Building Society into the centre of its new strategy, so that it plays its part in delivering on the UK Government commitment to reach Net Zero carbon emissions by 2050 and limiting the harmful effects of climate change.

In recent years the Society has been identifying how to reduce the carbon emissions associated with running the Society ("Scope 1" emissions, with "Scope 2" emissions arising from the Society's use of electricity). While systematically reducing its own emissions the Society has also been identifying how best to support Members in reducing the much larger volume of "Scope 3" emissions associated with heating their homes, which the Society finances through the provision of mortgages.

In 2025 the Society will launch green mortgage products, working with partners who will be able to help Members decide which energy efficiency improvements they could usefully implement. The Society will provide the finance to fund this investment in the form of green mortgage products. This will support the reduction in the Society's scope 3 emissions.

The Society further reduced its own (Scope 1 and 2) emissions in 2024, by switching to smart lighting throughout its head office building, as part of the major refurbishment project that was completed over the summer. This follows the installation of zonal lighting in the Oldfield Park Branch in 2023 and will be followed by the installation of similar lighting in the Wood Street Branch as part of the overall Branch refurbishment in 2025.

The Society's Scope 1 and 2 emissions in the year to 31 December 2024, together with comparatives for 2023, are set out in the table below. Scope 1 emissions mainly comprise natural gas burned on site for heating and Scope 2 emissions are generated from electricity consumption. Scope 3 emissions arise from the heating of mortgage customers' homes.

Carbon dioxide (CO_2e)[1] in tonnes	Year to 31 December 2024	Year to 31 December 2023
Scope 1 emissions – travel and gas[2]	11.1	12.5
Scope 2 emissions – electricity[2]	15.8	16.2
Total Scope 1 & 2 emissions	**26.9**	**28.7**
Scope 3 emissions	254,702	205,924

1. CO_2e is an abbreviation of 'carbon dioxide equivalent', the internationally recognised measure of greenhouse gas emissions.
2. The DEFRA 2024 conversion factors have been used to calculate carbon emissions based on consumption (estimated where accurate readings are not available).

The Society's portfolio of mortgages secured on residential and Buy to Let properties had the following energy efficiency ratings, which is based on data provided by the Landmark Information Group.

31 December 2024

EPC Rating	Residential % by volume	Buy to Let % by volume	Total % by volume
A-C	36.7%	38.6%	36.1%
D-E	55.3%	56.2%	57.4%
F-G	5.2%	4.1%	4.3%
Unknown	2.8%	1.1%	2.2%

31 December 2023

EPC Rating	Residential % by volume	Buy to Let % by volume	Total % by volume
A-C	38.2%	33.7%	35.9%
D-E	53.9%	61.3%	57.3%
F-G	6.0%	3.7%	4.8%
Unknown	1.9%	1.3%	2.0%

In addition to the measures taken to increase environmental sustainability by reducing carbon emissions the Society is reducing the amount of paper sent to Members, where emailing is appropriate. The Society encourages Members to sign up for the email version of the Annual General Meeting pack.

Colleagues are encouraged to travel sustainably, supported by the provision of a new Cycle to Work scheme together with new shower facilities in the newly refurbished head office building, and an Electric Vehicle scheme.

Most Society colleagues work in a hybrid pattern, spending part of the week working from home and some days in the office. This reduces the environmental impact of travel to work as well as saving commuting time.

Through the partnership with More Trees BANES the Society has now planted a total of 1,200 trees in local public spaces to benefit the local community as well as make a small contribution towards improving air quality.

Community Review

The Society has made a new commitment from 2025, to donate at least 2% of pre-tax profits to charitable causes.

The Society's Charity of the Year for 2024 was Mentoring Plus and we worked together to raise awareness in our local community, of the amazing work that Mentoring Plus do by supporting young people in Bath and the surrounding area who are facing challenges including family breakdown, bereavement, isolation, domestic violence or experience of being in or leaving care.

Ruth Brown, Community & Relationships Lead at Mentoring Plus, said:

"When Bath Building Society chose us as their Charity of the Year for 2024, we had no idea it would lead to a freshly painted main hall, beautiful blooms in our garden and a spruced-up basketball court. And for Christmas the fantastic team worked their magic once again! This time, they transformed the summer house at Riverside Youth Hub into a magical garden grotto for Santa, just in time for our first-ever Christmas Fair.

This support means so much to us. Riverside isn't just a youth hub – it's a safe space for the young people we support through our mentoring programme, youth and art clubs. It also generates vital charitable income for us by hosting events like our Christmas Fair and generating income as a hireable venue."

Members and the Society's colleagues have jointly elected Julian House to be the Society's Charity of the Year for 2025. This important charity helps homeless people and other vulnerable adults in and around Bath. Demand for their services is at an all-time high and the Society looks forward to learning more about the organisation and supporting them throughout next year. The Society's support of Julian House will include donations, colleague volunteering time and fundraising.

ConnectBath provides events and activities to tackle loneliness and prevent social marginalisation across BANES.

Grow for Life provides social and therapeutic gardening sessions for people affected by low confidence, anxiety, depression or isolation.

Share & Repair help people save money and the planet through Reduce, Repair and Reuse.

Through its Charity Awards programme the Society supported some amazing projects in our local community, including Oasis Hub, ConnectBath, Grow For Life, Voices for Life, Oldfield Park Infant School PTA, Bath FoodBank, Eddie's Street Cuts and SWAN Transport.

The Society supports colleagues to volunteer in the local community through two paid volunteering days per year. On their team volunteering days, Society colleagues planted the 1,200 saplings to mark the Society's 120th anniversary. They also helped at the Bath FoodBank warehouse sorting food donations as well as at the Genesis furniture warehouse.

The Society proudly partners with The Rotary Club of Bath, to promote firework safety around Bonfire night, and the annual Christmas Carol Service in Bath Abbey, which raised £2,500 for the Society's Charity of the Year.

We're proud to deliver financial education workshops to local schools and sixth forms, with over 1,500 students benefiting from the programme in 2024, which was 55 workshop hours. To provide the workshops we partner with WizeUp Financial Education, a charity dedicated to equipping young people with essential financial skills for adult life.

The Society's total contribution into the Bath community for 2024 has been measured at £1,218 per employee (2023: £1,123).

The Society supports Members' financial resilience through the provision of good value savings accounts. As part of the new strategy the Society will do more to help Members optimise their savings and therefore boost their financial resilience. The Society also supports increased financial resilience of the local community through WizeUp, the Society's financial education partner. The team at WizeUp deliver education sessions that are free to schools, with the cost being paid for by the Society. The Society's partnership with WizeUp has run for several years, boosting financial literacy of pupils in all sixth forms in Bath and in the surrounding area.

Approach to Risk Management

Risk management framework

The Society has a risk management framework that is approved by the Board and is implemented through a structure of Board and management committees, as shown in the Board governance structure on page 33.

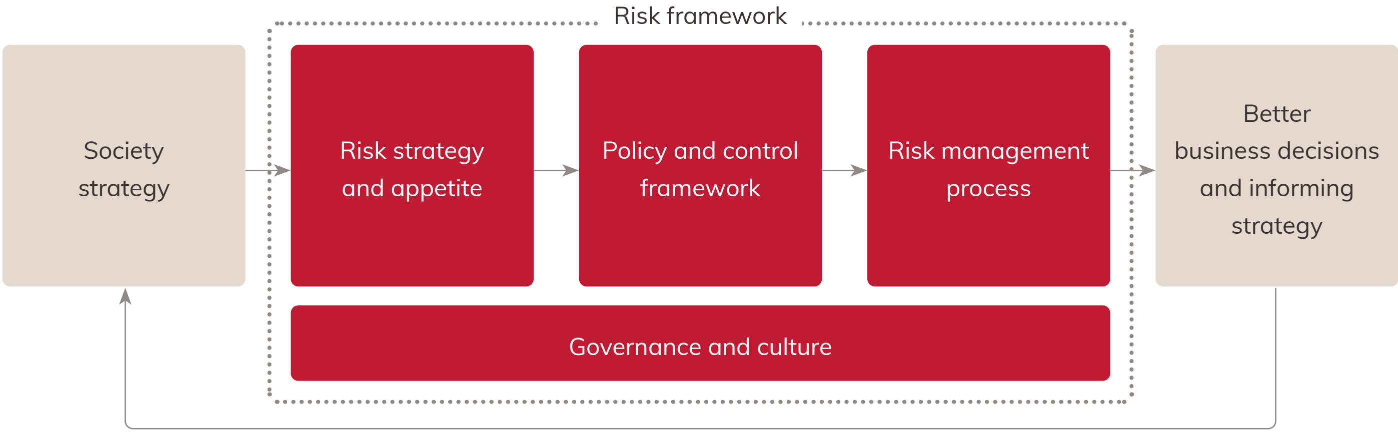
Our risk framework is based on three core principles:

- Taking risk is necessary to support our Members and be a successful business.
- Understanding risk is crucial to making good decisions.
- Risk management is part of what we do, not a separate activity.

The risk framework provides the approach to the identification, assessment, management, monitoring and reporting of risks and controls. Its purpose is to ensure the Society:

- Establishes the level of risk it is willing to take in pursuit of its objectives.
- Understands the risks it is taking and the controls to manage them.
- Learns from incidents to inform changes in the control environment.

The structure of the risk management framework is set out in the diagram below:



Approach to Risk Management (continued)

Risk strategy and appetite

The Board is responsible for setting the Society's risk strategy and appetite, and ensuring overall risk management is appropriate and effective.

Risk appetite sets out the level of acceptable risk exposure the Society is willing to take in pursuit of its strategy. It is comprised of qualitative statements and quantitative metrics.

Policies and controls

Policies are in place across the Society to outline the expectations and control requirements to operate within risk appetite. Policies are reviewed by the relevant management committee and for material risks are subject to Board review and approval.

Risk management process

All business areas are responsible for managing the risks they take. They follow a standard process of risk identification, assessment, management, monitoring and reporting. The risks identified form the Society's risk profile and are monitored individually and as a whole to identify common drivers of risk and the aggregate level of risk.

The Society operates a 'Three Lines of Defence' model. The Society's first line of defence consists of each business function and the procedures and controls in place to manage risk. The second line of defence consists of the Society's risk function and the third line of defence is the Society's internal audit function.

Risk governance

The Board operates a Risk Committee that oversees the Society's risk management function and an Audit Committee that oversees the Society's systems of procedures and controls designed to mitigate risk.

The Society operates management committees covering each principal risk type to manage the business processes in place to keep risk within the Board's stated appetite. These committees report to the Board through the Risk Committee.

Principal Risks & Uncertainties

The table below shows the principal risks faced by the Society. For each risk the Society sets risk appetite, including metrics with limits and triggers where possible to limit the level of risk that can be taken. The Society identifies the controls used to mitigate the level of risk within this appetite and monitors the effectiveness of these controls.

Strategic risk

Risk categories	Source of risk exposure and outlook	Approach to managing the risk
Business model: The risk that the business model is not sustainable or is exposed to income and cost volatility. **Strategic execution:** The risk that delivery of the strategy is constrained or has unintended or unexpected consequences.	The Society operates in a competitive market. This creates risk via changes in the margin the Society earns between its assets and liabilities as well as the demand for its products. Customer expectations for the way our products and services are provided continues to change and requires investment to ensure we maintain the strong levels of customer service we are known for. The Society has embarked on a major transformation programme to reduce long-term risks but recognises this creates short-term risks relating to effective execution of the change activity.	It is essential the Society maintains a business model that is resilient to potential shocks and changing demands from the external environment. Maintaining strong levels of capital is a key part of ensuring the long-term sustainability of the Society. Business planning and stress testing are two of the key approaches for managing strategic risk. The Society actively takes strategic execution risks to ensure it continues to deliver relevant and competitive products and services that meet the needs and expectations of its current and future Members. Responsible Management Committee: • Executive Committee

Credit risk

Risk categories	Source of risk exposure and outlook	Approach to managing the risk
Default: The risk that a borrower is unwilling or unable to pay. **Asset value:** The risk that asset values are lower than the outstanding debt. **Treasury credit:** The risk that treasury assets default or reduce in credit quality.	The Society actively takes credit risk by lending to mortgage customers. This is core to our purpose as a Building Society. Credit risk performance has been strong, with limited numbers of accounts in arrears. The biggest driver of credit performance is the wider economy, and despite increases in interest rates there has been no deterioration in the performance of the Society's mortgage lending. Challenges from higher interest rates and persistent inflation remain and are closely monitored and considered in our approach to credit risk.	To manage credit risk a clear lending policy and lending criteria are in place to limit the potential credit risk and focus on areas of mortgage lending where we have the expertise to assess the risk accurately. The Society invests some of its liquidity resources to generate a positive return and manage other financial risks. The Society has limits on the size and types of exposure, allowing only high-quality assets. Responsible Management Committee: • Credit Committee

Financial risk

Risk categories	Source of risk exposure and outlook	Approach to managing the risk
Market: The risk that the value of assets or liabilities change due to movement in market rates. **Liquidity:** The risk that the Society cannot meet its financial obligations when they fall due. **Funding:** The risk that the Society cannot raise or replace funding when required.	The Society offers products with a range of different interest rates and product terms. This creates exposure to potential changes in interest rates which could affect the profitability of the Society. Interest rates have risen from the low levels seen over the last decade, although the Bank of England base rate has now begun to fall. With inflation remaining above the Bank's target financial markets, we are expecting limited reductions in interest rates over the next year. In common with other building societies the Society funds its mortgage lending with short-term savings deposits. Customers can typically access these savings with limited or no notice, creating a potential liquidity risk. The Society holds liquid assets to ensure it can meet payments. Competition in the savings market has increased and is expected to remain competitive during 2025. However, the Society has not seen any marked change in customer behaviour.	The Society calculates its market risk position to ensure it remains within risk appetite at all times. Market risk is managed by hedging the interest rate exposures created by the products we offer. This is done by matching assets and liabilities and by transacting interest rate derivatives to reduce any residual exposure. The Society holds sufficient liquid assets, held in the form of deposits with the Bank of England or high quality and liquid government bonds to mitigate liquidity risk. The Society calculates the level of liquidity based on stress testing results and regulatory requirements. The level of available liquidity is monitored daily. Responsible Management Committee: • Asset and Liabilities Committee

Conduct risk

Risk categories	Source of risk exposure and outlook	Approach to managing the risk
Product design: The risk that products are poorly designed or promoted inappropriately. **Product sales:** The risk that customers are sold products that are not suitable for their needs. **Post sale:** The risk that customers received poor or unsuitable service. **Financial crime:** The risk that financial crime is committed through the activity or inactivity of the Society. **Regulatory and legal compliance:** The risk that the Society fails to meet its regulatory or legal obligations or is subject to legal disputes.	The Society offers a range of products and services to customers which if not managed could create poor customer outcomes. As a mutual we are run for our Members interests and therefore we aim to design all our products to avoid customer harm and benefit our Members. The Society is regulated and authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority. We are therefore required to meet a range of regulatory requirements which are subject to ongoing changes and enhancements.	All products are subject to a risk assessment and review. This considers the potential for creating customer harm and seeks to mitigate this as far as possible. As part of the design process we consider how products and services may need to be adapted for vulnerable customers. The Society aims to meet all regulatory requirements set by our key regulators. Assessments against existing regulations and carried out to maintain effective compliance and we monitor and assess all new regulation. Responsible Management Committee: • Conduct Committee

Operational risk

Risk categories	Source of risk exposure and outlook	Approach to managing the risk
Data management: The risk that information is inaccurate, inaccessible, incomplete, misused or lost. **Financial management:** The risk that financial controls and reporting are inaccurate, untimely, or resources are mismanaged. **Technology:** The risk that technology services are disrupted or fail to meet business needs. **Security:** The risk that physical or data assets are stolen, disrupted, modified or destroyed. **Transaction execution:** The risk that transactions are processed incorrectly or not completed and/or reported incorrectly. **Health and safety:** The risk that colleagues or other individuals are subject to harm whilst working on Society activities.	The nature of our business model means we hold significant amounts of sensitive customer data and therefore we take the management and security of this information extremely seriously. The external environment is constantly evolving and our security controls against cyber threats therefore need to remain responsible to the changing threat. In addition, developments in artificial intelligence (AI) represent both an opportunity and threat to our business and are being closely monitored.	The Society accepts that operational risks are a part of any business. We seek to limit the potential downside impact of operational risk wherever reasonable to do so with a particular emphasis on risks that could cause customer harm. Identification of controls to manage operational risks and the testing of these controls forms a fundamental part of mitigating this risk. Scenario testing and disaster recovery tests help us to consider more extreme scenarios that could cause harm to our customers or to the Society and ensure the Society has appropriate levels of resilience to these events. Responsible Management Committee: • Operational Risk Committee

The Board of Directors

Independent Non-Executive Director

Joanne joined the Board in 2021 and was elected as Chair in January 2023.

Roles
- Chair of the Board
- Chair of Nomination Committee
- Member of Risk Committee
- Member of Remuneration, People & Culture Committee

Independent Non-Executive Director

Kevin joined the Board in January 2022.

Roles
- Chair of Risk Committee

Independent Non-Executive Director

Andrew joined the Board in February 2025.

Roles
- Member of Audit Committee

Independent Non-Executive Director

Fionnuala joined the Board in January 2018.

Roles
- Chair of Remuneration, People & Culture Committee
- Member of Audit Committee

Independent Non-Executive Director

Sameer joined the Board in May 2022.

Roles

- Member of Risk Committee
- Member of Nomination Committee
- Member of Remuneration, People & Culture Committee

Independent Non-Executive Director

Andrew joined the Board in January 2024.

Roles

- Chair of Audit Committee

Governance
The Board of Directors (continued)

Independent Non-Executive Director

David joined the Board in January 2016.

Roles

- Member of Audit Committee
- Member of Nominations Committee

Chief Executive Officer (CEO)

Richard joined the Board in August 2022.

Roles

- Executive Director/Board Member

Chief Financial Officer (CFO)

Ash joined the Society in March 2024 and was appointed to the Board in June 2024.

Roles

- Executive Director/Board Member

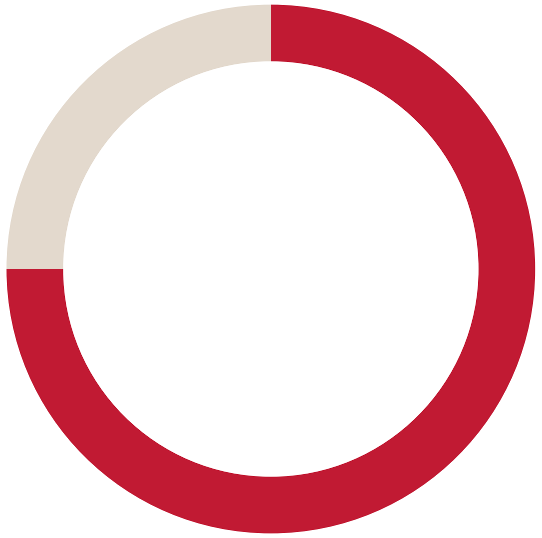
Board Composition

There were a few changes to the composition of the Board during 2024. Kevin Grey retired as CEO in March and was replaced by Richard Ingle (previously CFO). Ash Kasam joined the Society in March as interim CFO and became a member of the Board in June when he was appointed permanent CFO. Angela Cha retired in the spring following the end of her nine-year maximum tenure and Andrew Payton was appointed as a Non-Executive Director on 1 January 2024. In addition, Tonia Lovell retired in November, David Smith is due to step down in April 2025, having reached the end of his nine-year tenure and he will be replaced by Andrew Healy, who has joined the Board as a Non-Executive Director from February 2025.

Inclusion and diversity are important to the Society to ensure there is diversity of thought, a range of lived experiences and it remains innovative and relatable.

The Board has concluded that it is of an appropriate size, with the necessary balance of skills and experience to meet the needs of the business.

Gender Diversity of the Board
As at 31 December 2024



- Male **75%**
- Female **25%**

Tenure of Non-Executive Directors
As at 31 December 2024

- 0 years – 3 years **50%**
- 4 years – 6 years **17%**
- 6 years – 9 years **33%**

As detailed in the Directors' Report, all Directors are submitted for election or re-election at the Annual General Meeting (AGM). Directors are only submitted for re-election if the annual appraisal process with the Chair confirms their ongoing contribution and the specialist knowledge, skills, experience and independence continues to be required.

The Executive Committee

As Executive Directors of the Board, Richard Ingle and Ash Kassam are also Members of the Executive Committee along with:

Chief Mortgage Officer

Craig joined the Society in June 2015.

Key responsibilities are Mortgage Sales and Operations.

Chief Customer Officer

Emma joined the Society in February 2024.

Key responsibilities are Customer Service, Marketing and Savings Operations.

Chief People Officer

Foteini joined the Society in May 2023.

Key responsibilities are People matters.

Chief Risk Officer

Peter joined the Society in April 2024.

Key responsibilities are Risk Management and Compliance.

Chief Digital Officer

Steve joined the Society in January 2021.

Key responsibilities are Information Technology, Data Analytics, Business Change and Transformation.

Directors' Report

The Directors have pleasure in presenting the Annual Report and Accounts for the year ended 31 December 2024.

Colleagues

The Directors recognise that the continued strong performance of the Society is due in large part to the professionalism and skill of the Society's colleagues demonstrated across all aspects of the Society's operations, and place on record their sincere appreciation of the commitment and dedication shown during the year.
The Board maintains the view that the future of the Society will increasingly depend on a partnership between the Board, its colleagues, Members and partners. To ensure that this is promoted, Directors will continue the policy of employing colleagues who possess skill and integrity in all areas of the business and who are aligned to the Society's values.

Creditors' payment policy

The Society's policy is to pay trade creditors in accordance with agreed terms once such creditors have fulfilled all aspects of the contract. At the end of 2024 trade creditors outstanding represented 29 days of purchases (2023: 40 days) due to the timing of invoice payments.

Charitable and political donations

In 2024, the Society made donations to charities of £15,000 (2023: £8,200). No political donations were made by the Society in the current or prior year.

Asset encumbrance policy

The Society's policy is to permit the encumbrance of assets where this is required as a norm of standard market practices or where it is necessary to obtain central bank funding facilities or liquidity insurance. From time-to-time, the Society also provides cash collateral to NatWest Markets as a requirement of the Credit Support Annex to the International Swaps and Derivatives Association master agreement that the Society has in place with that counterparty.

Independent Auditors

At the Annual General Meeting on 30 April 2024 the Members passed a resolution appointing PricewaterhouseCoopers LLP ('PwC') as auditors of the Society. A resolution to reappoint PwC will be proposed at the 2025 Annual General Meeting.

Financial Reporting Council (FRC)

The Audit Committee noted that the FRC had reviewed PwC's audit of Bath Investment and Building Society financial Annual Report and Accounts for the year ended 31 December 2023, for which no significant recommendations were made by the FRC for further improvement. The Audit Committee were therefore satisfied as to the quality of the audit.

Statement of Directors' responsibilities in respect of the accounts

Preparing the Annual Accounts

The following statement, which should be read in conjunction with the statement of the auditors' responsibilities on page 47, 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 Building Societies Act 1986 ('the Act') requires the Directors to prepare annual accounts for each financial year which give a true and fair view of the state of affairs of the Society as at the balance sheet date and of the income and expenditure of the Society for the year. In preparing those accounts, the Directors are required to:

- Select appropriate accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- 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.

Accounting Records and Internal Control

The Directors are responsible for ensuring that the Society:

- Keeps accounting records in accordance with the Act or the Companies Act 2006 (as relevant);
- Adheres to financial risk management objectives with regards to its use of financial instruments (see Risk Management Report); 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 Prudential Regulation Authority under the Financial Services and Markets Act 2000.

Disclosure of information to the auditors

Each person who is a Director at the time when the Directors' Report is approved must:

- Ensure that there is no relevant audit information of which the Society's auditors are unaware; and
- Ensure that all steps have been taken that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

The Directors 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 integrity of the Society's website www.bathbuildingsociety.co.uk. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website. Information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of accounts.

Information in these accounts is provided under the legislation of the United Kingdom.

Going concern

In the opinion of the Directors, the Society continues to deliver strong results despite a competitive mortgage market and the turbulent economic and political environment. The core profitability of the Society remains robust, due to a combination of continuing mortgage asset growth and successful management of margins.

In the coming year the Society expects to achieve further mortgage portfolio growth. The Society will fund mortgage growth from current liquid resources and by increasing the Society's base of shares and deposits primarily through retail channels and from local businesses. It does not expect to have to seek any wholesale funding from the money markets.

The Board has conducted a recent review of going concern which has included a review of funding, liquidity and capital projections for a four-year period after the balance sheet date. This review indicates that the Society can expect to generate sufficient liquidity to fund expected mortgage growth whilst maintaining robust levels of short-term liquidity throughout the period.

The Society operates in an environment that includes access to Bank of England Sterling Monetary Framework funding facilities. The Board has established a target of maintaining the Society's overall level of liquid resources above 120% of its Liquidity Coverage Ratio requirement.

The Board has stress-tested its planned liquidity and capital positions over a four-year period to 31 December 2028 to demonstrate that adequate capital and liquidity will be available throughout this strategic period, even in severe but plausible stressed scenarios. Notwithstanding the challenges presented by the continuing cost of living crisis and the resulting pressures on household finances, the Board expects the Society to continue to deliver profits that are sufficient to deliver adequate levels of capital, and for the Society to maintain a substantial surplus of capital over its regulatory requirements.

The Directors also considered whether there were other events subsequent to the balance sheet date which could have a bearing on the going concern conclusion.

The Directors are satisfied that the Society has adequate resources to continue in business for the next 12 months. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Post balance sheet events

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

Directors

The following persons served as Directors during the year: Joanne Evans, Angela Cha, Fionnuala Earley, David Smith, Kevin Hayes, Sameer Rahman, Kevin Gray, Andrew Payton, Richard Ingle, Ash Kassam and Tonia Lovell.
There were three retirements during the year: Kevin Gray (7 March 2024), Angela Cha (30 April 2024) and Tonia Lovell (30 November 2024).

In line with the principles of the UK Corporate Governance Code 2018, all Directors who served in 2024 will retire from the Board at the Annual General Meeting and, being eligible, all remaining Directors will then offer themselves for re-election other than David Smith who will be retiring at the 2025 AGM following the end of his nine year tenure. None of the Directors hold any shares in, or debentures of, any connected undertaking of the Society.

Approval

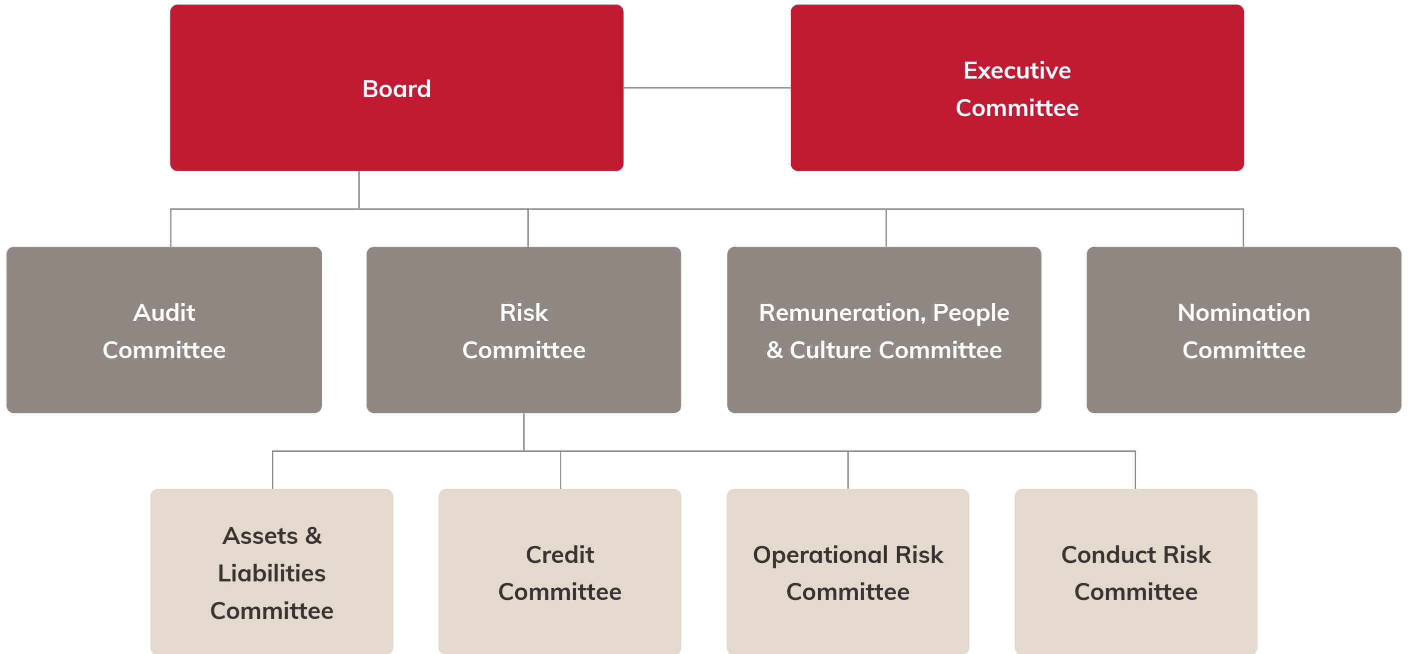
The Directors consider that the Annual Report and Accounts, comprising the Annual Accounts, Strategic Report, Annual Business Statement and Directors' Report, taken as a whole, are fair, balanced and understandable and provide the information necessary for Members to assess the Society's performance, business model and strategy.

On behalf of the Board

Joanne Evans
Chair
6 March 2025

Directors' Report on Corporate Governance

Corporate Governance Structure



- Board
- Board Sub Committees
- Management Committees

The Role and Responsibilities of the Board and its Committees

The primary role of the Board is to provide leadership and challenge and ensure its long-term success whilst meeting the needs of current and future Members.

The Board is responsible for the setting and implementation of the strategy, which will enable the Society to fulfil its purpose. The Society's Board Manual provides detail of all Board and Committee terms of reference. The Board meets as often as necessary for the proper conduct of business (usually monthly). The attendance record is detailed on page 38.

The Non-Executive Directors hold a minuted meeting at least once a year without the Executive Directors being present. The Board takes an interest in all aspects of the business but delegates certain decisions and responsibilities to its Board committees.

The Board

Principal Functions

- Set the Society's strategy policy and internal limits.
- Approve the annual budget.
- Annually approve the Society's risk appetite.
- Annually approve policies and internal limits as recommended by the Risk Committee.
- Monitor the performance of the Society and its capital and liquidity requirements.
- Ensure robust systems and controls are in place.
- Ensure the Society operates within its constitution, regulation and legislation.
- Ensure appropriate resources are available to meet objectives.

Risk Committee

Constituted by three Non-Executive Directors. Meetings are held at least four times per year and it is normal for Executives and Executive Committee members to attend by invitation.

Principal Functions

- The forward looking perspective on risk matters.
- The oversight, quality and performance of the Society's risk management and compliance functions.
- Reviewing matters referred to it by the Board and Audit Committee.
- Providing advice to the Board on the overall risk strategy (including the Risk Management Framework and risk appetite).
- Reporting to the Board on all risk matters.
- Ensuring compliance with regulatory policy requirements.
- Ensuring that the risk and compliance functions have adequate resources to carry out their responsibilities.

Audit Committee

Constituted by three Non-Executive Directors. Meetings are held at least four times per year and it is normal for the Executive Directors, Executive Committee members and representatives from the Society's external and internal auditors attend by invitation.

Principal Functions

- Assist the Board in exercising its governance and oversight responsibilities.
- Monitor the integrity of the accounts of the Society including its annual and interim management statements.
- Ensure the effectiveness of systems and controls.
- Reviews the outputs from the auditors.

The Board is satisfied that the Audit Committee includes members who have adequate, recent and relevant financial experience. The Society Chair is not a member of the Audit Committee. The Audit Committee meets with the auditors,

without the Executives present, whenever considered necessary and at least once per year. Minutes of Committee meetings are distributed to all Board members and the Chair of the Audit Committee reports to the Board.

The Audit Committee conducts a formal annual review of the level and split of total fees paid to the internal and external auditors (RSM Risk Assurance Services LLP ('RSM') and PwC respectively) and it assesses whether auditor independence is being maintained. Following the latest annual review, noting that PwC did not carry out any non-audit engagements during 2023 or 2024, other than the review of the Country-By-Country Reporting disclosure within this document, the Audit Committee considered that independence, effectiveness and objectivity were not being compromised. In addition, PwC as external auditor confirmed to the Committee that it considers itself to be independent as defined by the Financial Reporting Council.

The Audit Committee reviews the effectiveness of the audit arrangements, the performance of the external auditors, and the performance of the internal audit function after completion of each annual cycle. The Audit Committee Chair also liaises with the Chief Executive, Chief Financial Officer and Chief Risk Officer to assess relationships and operational working practices. The ongoing effectiveness of the internal audit process is considered by the Audit Committee by way of a formal review of the Annual Audit Plan and by review of interim reports to the Committee.

The Audit Committee assesses its own effectiveness by formally assessing the results from an annual Audit Effectiveness Questionnaire that is completed by all Committee members.

Remuneration, People and Culture Committee

Constituted by three Non-Executive Directors, the Committee meets quarterly. The Chief Executive and Chief People Officer are invited to attend this Committee.

Principal Function

The Remuneration, People and Culture Committee is a Board Sub-Committee which is responsible for governance, oversight and making recommendations to the Board for approval of all aspects of people, culture and remuneration of the Non-Executive, Executive Directors and ExCo.

Nomination Committee

Constituted by three Non-Executive Directors. Two main meetings of the Committee were held in 2024 along with two additional meetings relating to the recruitment of the Chief Finance Officer and a new Independent Non-Executive Director.

Principal Function

The Nomination Committee is a Board Sub-Committee. The main responsibilities of the Committee in accordance with the UK Corporate Governance Code and the Senior Managers Regime are to recommend the appointment of Non-Executive and Executive Directors along with terms of employment and Service Contracts (where appropriate).

Management Committees

In addition to the main Board Committees above, the business operates with management Sub-Committees of the Risk Committee that assist in managing business risks. The structure of these Committees has been amended, with the Conduct & Operations and IT & Operational Resilience Committees changed to the Conduct Risk and Operational Risk Committees. The responsibilities of these Committees are summarised below:

Management Committee	Overview
Credit Committee Meets quarterly	The Committee is responsible for managing the quality of the Society's mortgage book, and oversees changes to the Society's lending policy and underwriting approach. The Committee also approves new underwriting mandates and gives approval for certain loans as specified in the Society's lending policy.
Assets & Liabilities Committee Meets monthly	The Committee manages all aspects of financial risk management, treasury matters and liquidity. The Committee reviews interest rate risk positions, treasury investments, asset encumbrance levels, liquidity arrangements and pricing decisions.
Conduct Risk Committee Meets quarterly	The Committee manages the Society's approach to ensuring that all customers are not subject to harm and receive good outcomes from their interactions with the Society. It is also responsible for managing the risks from financial crime and that the Society complies with its regulatory responsibilities.
Operational Risk Committee Meets quarterly	The Committee monitors the operational risks run by the Society as part of delivering its services. These focus on technology and security risks, including operational resilience and business continuity, as well as the accurate and successful execution of transactions by the Society for its customers.

Evaluating Board Effectiveness

In 2023 the Board carried out an external Board Effectiveness Review. Having an externally facilitated review, enabled the Board to stand back and assess its strengths and areas for development through an independent lens and identify changes to enable the achievement of full potential. Overall, the Board and Board Sub-Committees were found to be operating effectively and agreed an action plan for future development. Improvements that were made through 2024 included to the strategy formulation process and reporting of progress on strategy realisation, extending the role of the Remuneration Committee to include People and Culture oversight, improved Management Information to Board and Board Committees, improved succession planning, improved learning & development planning & delivery, improved colleague performance management, supported by a new People system and making a comprehensive update to the Society's Risk Management Framework.

UK Corporate Governance Code

The Directors are committed to best practice in Corporate Governance. Although the UK Corporate Governance Code issued by the Financial Reporting Council in 2018 does not apply directly to mutual organisations, the Board, whilst not directly applying the Code, pays due regard to the Code principles.

The offices of Chair and Chief Executive are distinct and are held by different people. The role of each is set out in their terms of appointment and service contract respectively.

The Chair is responsible for leading the Board, communication with members and ensuring that Directors receive accurate, timely and clear information. The Chair promotes debate and challenge and ensures that there is contribution from all members of the Board. The Chief Executive is responsible for managing the Society's business within the parameters set by the Board.

The Senior Independent Director provides an alternative channel of communication for Directors, colleagues and members and has responsibility for ensuring that the Society Chair's performance is appraised on an annual basis. The Society maintains liability insurance for all Board members who also have access to independent legal advice.

Members and Annual General Meeting

As a mutual organisation, the Society has a membership composed of individual customers. In addition to the annual survey enclosed with the AGM pack, the Society proactively seeks the views of Members through the financial services review site Smart Money People, regular Member Forums at our Head Office in Bath and a new online Member Panel launched earlier this year. All feedback is welcomed and considered through the governance structure and contributes to the Society's drive to improve outcomes for its customers. The Society continues to seek ways to increase this dialogue in the future.

Each year the Society sends details of the AGM (online or postal depending on Member preference) to all Members eligible to vote. Members are encouraged to exercise their right to vote and are sent forms enabling them to appoint a proxy to vote for them if they cannot attend the AGM.

At the AGM, a presentation is given by the Society Chair and Chief Executive covering the Society's performance and current issues. A poll is called in relation to each resolution at the AGM, enabling all proxy votes to count. A scrutineer oversees the counting of votes at the AGM. Members of the Board are present at the AGM and are available to answer questions from the membership.

New Directors receive induction training which provides information on the nature of building societies, responsibilities and duties, interpretation of management information, the Society's business and local market, overview of regulatory requirements and significant issues for the sector and industry. Training is provided to the Board both by management and by attendance on external courses. Ongoing training and development needs are identified during annual appraisals.

Directors' Report on Corporate Governance (continued)

Table 1: Directors' Attendance Record

Director	Board	Risk	Audit	Nomination	Remuneration
Joanne Evans	10/10	4/4		4/4	6/6
Fionnuala Earley	10/10		5/5		6/6
Angela Cha	4/4		2/2		
David Smith	10/10		4/5	2/3	
Kevin Hayes	10/10	4/4			
Sameer Rahman	10/10	4/4		4/4	6/6
Andrew Payton	10/10		5/5		
Kevin Gray	2/2	1/1 (invited)	2/2 (invited)	1/1 (invited)	2/2 (invited)
Richard Ingle	10/10	4/4 (invited)	4/4 (invited)	4/4 (invited)	6/6 (invited)
Tonia Lovell	9/9	3/3 (invited)	4/4 (invited)	3/3 (invited)	6/6 (invited)
Ash Kassam	7/8	3/3 (invited)	3/3 (invited)		

(Number of meeting commitments actually attended/number of meeting commitments)

On behalf of the Board

Joanne Evans
Chair
6 March 2025

Directors' Remuneration Report

Unaudited information

The following Report of the Directors on Remuneration will be put to an advisory vote of the Members at the forthcoming Annual General Meeting.

The Board has due regard to the principles outlined in the UK Corporate Governance Code 2018 relating to the setting of remuneration.

Level and components of remuneration

The Society's Remuneration Policy is to reward Directors through salary according to their expertise, experience and contribution. The Society also carries out benchmarking against other comparable organisations.

Executive Directors' emoluments

The remuneration arrangement for Executive Directors consists of basic salary, annual bonus, pension and other benefits. The Executive Directors do not hold outside directorships that provide an income for the benefit of themselves.

The Remuneration Committee designs the Executive Directors' bonus scheme to align the interests of Executive Directors with the interests of Members and provide incentives that recognise corporate and personal performance. If a range of challenging personal and operational targets is achieved, the Executive Directors can achieve a bonus of 10% of basic salary. The Committee has the discretion to reward the Executive Directors an additional bonus element equivalent to a maximum of 5% of basic salary if collective exceptional performance is deemed to be delivered.

The Executive Directors benefit from a pension scheme whereby the Society contributes 12% of basic salary per annum to a money purchase scheme. The Society operates no final salary pension arrangements.

Kevin Gray and Richard Ingle received the benefit of a company car. Tonia Lovell received the benefit of a car allowance. Kevin Gray, Richard Ingle and Tonia Lovell all received the benefit of health insurance. The aggregate amount of these benefits is included in Table 2 on page 40.

Executive Directors' contractual terms

Each Executive Director has an employment contract with the Society, terminable by either party giving six months' notice.

Non-Executive Directors

The level of fees payable to Non-Executive Directors is assessed by the Remuneration Committee using information from comparable organisations. These fees are not pensionable. Non-Executive Directors do not participate in any bonus schemes, and they do not receive any other benefits. Details of Non-Executive Directors' emoluments are set out in Table 3 on page 40.

The terms of appointment letter for each Non-Executive Director specifies that they must provide three months' notice and the Society provides one month's notice to terminate the agreement.

Procedure for determining remuneration

Fionnuala Earley, Joanne Evans and Sameer Rahman constituted the Remuneration Committee in 2024.
The Committee is responsible for setting Executive Director remuneration and Non-Executive Director fees.

After a review of the responsibilities and workload of Non-Executive Directors, the Committee approved a 3.5% rise in fees for 2025, in line with the current rate of inflation.

The Remuneration Committee reviews Executive Directors' basic salaries on an annual basis, by reference to jobs carrying similar responsibilities in comparable organisations and local market conditions generally.

Audited information

Table 2: Executive Directors' Emoluments

2024	Basic salary	Annual bonus/ other payments	Benefits	Pension contributions	Total 2024
	£	£	£	£	£
Ash Kassam	134,231	-	3,798	15,123	**153,152**
Kevin Gray	94,993	21,444	4,661	11,399	**132,497**
Richard Ingle	180,920	13,222	1,426	21,710	**217,278**
Tonia Lovell	107,948	88,945	7,536	22,860	**227,289**
Total 2024	**518,092**	**123,611**	**17,421**	**71,092**	**730,216**

Other payments and pension contributions includes £90,676, which relates to the payment to Tonia Lovell for loss of office when she retired on 30 November 2024.

2023	Basic salary	Annual bonus	Benefits	Pension contributions	Total 2023
	£	£	£	£	£
Kevin Gray	181,527	10,396	9,378	21,783	**223,084**
Richard Ingle	146,315	13,222	7,515	16,711	**183,763**
Tonia Lovell	114,665	8,541	7,764	12,913	**143,883**
Total 2023	**442,507**	**32,159**	**24,657**	**51,407**	**550,730**

Table 3: Non-Executive Directors' Emoluments (comprising total fees)	2024	2023
	£	£
Angela Cha (retired 30 April 2024)	11,205	32,248
Andrew Payton	34,768	-
David Smith	37,397	35,589
Fionnuala Earley	35,179	30,138
Joanne Evans (Society Chair)	46,335	44,095
Kevin Hayes	36,288	34,534
Sameer Rahman	32,778	31,193
Total	**233,950**	**207,797**

On behalf of the Remuneration Committee

Fionnuala Earley
Independent Non-Executive Director
6 March 2025

Independent auditors' report to the Members of Bath Investment & Building Society

Report on the audit of the annual accounts

Opinion

In our opinion:

- Bath Investment & Building Society's Annual Accounts (the "Annual Accounts") give a true and fair view of the state of the Society's affairs as at 31 December 2024 and of the Society's income and expenditure and cash flows for the year then ended;
- the Annual Accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"), and applicable law; and
- the Annual Accounts have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the Annual Accounts, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2024; the Income Statement, the Cash Flow Statement, and the Statement of Changes in Equity for the year then ended; and the notes to the Annual Accounts, which include a description of the significant accounting policies.

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

Basis for opinion

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

Independence

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

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

Other than those disclosed in the note 8 to the Annual Accounts, we have provided no non-audit services to the Society in the period from 1 January 2024 to 31 December 2024.

Our audit approach

Overview

Materiality	• £484,000 (2023: 470,000) • Based on 1% of the Society's total equity attributable to Members
Scoping	• The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment of the operations of the Society • We performed audit procedures over all material account balances and financial information of the Society
Key audit matter	• Impairment losses on loans and advances to customers

The scope of our audit

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

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the Annual Accounts section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Society and market, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA'), and we considered the extent to which non-compliance might have a material effect on the Annual Accounts. We also considered those laws and regulations that have a direct impact on the Annual Accounts such as the Building Societies Act 1986. We evaluated management's incentives and opportunities for fraudulent manipulation of the Annual Accounts (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journals to increase interest income, and the use of bias in determining accounting estimates. Audit procedures performed included:

- Discussion with management and those charged with governance to enquire of any known instances of non-compliance with laws and regulations, or fraud;
- reviewing correspondence with the Society's regulators, the FCA and the PRA, in relation to compliance with financial services regulations;
- reviewing internal audit reports, and relevant meeting minutes including those of the Audit Committee and the Board;
- incorporating unpredictability into the nature, timing and/or extent of our testing;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment losses on loans and advances to customers (see the related key audit matter below); and

- Identifying and, where relevant, testing journal entries posted during the audit period by applying a risk-based criteria to find those which may be fraudulent.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the Annual Accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the Annual Accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the Annual Accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

The key audit matter below is consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Impairment losses on loans and advances to customers The Society has incurred an impairment charge on loans and advances to customers ("loans") of £22,000 (2023: charge of £53,000) in the year. An individually identified allowance of £535,000 (2023: £513,000) and a collective impairment allowance of £171,000 (2023: £180,000) are included in the Statement of Financial Position at 31 December 2024. The individually identified provision covers loans where the customer, has for example, been in arrears for three months or more or is subject to forbearance. Loans that do not display an individual indicator of impairment are assessed for recoverability within the collectively assessed impairment calculation. Judgement needs to be applied by the Directors to identify loans where an impairment event has occurred and once identified, in determining the estimate of loss on a loan. Such a loss is calculated by models which discounts the future cash flows expected to be received on a loan. The collectively assessed impairment calculation is impacted by assumptions around the probability of default and loss given default with reference to historical loss data.	We discussed with management and the Audit Committee, the basis of allowance for impairment including rationale for assumptions used in determining their provision. We have performed the following audit procedures: • Tested the accuracy of the data used within the impairment model. This included obtaining evidence on a sample basis and agreeing customer details back to source data, obtaining third-party independent valuations, and confirming that the Society has a legal charge over the collateral. • Tested the reasonableness of key assumptions within the model through independent verification of external data and evaluated the reliability of management's experts. • On sample basis, for valuation of collateral, we assessed the appropriateness of the external valuers and agreed the base property value to original purchase price or more recent external valuation reports. We performed a revaluation of the collateral through indexation up to the 31 December 2024 using independently sourced House Price Indices. • We evaluated the adequacy of the disclosure provided by management and considered whether the disclosures are compliant with accounting standards.

Key audit matter	How our audit addressed the key audit matter
Loss given default is calculated using assumptions in respect of the underlying valuation of the property with a forced sale discount applied. The model also includes an overlay in respect of the risk that some of the properties within the portfolio contain cladding, which is now banned following a change to the Building Safety Act 2022. This is reflected in the impairment allowance by increasing the probability of default assumption and reducing the collateral valuation which impacts the loss given default assumption. The Society has limited loss data on which to base assumptions in general so there is a higher degree of estimation uncertainty in deriving impairment provisions. Our work focused on the reasonableness of assumptions used in these provisions. See notes 1 and 2 to the Annual Accounts for the Directors' disclosures of the related accounting policies, judgements and estimates, and note 12 for detailed disclosures.	Based on the procedures we performed, and the evidence obtained we concluded that the calculation of the impairment provision is reasonable.

How we tailored the audit scope

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

All of the Society's activities are in the United Kingdom and all its activities are undertaken through the Society. The Society has no active subsidiaries. Its activities are the provision of mortgage finance primarily for the purchase and improvement of residential property and savings products for private individuals and local businesses.

We performed audit procedures over all material account balances and financial information of the Society. A combination control testing and substantive procedures provided us with sufficient audit evidence as a basis for our audit opinion on the Annual Accounts.

The impact of climate risk on our audit

As part of our audit, we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Society's Annual Accounts, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our Key audit matters for the year ended 31 December 2024.

Materiality

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

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

Overall materiality	£484,000 (2023: £470,000).
How we determined it	1% of total equity attributable to Members.
Rationale for benchmark applied	Total equity attributable to Members is considered to be the most appropriate benchmark for the Society given that its strategy is not one purely of profit maximisation but instead to provide a secure place for customer assets in a mutual environment. Regulatory capital is the key benchmark for management and regulators, but it is not a statutory accounts measure. Therefore, our materiality calculation is based on total equity attributable to Members as this approximates to regulatory capital given the simple funding structure of the Society.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £363,000.

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £49,000 (2023: £23,500) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- critically assessing the directors' going concern assessment;
- evaluating the impact of management's stress test scenarios and considering the likelihood of successful implementation of management actions to mitigate the impacts. We considered whether the Society would continue to operate above required regulatory capital and liquidity minimum during times of stress;
- challenging the reasonableness of the scenarios used by the Directors in their going concern assessment and checking the appropriateness of the assumptions used within their forecasting; and
- evaluating management's disclosures in the Annual Report and checking the consistency of the disclosures with our knowledge of the Society based on the audit work which we have performed.

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

In auditing the Annual Accounts, we have concluded that the directors’ use of the going concern basis of accounting in the preparation of the Annual Accounts is appropriate.

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

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

Reporting on other information

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

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

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

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

Annual Business Statement and Directors’ Report

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

- the Annual Business Statement and the Directors’ Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the Directors’ Report for the year ended 31 December 2024 is consistent with the accounting records and the Annual Accounts; and
- the information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

In light of the knowledge and understanding of the Society and its environment obtained in the course of the audit, we did not identify any material misstatements in the Directors’ Report.

Responsibilities for the annual accounts and the audit

Responsibilities of the directors for the Annual Accounts

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

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

Auditors’ responsibilities for the audit of the Annual Accounts

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

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

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

Use of this report

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

Other required reporting

Building Societies Act 1986 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were appointed by the directors on 17 October 2018 to audit the Annual Accounts for the year ended 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 December 2018 to 31 December 2024.

Stafford Moran (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
6 March 2025

Income statement

For the year ended 31 December 2024

	Notes	2024 £000	2023 £000
Interest receivable and similar income	3	**22,864**	20,830
Interest payable and similar charges	4	**(11,420)**	(9,228)
Net interest income		**11,444**	11,602
Fees and commissions receivable	5	**26**	56
Fees and commissions payable	6	**(66)**	(75)
Net fee and commission expense		**(40)**	(19)
Other operating income		**12**	10
Net gains from derivatives and hedge accounting	7	**67**	(504)
Investment property - change in fair value	21	**20**	-
Net operating income		**11,503**	11,089
Administrative expenses	8	**(9,453)**	(7,299)
Depreciation, amortisation and profit on disposal of fixed asset		**(406)**	(384)
Operating expenses		**(9,859)**	(7,683)
Impairment charge on loans and advances to customers	12	**(13)**	(101)
Provision for other liabilities and charges	26	**(20)**	(20)
Profit before taxation		**1,611**	3,285
Taxation expense	11	**(409)**	(771)
Profit and total comprehensive income for the year		**1,202**	2,514

A separate Statement of comprehensive income has not been presented as all comprehensive income has been included above.
The accounting policies and notes on pages 53 to 77 form part of these accounts.

Statement of financial position

As at 31 December 2024

	Notes	2024 £000	2023 £000
Assets			
Cash in hand and balances with the Bank of England		**57,496**	62,782
Loans and advances to credit institutions	13	**5,824**	18,536
Debt securities issued by the government	14	**22,675**	-
Derivative financial instruments	15	**2,713**	4,354
Loans and advances to customers:			
Loans fully secured on residential property	16	**305,154**	273,424
Other loans fully secured on land	17	**6,202**	7,409
	18	**311,356**	280,833
Intangible fixed assets	19	**853**	546
Property, plant and equipment	20	**3,393**	3,052
Investment properties	21	**145**	125
Prepayments and accrued income		**718**	635
Total Assets		**405,173**	370,863
Liabilities			
Shares	23	**290,042**	255,449
Deposits owed to other customers	24	**62,002**	62,266
Derivative financial instruments	15	**521**	1,460
Other liabilities	25	**2,886**	3,676
Deferred tax liability	22	**529**	355
Accruals and deferred income		**537**	401
Provisions for liabilities and charges	26	**207**	193
Total liabilities		**356,724**	323,800
Total equity attributable to Members		**48,449**	47,063
Total equity and liabilities		**405,173**	370,863

The accounts on pages 49 to 77 were approved by the Board of Directors on 6 March 2025 and signed on its behalf by:

Joanne Evans
Chair

Richard Ingle
Chief Executive

Ash Kassam
Chief Financial Officer

The accounting policies and notes on pages 53 to 77 form part of these accounts.

Statement of changes in equity

For the year ended 31 December 2024

For the year ended 31 December 2024	**General Reserve £000**	**Revaluation Reserve £000**	**Total equity attributable to Members £000**
As at 1 January 2024	**46,108**	**955**	**47,063**
Profit and total comprehensive income for the year	**1,202**	**-**	**1,202**
Revaluation of fixed assets in the year	**-**	**245**	**245**
Deferred tax on revaluation reserve	**-**	**(61)**	**(61)**
As at 31 December 2024	**47,310**	**1,139**	**48,449**

For the year ended 31 December 2023	General Reserve £000	Revaluation Reserve £000	Total equity attributable to Members £000
As at 1 January 2023	43,594	955	44,549
Profit and total comprehensive income for the year	2,514	-	2,514
As at 31 December 2023	46,108	955	47,063

The accounting policies and notes on pages 53 to 77 form part of these accounts.

Cash flow statement

For the year ended 31 December 2024

	Notes	2024 £000	2023 £000
Profit on ordinary activities before tax		**1,611**	3,285
Adjusted for:			
Impairment loss on loans and advances to customers	12	**13**	101
Depreciation and amortisation		**420**	384
Change in value of investment property		**(20)**	-
(Profit)/Loss on disposal of fixed assets		**(3)**	-
Cash generated from operations		**2,021**	3,770
Changes in operating assets and liabilities			
Increase in prepayments and accrued income		**(10)**	(97)
Increase in loans and advances to customers		**(30,536)**	(16,737)
Increase in accruals and deferred income		**135**	111
Net increase in shares		**34,593**	7,158
Change in derivative financial instruments	15	**702**	4,795
Net increase/(decrease) in deposits owed to other customers		**(264)**	2,265
Net (decrease)/increase in loans and advances to credit institutions		**8,000**	2,750
Net decrease in other liabilities		**(483)**	(4,508)
Increase in provisions for liabilities and charges	26	**14**	20
Taxation paid		**(602)**	(719)
Net cash inflow/(outflow) from operating activities		**13,570**	(1,192)
Purchase of debt securities issued by government		**(22,577)**	-
Purchase of intangible assets and property, plant and equipment		**(836)**	(223)
Proceeds from sale of fixed assets		**15**	-
Net cash outflows from investment activities		**(23,398)**	(223)
Net decrease in cash and cash equivalents		**(9,828)**	(1,415)
Cash and cash equivalents at beginning of the year		**71,082**	72,497
Cash and cash equivalents at the end of the year		**61,254**	71,082
Represented by:			
Cash and balances with the Bank of England	30	**57,496**	62,782
Loans and advances to credit institutions repayable on demand	13	**3,758**	8,300
		61,254	71,082

The accounting policies and notes on pages 53 to 77 form part of these accounts.

Notes to the accounts

For the year ended 31 December 2024

1. Significant accounting policies

The principal accounting policies are summarised below. All accounting policies have been applied consistently throughout the year and the preceding year.

General information and basis of accounting

The registered office of Bath Investment & Building Society ("the Society") is 15 Queen Square, Bath BA1 2HN. The nature of the Society's operations and its principal activities are set out in the Strategic Report on pages 9 to 14.

The accounts have been prepared on the going concern basis as outlined in the Directors' Report.

The functional currency of Bath Building Society is pounds Sterling.

The accounts have been prepared in accordance with the Building Societies (Accounts and Related Provisions) Regulations 1998.

The accounts have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Intangible assets – computer software

Website and computer software development costs, installation costs and licence fees are capitalised where the assets created will generate future economic benefits. Where relevant costs are capitalised, they are amortised using the straight-line method over their estimated useful lives which are 2 to 10 years. The amortisation periods are reviewed annually. Costs associated with establishing technical feasibility or to maintain software and existing levels of performance are expensed as they are incurred.

Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, less accumulated depreciation and less any impairment.

Additions and subsequent expenditure are included in an asset's carrying value or are recognised as a separate asset only when they improve the expected future economic benefits to be derived from the asset. Land is not depreciated. Depreciation on other assets is provided using the straight line method to allocate costs less residual values over estimated useful lives, as follows:

Freehold premises	1% per annum
Leasehold premises	term of lease
Fixtures and fittings	10% - 25% per annum
Office and Computer equipment	14% - 33% per annum
Vehicles	25% per annum

All repairs and maintenance costs are charged to the Income statement in the period in which they are incurred.

Investment properties

Investment properties are held for long-term rental yields and capital appreciation. Investment properties for which fair values can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any changes being recognised in the Income statement relating to the period in which they arise. Depreciation is not charged on investment properties.

Revaluation of properties

Individual freehold properties that are used in the Society's business are revalued to fair value every three years.

The surplus or deficit on revaluation is transferred to the revaluation reserve, except where a deficit is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, when the amount is charged (or credited) to the Income statement.

Measurement of financial instruments

The Society has adopted in full Sections 11 and 12 of FRS 102 with regards to accounting for financial instruments.

These sections classify financial instruments as being either 'basic financial instruments' or 'other financial instruments'.

Basic financial instruments

This category includes non-derivative financial assets and liabilities. It applies to cash in hand and balances with the Bank of England, loans and advances to credit institutions, debt securities issued by other borrowers, loans and advances to customers, shares, and deposits owed to other customers. Basic financial instruments are initially recognised at transaction price, including transaction costs. Assets and liabilities are subsequently measured at amortised cost which is the present value of a financial instrument's future cash flows discounted at its effective interest rate. The interest income or expense in a period equals the carrying amount at the beginning of a period multiplied by the effective interest rate.

Financial assets in this category that are measured at cost or amortised cost are assessed annually for evidence of impairment. Impairments are determined using an incurred loss model. For assets measured at amortised cost, an impairment loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. For assets measured at cost, impairment is calculated as the difference between the carrying amount and the best estimate of the amount that would be received if the asset was sold at the reporting date.

Where the qualifying criteria of FRS 102 are satisfied, the Society applies hedge accounting to those mortgage assets in economic hedging relationships with derivative financial instruments, as described in the 'Hedge accounting' section below.

Other financial instruments

This category covers derivative financial assets and liabilities. The Society utilises derivative financial instruments to reduce interest rate risk arising from offering fixed rate mortgage products. The Society uses derivative financial instruments for economic hedging purposes only. Derivatives are initially recognised at fair value at the date of inception of the contract.

They are subsequently re-measured at fair value and are carried as assets when their fair values are positive and liabilities when their fair values are negative. Changes in values are reflected in the Income statement under 'Net gains/losses from derivatives and hedge accounting' in the period in which the movement occurs. The initial transaction costs associated with derivatives are taken directly to the Income statement. Fair value is determined in the manner described in Note 30.

Hedge accounting

Hedge accounting is applied when the specific eligibility criteria set out in FRS 102 are fulfilled. The Society designates its derivatives into fair value hedges in order to reduce volatility in the Income statement associated with the difference in the accounting measurement bases for interest rate swap derivatives (the hedging instruments) and fixed rate mortgages (the hedged items) which would otherwise exist.

The Society undertakes individual (known as 'micro') fair value hedge accounting, with interest rate risk being the hedged risk. The Society's fair value hedge relationships involve the designation of a number of fixed rate mortgages into hedge relationships with a single interest rate swap.

The change in fair value of the hedged item that is attributable to the hedged risk is accounted for as an adjustment to the carrying value of loans and advances to customers in the Statement of financial position and is recorded in the Income statement under 'Net gains/losses from derivatives and hedge accounting' in the period in which the movement occurs, thereby substantially offsetting the effect of the related movements in the fair value of the derivative.

Where the hedge no longer meets the criteria for hedge accounting, or is terminated for any other reason, the adjustment to the hedged item is recognised in the Income statement over the remaining period of the hedge relationship.

Impairment losses on loans and advances to customers

The Society assesses at the date of each accounts whether, there is objective evidence that loans and advances to customers are impaired, as a result of one or more events that occurred after initial recognition. Evidence of impairment may include indication that borrowers are experiencing significant financial difficulties, default or

delinquency in interest or principal payments and loans being restructured to reduce the burden on borrowers.

The Society considers a loan to be in default if it is three or more months in arrears or if another event has occurred that means the value of the loan is unlikely to be fully repaid without recourse to collateral. An individual impairment test is undertaken for all loans that are categorised as being in default. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The resultant allowances for impairment have been deducted from the appropriate asset values in the Statement of financial position.

Loans that are not in default are considered for collective impairment. An estimate of the probability of loans moving into default and the likelihood of losses crystallising given default is calculated each year-end. For loans that are not past due, a historical assessment of the probability of loans moving into arrears is considered over an emergence period of 12 months in order to capture loss events that have been incurred at balance sheet date but where arrears have not yet been reported.

Taxation

The tax expense represents the sum of current and deferred tax. Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the accounts and the corresponding tax bases used in the computation of taxable profit and is accounted for using the Statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Both current and deferred tax balances are calculated using tax rates applicable at the date of the accounts.

Pension costs

The Society operates an externally managed defined contribution personal pension scheme for employees, under which the costs of the Society's contributions are charged to the Income statement in the year in which the pensionable salary is earned.

Leasing

All rental payments under operating lease contracts are charged to the Income statement on a straight-line basis over the period of the lease.

Interest receivable and similar income

The Society uses the Effective Interest Rate (EIR) method to recognise interest receivable from all basic financial instruments including loans and advances to credit institutions, debt securities issued by other borrowers and loans and advances to customers. The net expense on derivative financial instruments is recognised on an accruals basis.

Interest payable and similar charges

The Society uses the EIR method to recognise interest payable from all basic financial instruments including shares and deposits owed to other customers.

Fees and commissions receivable

Fees receivable from the Society's mortgage business that are integral to the yield on mortgage loans are included within interest receivable and are recognised using the asset's EIR at inception. Other mortgage fees receivable are recognised within fees and commissions receivable in the same period as their related expenses, or otherwise they are recognised on a receipts basis.

Fees and commissions payable

Mortgage fees payable that are integral to the yield on mortgage loans are included within the EIR calculation for revenue recognition. Other mortgage fees payable are recognised within fees and commissions payable in the same period as any related fee income. Commissions paid to investment introducers and branch agents are not considered to form part of the effective interest cost of shares and deposits and are therefore included within fees and commissions payable on an accruals basis.
Other fees and commissions payable are recognised on an accruals basis.

Other operating income

Other operating income comprises rent receivable from the letting of investment property. Income is included in the accounts on an accruals basis.

2. Judgements in applying accounting policies and critical accounting estimates

In preparing the Society's accounts in accordance with FRS 102, it is necessary to make judgements and estimates which affect the reported amounts of assets, liabilities, income and expense. Actual outcomes may differ from those on which the Society's estimates are based.

Estimates and assumptions are frequently re-evaluated and are based on historical experience and other factors. The most significant judgements and sources of estimation uncertainty in applying the Society's accounting policies are set out below. These are not considered critical accounting estimates.

Judgements

Impairment on loans and advances

Where there is objective evidence that a financial asset is impaired, the Society is required under FRS 102 to recognise an impairment loss as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

The most significant judgement in determining the level of impairment loss is in relation to one individually material loan asset where there is a substantial record of performance under a forbearance arrangement. The judgement is whether the future cash flows will be received through continued performance under the forbearance arrangement until the end of the loan term, or alternatively through repossession and realisation of the collateral security in a shorter period. Based on the substantial record of performance against the forbearance arrangement the Society's judgement is that assuming continued payment under this arrangement until the end of the loan term is most appropriate.

If the Society were instead to assume that collateral would be repossessed and realised in a 12 month period (in line with its standard assumptions for defaulted loans), loans and advances to customers in the Statement of financial position would be reduced by £113,000 in recognition of the additional impairment allowance, and an additional charge of £113,000 would be recognised for impairment losses on loans and advances to customers in the Income statement.

Estimation uncertainty

Impairment on loans and advances – specific impairment

The Society assesses all lending at loan level to determine whether there is objective evidence of impairment, with any resultant impairment being a specific impairment.

The significant accounting estimates applied in determining expected specific impairment are:

- estimating the future value of collateral security at the point of repossession;
- estimating the reduction in collateral valuation associated with a forced sale and the costs to sell; and
- estimating the time to realisation of the collateral in the event of repossession.

None of these estimates in isolation present a significant risk that would result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. However, collectively, the level of estimation uncertainty could be significant.

For example, assuming the changes in estimates set out below, loans and advances to customers in the Statement of financial position would be reduced by £461,000 in recognition of the additional impairment, and an additional charge of £461,000 would be recognised for impairment losses on loans and advances to customers in the Income statement.

- An increase in the forced sale discount of 10%
- A reduction in house prices at the time of realisation of collateral of 10%; and
- An increase in the time to realisation of the collateral from one year to two years.

Impairment on loans and advances – collective impairment

In addition to specific impairment, the Society will hold some loans where objective evidence of impairment exists, but

where the Society is not yet aware of that evidence (for example where a borrower may have recently lost their job but has not notified the Society or fallen into arrears). The Society estimates the level of impairment necessary to take account of these loans through a collective assessment of the likely exposure based on historical arrears and loss history. This is known as collective impairment.

The collective impairment is calculated as the probability of each borrower progressing to default within the next twelve months multiplied by the estimated loss given default. The probability of default is estimated using historic data about how accounts have progressed through month in arrears bandings in the past. The loss given default is estimated based on the same forced sale and costs to sell assumptions applied for specific impairment purposes.

Estimation uncertainty is present in both the probability of default and the loss given default. If the average probability of default were to be double the actual estimation for each account, loans and advances to customers in the Statement of financial position would be reduced by £170,000 in recognition of the additional impairment, and an additional charge of £170,000 would be recognised for impairment losses on loans and advances to customers in the Income statement.

Similarly, if the average loss given default were to be double the actual estimation for each account, loans and advances to customers in the Statement of financial position would be reduced by £170,000 in recognition of the additional impairment, and an additional charge of £170,000 would be recognised for impairment losses on loans and advances to customers in the Income statement.

Early repayment charges

Under FRS 102 the Society's loans are measured at amortised cost using the effective interest method. One future cash flow which the Society must consider under this method is the receipt of early repayment charges for mortgages which are partially or fully redeemed whilst in their initial product term.

These charges are estimated using two key variables:

- The average behavioural life of a loan; and
- The propensity of a borrower to redeem within the product term.

These variables are estimated in turn based on historic behavioural life and prepayment data, and estimation uncertainty is present for both variables. If the average behavioural life of 3.4 years were extended by a year, loans and advances to customers in the Statement of financial position would be decreased by £102,000 and a reduction in interest revenue of £102,000 would be recognised in the Income statement. If the average propensity to prepay in a year were 1.5 times more, loans and advances to customers in the Statement of financial position would be increased by £167,000 and additional interest revenue of £167,000 would be recognised in the Income statement.

3. Interest receivable and similar income

	2024 £000	2023 £000
On loans fully secured on residential property	**15,519**	12,948
On other loans fully secured on land	**316**	432
On other liquid assets:		
Interest and similar income	**3,429**	3,397
Net income on derivative financial instruments	**3,600**	4,053
	22,864	20,830

4. Interest payable and similar charges

	2024 £000	2023 £000
On shares held by individuals	**10,100**	8,174
On deposits owed to other customers	**1,320**	1,054
	11,420	9,228

5. Fees and commissions receivable

	2024 £000	2023 £000
Mortgage related fees	**25**	32
Other fees and commissions	**1**	24
	26	56

6. Fees and commissions payable

	2024 £000	2023 £000
Mortgage related fees	**44**	34
Commission to investment agents and introducers	**4**	18
Other fees and commissions	**18**	23
	66	75

7. Net gains/(losses) from derivatives and hedge accounting

	2024 £000	2023 £000
Loss on derivatives in hedging relationships	**(549)**	(5,006)
Loss on derivatives	**(549)**	(5,006)
Gain on hedged mortgage assets	**616**	4,502
Net gain/(loss) from derivatives and hedge accounting	**67**	(504)

8. Administrative expenses

	2024 £000	2023 £000
Wages and salaries	**4,584**	3,377
Social security costs	**493**	378
Other pension costs	**336**	259
	5,413	4,014
Other administrative expenses:	**4,040**	3,285
Total administrative expenses	**9,453**	7,299

Other administrative expenses include:	2024 £000	2023 £000
Auditors' remuneration:		
For audit of the Society's annual accounts (excl VAT)	**138**	131
Total audit fees	**138**	131
Assurance services other than the auditing of the Society's accounts	**3**	3
Total auditors' remuneration	**141**	134
Operating lease charges:		
Land and buildings	**86**	86

9. Employees

The average monthly number of staff employed during the year was:

	2024	2023
Full Time	**72**	67
Part Time	**12**	10
Total Society	**84**	**77**

10. Directors' emoluments and transactions with Directors

	2024 £	2023 £
a) Remuneration of Directors		
For services as Non-Executive Directors	**233,950**	207,798
For Executive services	**730,217**	550,730
	964,167	758,528

Full details are given in the Report of the Directors on Remuneration on pages 39 to 40.

b) Transactions with Directors and connected persons

Mortgage Loans

At 31 December 2024 there were no outstanding mortgage loans to a connected entity of a Director (2023: £nil).

The register, required to be maintained under Section 68 of the Building Societies Act 1986 detailing all loans, transactions and arrangements with Directors and their connected persons, is held at the Society's Head Office. It is available for inspection, by Members, in normal office hours by arrangement with the Society's Secretary, during the period of 15 days prior to the Annual General Meeting and at the Annual General Meeting.

Related Party Transactions

Other than described above and disclosed in the Director's Remuneration Report there were no transactions with Directors that constituted related party transactions. The key management of the Society is considered to be the Directors, and therefore no additional disclosures are required.

11. Taxation expense

	2024 £000	2023 £000
Current Tax:		
Corporation tax at 25% (2023: 23.5%)	**296**	802
Deferred Tax:		
Current year	**113**	(29)
Effect of rate changes	**-**	(2)
Tax on profit on ordinary activities	**409**	771

11. Taxation expense (continued)

	2024 £000	2023 £000
Factors affecting tax charge for the year		
Profit before tax	**1,611**	3,285
Profit before tax multiplied by effective rate of corporation tax of 25% (2023: 23.5%)	**403**	773
Effects of:		
Expenses not deductible for tax purposes	**6**	-
Effect of rate changes	**-**	(2)
Total tax charge for the year	**409**	771

12. Impairment losses on loans and advances to customers

	Loans fully secured on residential property £000	Loans fully secured on land £000	Total £000
2024			
At 1 January 2024:			
Collective impairment	180	-	180
Individual impairment	513	-	513
	693	-	693
Income and expenditure account (credit)/charge for the year:			
Collective impairment	(9)	-	(9)
Individual impairment	22	-	22
	13	-	13
Amount utilised during the year:			
Collective impairment	-	-	-
Individual impairment	-	-	-
	-	-	-
At 31 December 2024:			
Collective impairment	171	-	171
Individual impairment	535	-	535
	706	**-**	**706**

In 2024 there was an individual impairment charge of £58,000 which included provisions against two new loans. This was offset by the release of £36,000 in respect of two loans which had been provided for in a prior year. The individual charge for the year was £22,000 (2023: £53,000) and the individual impairment was £535,000 (2023: £513,000).

The Society has considered whether the recent fire safety concerns in respect of certain external cladding systems on high rise buildings has caused the impairment of any mortgage loans. Whilst the Society is not aware of any specific impairment caused by cladding issues, it has made allowance within its collective impairment for a higher probability of default and a lower recovery given default for properties which could potentially be impacted by cladding systems which do not meet current requirements.

12. Impairment losses on loans and advances to customers (continued)

	Loans fully secured on residential property £000	Loans fully secured on land £000	Total £000
2023			
At 1 January 2023:			
Collective impairment	132	-	132
Individual impairment	460	-	460
	592	-	592
Income and expenditure account charge for the year:			
Collective impairment	48	-	48
Individual impairment	53	-	53
	101	-	101
Amount utilised during the year:			
Collective impairment	-	-	-
Individual impairment	-	-	-
	-	-	-
At 31 December 2023:			
Collective impairment	180	-	180
Individual impairment	513	-	513
	693	**-**	**693**

In 2023 there was an impairment charge of £53,000 which included charges against two new loans, taking the total individual impairment to £513,000 (2022: £460,000). The Society released £14,000 in respect of a loan which had been provided for in a prior year.

13. Loans and advances to credit institutions

Repayable from the date of the statement of financial position in the ordinary course of business:	2024 £000	2023 £000
Accrued interest	**66**	236
Repayable on demand	**3,758**	8,300
Repayable within three months	**-**	3,000
Repayable in more than three months and less than one year	**2,000**	7,000
	5,824	18,536

The International Swaps and Derivatives Association (ISDA) Master Agreement is the Society's preferred agreement for entering into derivative activity. For certain counterparties a Credit Support Annex (CSA) has been executed in conjunction with the ISDA Master Agreement. Under a CSA, cash collateral is passed between counterparties to mitigate the market contingent counterparty risk inherent in the outstanding positions. As at 31 December 2024, £2,320,000 had been received. This amount is showing within other liabilities in note 25 (2023: £2,810,000 received).

14. Debt securities issued by government

	2024 £000	2023 £000
Issued by the UK Government	22,675	-
	22,675	-

Repayable from the date of the Statement of financial position in the ordinary course of business:

	2024 £000	2023 £000
Accrued interest	97	-
Repayable on demand	-	-
Repayable within three months	2,984	-
Repayable in more than three months and less than one year	12,814	-
Repayable in more than one year and less than five years	6,780	-
	22,675	-

15. Derivative financial instruments

Interest rate swaps are used by the Society for hedging interest rate risk that is associated with fixed rate mortgage products. These are commitments to exchange one set of cash flows for another. No exchange of principal takes place.

	Notional amount 2024 £000	Notional amount 2023 £000	Fair value 2024 £000	Fair value 2023 £000
Derivative assets:				
Interest rate swaps	110,367	94,058	2,713	4,354
Total recognised derivative assets	110,367	94,058	2,713	4,354
Derivative liabilities:				
Interest rate swaps	52,392	40,980	(521)	(1,460)
Total recognised derivative liabilities	52,392	40,980	(521)	(1,460)

In 2024 there was an overall net asset from derivative financial instruments of £2,192,000 (2023: net asset of £2,894,000).

Accounts
Notes to the accounts (continued)

16. Loans fully secured on residential property

	2024 £000	2023 £000
Gross balances	306,767	276,062
Allowance for impairment	(706)	(693)
Unamortised loan origination fees	883	461
Fair value hedge accounting adjustment	(1,790)	(2,406)
	305,154	273,424

17. Other loans fully secured on land

	2024 £000	2023 £000
Gross balances	6,202	7,409
Allowance for impairment	-	-
	6,202	7,409

18. Loans and advances to customers

The remaining contractual maturity of loans and advances secured on residential property and other loans fully secured on land from the date of the statement of financial position is as follows:

	2024 £000	2023 £000
On call and at short notice	2,385	1,064
In not more than three months	519	1,255
In more than three months but not more than one year	2,237	5,671
In more than one year but not more than five years	28,246	39,900
In more than five years	279,581	235,581
	312,969	283,471
Allowances for impairment (see note 12)	(706)	(693)
Unamortised loan origination fees	883	461
Fair value hedge accounting adjustment	(1,790)	(2,406)
	311,356	280,833

The above table may not reflect actual experience of repayments since many mortgage loans are repaid early.

The Society participates in the Bank of England's Sterling Monetary Framework. The Society places a proportion of its total portfolio of mortgage loans with the Bank to be held as collateral against funds drawn from the Bank's liquidity arrangements. The portfolio of loans prepositioned with the Bank are not currently encumbered.

19. Intangible fixed assets

	Computer software £000	Work in Progress £000	Total £000
Computer			
At cost			
At 1 January 2024	1,252	-	1,252
Additions	129	488	617
Disposals	-	(12)	(12)
Reclassifications	301	(301)	-
At 31 December 2024	1,682	175	1,857
Accumulated amortisation			
At 1 January 2024	706	-	706
Charge	298	-	298
Disposals	-	-	-
At 31 December 2024	1,004	-	1,004
Net book value			
At 31 December 2024	678	175	853
At 31 December 2023	546	-	546

Computer software includes website and software development costs, implementation costs and licences.

	Computer software £000
At cost	
At 1 January 2023	1,055
Additions	197
Disposals	-
At 31 December 2023	1,252
Accumulated amortisation	
At 1 January 2023	441
Charge	265
Disposals	-
At 31 December 2023	706
Net book value	
At 31 December 2023	546
At 31 December 2022	614

20. Property, plant and equipment

	Land and buildings				
	Freehold premises £000	Leasehold premises (short) £000	Equipment, fixtures and fittings and vehicles £000	Work in Progress £000	Total £000
At cost or valuation					
At 1 January 2024	2,950	64	480	-	3,494
Revaluation	185	-	-	-	185
Additions	-	-	41	179	220
Disposals	-	-	(55)	-	(55)
Reclassifications	-	-	179	(179)	-
At 31 December 2024	3,135	64	645	-	3,844
Accumulated depreciation					
At 1 January 2024	40	64	338	-	442
Charge	20	-	102	-	122
Revaluation	(60)	-	-	-	(60)
Disposals	-	-	(53)	-	(53)
At 31 December 2024	-	64	387	-	451
Net book value					
At 31 December 2024	**3,135**	**-**	**258**	**-**	**3,393**
At 31 December 2023	2,910	-	142	-	3,052

	Land and buildings			
	Freehold premises £000	Leasehold premises (short) £000	Equipment, fixtures and fittings and vehicles £000	Total £000
At cost or valuation				
At 1 January 2023	2,950	64	455	3,469
Additions	-	-	26	26
Disposals	-	-	(1)	(1)
At 31 December 2023	2,950	64	480	3,494
Accumulated depreciation				
At 1 January 2023	20	64	240	324
Charge	20	-	99	119
Revaluation	-	-	-	-
Disposals	-	-	(1)	(1)
At 31 December 2023	40	64	338	442
Net book value				
At 31 December 2023	**2,910**	**-**	**142**	**3,052**
At 31 December 2022	2,930	-	215	3,145

21. Investment properties

	2024 £000	2023 £000
At 1 January	**125**	125
Fair value adjustment	**20**	-
At 31 December	**145**	**125**

The investment property is a surplus ground floor commercial premises that is no longer used in the Society's business. The investment property is located in the City of Bath. An estimate of the market value is obtained annually from an external qualified independent valuer.

The total future minimum lease payments receivable under non-cancellable operating leases relating to investment properties were as set out below:

	2024 £000	2023 £000
Within 1 year	**10**	10
Between 1 and 5 years	**10**	30
At 31 December	**20**	40

22. Deferred taxation

	2024 £000	2023 £000
Deferred tax liability at 1 January	**(355)**	(386)
Adjustments in respect of prior years	**-**	-
Charge to profit and loss account	**(113)**	29
Charge to revaluation reserve	**(61)**	-
Effect of rate changes	**-**	2
Deferred tax liability at 31 December	**(529)**	(355)
The elements of deferred taxation are as follows:		
Fixed asset timing differences	**(588)**	(427)
Short-term timing differences	**59**	72
Deferred tax liability	**(529)**	(355)

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021.

23. Shares

All shares relate to saving balances held by individuals. In the ordinary course of business, the repayment of share balances from the date of the statement of financial position is as follows:

	2024 £000	2023 £000
Accrued interest	**780**	933
Repayable on demand	**232,359**	232,859
In not more than 3 months	**7,025**	2,713
In more than 3 months but not more than 1 year	**20,814**	14,097
In more than one year	**29,064**	4,847
	290,042	255,449

24. Deposits owed to other customers

Deposits are non-personal savings balances. In the ordinary course of business, deposits owed are repayable from the date of the Statement of financial position as follows:

	2024 £000	2023 £000
Accrued interest	**9**	7
Repayable on demand	**60,596**	60,821
In not more than 3 months	**317**	320
In more than 3 months but not more than 1 year	**1,080**	1,118
	62,002	62,266

25. Other liabilities

	2024 £000	2023 £000
Amounts falling due within 1 year:		
Corporation tax	**45**	352
Other taxation and social security	**131**	108
Other creditors	**382**	388
Credit Support Annex (CSA) liability	**2,328**	2,828
	2,886	3,676

The International Swaps and Derivatives Association (ISDA) Master Agreement is the Society's preferred agreement for entering into derivative activity. For certain counterparties a Credit Support Annex (CSA) has been executed in conjunction with the ISDA Master Agreement. Under a CSA, cash collateral is passed between counterparties to mitigate the market contingent counterparty risk inherent in the outstanding positions. As at 31 December 2024, £2,320,000 had been received (2023: £2,810,000 received).

26. Provisions for liabilities

	2024 Provision for dilapidations £000	2023 Provision for dilapidations £000
At 1 January	**193**	173
Charge for the year	**20**	20
Paid in the year	**(6)**	-
At 31 December	**207**	193

The £20,000 charge for dilapidations relates to the Society's leased business premises at Wood Street, Bath. This provision is expected to be utilised if the Society exits these premises.

27. Commitments

a) At 31 December 2024 the total of future minimum lease payments under non-cancellable operating leases were as set out below:

	2024 Property £000	2023 Property £000
Society commitments:		
Within 1 year	**86**	86
Between 1 and 5 years	**344**	344
After 5 years	**74**	160
	504	590

As at 31 December 2024 the Society had approximately six years of commitments remaining relating to a full repairing lease over its Branch premises at 3 Wood Street, Bath.

b) The Society offers certain mortgage products which allow borrowers to receive the contractual advance over a period of time. The amounts in respect of completed advances which have not yet been received by borrowers as at 31 December 2024 are £11,049,000 (2023: £3,431,000).

28. Pension schemes

During the year ended 31 December 2024 the Society operated a defined contribution personal pension scheme in respect of staff, and the charge for the year was £336,000 (2023: £259,000). As at 31 December 2024 there were outstanding contributions from the Society of £28,000 (2023: £22,000).

29. Contingent liabilities

Financial Services Compensation Scheme

The Financial Services Compensation Scheme has the right to require payments in respect of levies in each fiscal year, based on the Society's share of protected Scheme deposits at the start of each calendar year. The Society's potential liability to the Scheme consists of two elements: a management levy and a charge based on the costs of failures of other deposit taking institutions. No provision has been made in the current year (2023: nil) as the Society does not anticipate a levy being raised in respect of 2024 based on the latest available information published by the Financial Services Compensation Scheme. There remains uncertainty as to whether the Society will have any future liability to the Scheme if capital shortfalls should occur and what the scale of those liabilities would likely be.

30. Financial instruments

a) Categories of financial instruments

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost.

The accounting policies note describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following tables analyse the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned and by the measurement basis.

30. Financial instruments (continued)

As at 31 December 2024	**At amortised cost £000**	**Fair value through profit and loss £000**	**Total £000**
Society assets			
Cash in hand and balances with the Bank of England	57,496	-	57,496
Loans and advances to credit institutions	5,824	-	5,824
Debt securities	22,675	-	22,675
Derivative financial instruments	-	2,713	2,713
Loans and advances to customers	311,356	-	311,356
Total financial assets	**397,351**	**2,713**	**400,064**
Total non-financial assets			5,109
Total Society assets			**405,173**
Society liabilities			
Shares	290,042	-	290,042
Deposits owed to other customers	62,002	-	62,002
Derivative financial instruments	-	521	521
Total financial liabilities	**352,044**	**521**	**352,566**
Total non-financial liabilities			4,159
General reserve and other reserves			48,449
Total Society reserves and liabilities			**405,173**

As at 31 December 2023	**At amortised cost £000**	**Fair value through profit and loss £000**	**Total £000**
Society assets			
Cash in hand and balances with the Bank of England	62,782	-	62,782
Loans and advances to credit institutions	18,536	-	18,536
Derivative financial instruments	-	4,354	4,354
Loans and advances to customers	280,833	-	280,833
Total financial assets	**362,151**	**4,354**	**366,505**
Total non-financial assets			4,358
Total Society assets			**370,863**
Society liabilities			
Shares	255,449	-	255,449
Deposits owed to other customers	62,266	-	62,266
Derivative financial instruments	-	1,460	1,460
Total financial liabilities	**317,715**	**1,460**	**319,175**
Total non-financial liabilities			4,625
General reserve and other reserves			47,063
Total Society reserves and liabilities			**370,863**

30. Financial instruments (continued)

b) Carrying values and fair values

The table below compares carrying values and fair values of the Society's financial instruments by category. It is accompanied by an explanation of the methods used to determine fair value.

	Note	2024 Carrying value £000	2024 Fair value £000	2023 Carrying value £000	2023 Fair value £000
Society assets					
Cash in hand and balances with the Bank of England	i.	**57,496**	**57,496**	62,782	62,782
Loans and advances to credit institutions	i.	**5,824**	**5,824**	18,536	18,536
Debt securities	i.	**22,675**	**22,675**	-	-
Derivative financial instruments - interest rate swaps	ii.	**2,713**	**2,713**	4,354	4,354
Loans and advances to customers	iii.	**311,356**	**311,633**	280,833	280,740
		400,064	**400,341**	366,505	366,412
Society liabilities					
Shares	iv.	**290,042**	**290,042**	255,449	255,449
Deposits owed to other customers	iv.	**62,002**	**62,002**	62,266	62,266
Derivative financial instruments - interest rate swaps	ii.	**521**	**521**	1,460	1,460
		352,565	**352,565**	319,175	319,175

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The following methods and assumptions have been applied in determining fair value:

i. The carrying amount of cash in hand, balances with the Bank of England and loans and advances to credit institutions with a maturity of under 12 months is assumed to equate to their fair value.

ii. All derivatives are held for economic hedging purposes. The fair value of interest rate swaps is calculated by utilising discounted cash flow valuation models.

iii. The fair value of loans and advances to customers is assumed to approximate to the discounted amount of future cash flows that are expected to be received after taking account of provisions for expected future impairments, expected levels of early repayment and discounting at current market rates.

iv. The fair value of customer share and deposit accounts are assumed to equate to the amount payable at the date of the Statement of financial position.

c) Credit risk on loans and advances to customers

The classes of financial instruments to which the Society is most exposed to credit risk are loans and advances to customers, loans and advances to credit institutions, debt securities and financial derivatives. Credit risk relating to retail mortgages and commercial mortgages is described in this section. Credit risk relating to treasury financial instruments is described in section d) below.

30. Financial instruments (continued)

Credit Risk Management

Experienced credit and risk functions operate within the Society and are driven by both the recognised need to manage the potential and actual risk but also by the need to continually develop new processes to ensure sound decisions are made in the future. In this way, any variations in risk from market, economic or competitive changes are identified and the appropriate controls are developed and put in place.

Comprehensive management information on movements and performance within the various loan portfolios ensures that credit risk is effectively controlled, and any adverse trends are identified before they impact on performance. Society performance is also measured against the industry where appropriate to identify where debt default levels are out of line with that of the industry average. The management information is distributed across the Society and monitored within tight boundaries at Board and Board sub-committees.

The exposure to retail credit risk relating to loans and advances to customers comprises the following:

	2024 £000	2024 %	2023 £000	2023 %
Retail mortgages	**272,819**	**87.2**	246,393	87.0
Commercial mortgages	**40,150**	**12.8**	37,078	13.0
Total gross exposure (contractual amounts)	**312,969**	**100.0**	283,471	100.0
Impairment, fair value and EIR adjustments	**(1,613)**		(2,638)	
Total net exposure	**311,356**		280,833	

i) Retail mortgages

Retail mortgages are defined by the Society as being loans made to private individuals that are secured against properties that are not used for commercial purposes. The retail mortgage balance shown above of £272,819,000 (2023: £246,393,000) consists of loans fully secured on residential property (FSRP).

The Society is firmly committed to the management of credit risk at all stages of the lending cycle. The Society closely monitors customer loan affordability and Loan to Value (LTV) multiples at the application stage. It employs appropriate underwriting and fraud detection techniques to minimise losses once loans have been approved, and it also takes a proactive approach to the control of loan impairment, which is managed by individuals with experience and skills appropriate to the collections and recovery process.

Risk concentrations: retail mortgage balances

The Society provides retail mortgages secured on residential property across England, Wales and Scotland and the Society, as a local building society, has a geographical concentration in the South West of England. As at 31 December 2024 approximately 35% (2023: 37%) of first charge retail loans by account and 33% (2023: 37%) by value were concentrated in the South West.

30. Financial instruments (continued)

LTV distribution: retail mortgage balances

LTV is one of the main factors used to determine the credit quality of retail loans secured on residential property. Index linked LTV banding is shown below:

	2024 %	2023 %
Less than 70%	**74.0**	74.0
More than 70% but less than 80%	**15.7**	15.8
More than 80% but less than 90%	**4.7**	5.7
More than 90% but less than 100%	**5.0**	3.4
More than 100%	**0.6**	1.1
	100.0	100.0

The overall indexed LTV of the retail mortgage portfolio is 42.6% (2023: 44.6%). In general the lower the LTV percentage the greater the borrower's equity within the property and the lower the losses expected to be realised in the event of default or repossession.

Payment due status of retail mortgage balances

The table below provides further information on the Society's loans and advances to customers secured by way of retail mortgages on residential property. The balances exclude fair value adjustments and impairment allowances.

	2024 £000	2024 %	2023 £000	2023 %
Current	**268,346**	**98.3**	239,275	97.1
Past due up to 3 months	**3,017**	**1.1**	5,830	2.4
Past due 3 to 6 months	**592**	**0.2**	424	0.2
Past due 6 to 12 months	**446**	**0.2**	340	0.1
Past due over 12 months	**418**	**0.2**	524	0.2
	272,819	**100.0**	246,393	100.0

Fair value of collateral held for retail mortgages

The Society holds collateral against loans and advances to retail customers in the form of mortgage interests over property. Collateral values are updated at the date of each statement of financial position based on data from the quarterly Nationwide price index.

As at 31 December 2024 the total collateral held against retail lending secured against residential property was estimated to be £640.2m (2023: £560.9m). Any collateral surplus on the sale of repossessed properties, after a deduction for costs incurred in relation to the sale, is returned to the borrower.

30. Financial instruments (continued)

Allowances for impairment are held against loans and advances to customers in line with the accounting policy which is outlined in Note 1. Allowances for impairment of retail mortgage loans are as follows:

	2024 £000	2023 £000
Individual impairment	**535**	513
Collective impairment	**171**	180
	706	693

Forbearance strategies on retail loans

The Society uses forbearance techniques to help some retail borrowers through periods where their finances have become stressed and where the servicing of their normal mortgage commitments has become difficult. The arrears management section of the Society's Mortgage Operations team maintains forbearance information which is reported regularly to the Society's Credit Committee.

As at 31 December 2024, 11 (2023: 7) retail accounts with balances totalling £2,259,000 (2023: £1,552,000 were in forbearance arrangements with the Society. The Society takes full consideration of the impact on its arrears position from using these forbearance techniques and the potential for losses on these retail accounts is assessed and considered in setting the level of allowances for impairment held against the retail mortgage portfolio.

ii) Commercial mortgages

Commercial mortgages are defined by the Society as being loans made to either limited companies or to private individuals that are secured against properties that are primarily used for the purposes of running businesses. The commercial mortgage balance shown on page 71 of £40,150,000 (2023: £37,078,000) consists of total loans fully secured on land (FSOL) of £6,202,000 (2023: £7,409,000) plus £33,948,000 (2023: £29,669,000) of loans fully secured on residential property (FSRP) made to limited companies.

Commercial lending activity is split between lending to businesses investing in residential property and lending to businesses investing in commercial property.

Risk concentrations: commercial lending

The Society's commercial loan portfolio on a gross basis comprises the following:

	2024 £000	2024 %	2023 £000	2023 %
Loans secured on residential property	**33,948**	**84.6**	29,669	80.0
Loans secured on commercial property	**6,202**	**15.4**	7,409	20.0
	40,150	**100.0**	37,078	100.0

30. Financial instruments (continued)

Loans secured on commercial property are well diversified by industry type and counterparty. An analysis of commercial property loans by industry is provided below:

	2024 £000	**2024 %**	2023 £000	2023 %
Office	**784**	**12.6**	792	10.7
Retail	**865**	**13.9**	995	13.4
Industrial	**1,117**	**18.0**	1,236	16.7
Leisure	**1,759**	**28.4**	1,944	26.2
Land	**650**	**10.5**	654	8.8
Other	**1,027**	**16.6**	1,788	24.2
	6,202	**100.0**	7,409	100.0

The Society provides loans secured on commercial property across England, Wales and Scotland and the Society, as a local building society, has a geographic concentration in the South West. An analysis of loans secured on commercial property by geographic location is provided below:

	2024 £000	**2024 %**	2023 £000	2023 %
South West	**14,128**	**35.2**	13,957	37.6
Greater London	**10,183**	**25.4**	10,228	27.6
North	**3,233**	**8.0**	2,944	7.9
Midlands	**3,339**	**8.3**	3,131	8.4
East	**2,016**	**5.0**	1,447	3.9
South East	**3,369**	**8.4**	2,560	6.9
Scotland	**2,654**	**6.6**	1,734	4.7
Wales	**1,228**	**3.1**	1,077	2.9
	40,150	**100.0**	37,078	100.0

LTV distribution: commercial lending

Estimates of current property values are used to calculate LTV. These are derived from recent external valuations or are estimated by applying quarterly Nationwide price indices to previously recorded external valuations. The overall LTV of the Society's commercial portfolio is 46.8% (2023: 48.0%). Index linked LTV banding is shown below:

	2024 %	2023 %
Less than 70%	**76.4**	78.2
More than 70% but less than 80%	**21.3**	21.3
More than 80% but less than 90%	**2.3**	0.5
	100.0	100.0

As at 31 December 2024, the largest exposure to a single commercial counterparty was £1.04m (2023: £1.37m) or 2.6% (2023: 3.7%) of gross balances.

30. Financial instruments (continued)

Payment due status: commercial lending

The table below provides further information on the Society's commercial loans and advances by payment due status as at 31 December 2024. The balances exclude fair value adjustments and impairment allowances.

	2024 £000	**2024 %**	2023 £000	2023 %
Current	**39,704**	**98.9**	36,722	99.0
Past due up to 3 months	**446**	**1.1**	356	1.0
	40,150	**100.0**	37,078	100.0

Fair value of collateral held: commercial lending

The Society holds collateral against loans and advances to commercial customers in the form of mortgage interests over property. The current value of collateral is estimated based on the latest professional valuation adjusted for subsequent property price movements using the quarterly Nationwide price index.

As at 31 December 2024 the total collateral held against lending secured against commercial property was estimated to be £85.9m (2023: £77.2m).

As at 31 December 2024 no commercial properties were in possession and hence no collateral was held against cases in possession (2023: £nil). Properties that are repossessed are made available for sale in accordance with statutory guidelines with proceeds used to reduce or repay outstanding loans. When repossessed properties are disposed of, the Society has a statutory duty to obtain the best reasonable prices and to sell properties as soon as it reasonably can.

Allowances for impairment are held against loans and advances to customers in line with the accounting policy which is outlined in Note 1. There are no allowances for impairment of commercial mortgage loans in 2024 (2023: Nil).

Forbearance strategies on commercial loans

See the note on the Society's general forbearance strategy on pages 56 to 57.

As at 31 December 2024, one commercial account was in a forbearance concession totalling £356,312 (2023: £356,145). The Society takes full consideration of the impact on its arrears position, and hence the impact on its allowances for impairment, from the use of forbearance techniques.

30. Financial instruments (continued)

d) Credit risk on treasury financial instruments

The classes of financial instruments to which the Society is most exposed to treasury credit risk are loans and advances to credit institutions, debt securities and financial derivatives. For financial assets recognised in the statement of financial position, the exposure to credit risk equals their carrying amount. The following table shows the Society's estimated maximum exposure to credit risk without taking into account any collateral held or other credit enhancements.

	2024 £000	2023 £000
UK government securities and amounts held with central banks	**80,065**	62,682
UK financial institutions	**5,824**	18,536
	85,889	81,218

None of the above exposures were either past due or impaired and there were no assets that would otherwise be past due or impaired whose terms have been renegotiated.

Collateral is not held over loans and advances to credit institutions and debt securities. As at 31 December 2024, collateral of £2,320,000 (2023: £2,810,000 pledged) had been received by other financial institutions to mitigate the risk inherent in amounts due to/from the Society relating to derivative financial instruments.

The table below shows treasury exposures categorised by Fitch ratings:

	2024 £000	2023 £000
AAA to AA-	**80,065**	62,682
A+ to A-	**3,759**	13,300
BBB+ to BBB-	**-**	-
Unrated	**2,065**	5,236
	85,889	81,218

The geographical distribution of treasury exposures is as follows:

	2024 £000	2023 £000
UK	**85,889**	81,218
	85,889	81,218

The Society's treasury risk function monitors exposure concentrations against a variety of criteria including counterparty and country limits. With the exception of instant access treasury deposits with both the Bank of England and the primary UK based clearing banks, no material concentrations of treasury investments exist.

e) Liquidity risk

The following tables analyse the gross contractual principal cash flows payable under financial liabilities. These balances do not agree directly to the balances in the statements of financial position as the tables incorporate only principal amounts and do not reflect accrued interest or fair value adjustments.

30. Financial instruments (continued)

Tuesday 31 December 2024	Repayable on demand £000	Less than 3 months £000	3 months to 6 months £000	6 months to 12 months £000	1 to 5 years £000	Greater than 5 years £000	Total £000
Society non derivative liabilities							
Shares	232,359	7,025	8,076	12,738	29,064	-	289,262
Deposits owed to other customers	60,596	317	179	901	-	-	61,993
	292,955	7,342	8,255	13,639	29,064	-	351,255
Society derivative liabilities							
Interest rate swaps	-	-	-	22	506	4	532
	-	-	-	22	506	4	532

Sunday 31 December 2023	Repayable on demand £000	Less than 3 months £000	3 months to 6 months £000	6 months to 12 months £000	1 to 5 years £000	Greater than 5 years £000	Total £000
Society non derivative liabilities							
Shares	232,859	2,713	7,588	6,509	4,847	-	254,516
Deposits owed to other customers	60,821	320	193	925	-	-	62,259
	293,680	3,033	7,781	7,434	4,847	-	316,775
Society derivative liabilities							
Interest rate swaps	-	-	-	-	1,427	-	1,427
	-	-	-	-	1,427	-	1,427

Annual commitments under non-cancellable operating leases are outlined in Note 7.

f) Interest rate risk

Interest rate risk refers to the sensitivity of net interest income to the periodic re-pricing of assets and liabilities and the imperfect correlation caused by basis risk. Interest rate risks generated by these activities are offset against each other, and the remaining net exposure to interest rate risk is managed on a continuous basis, within parameters set by Risk Committee, using a combination of derivatives and cash instruments (such as savings and deposits).

The Society's exposure to interest rate risk in terms of the net risk after taking account of management's action to hedge inherent exposures is measured using interest rate gap analysis. In this method each of the Society's financial instruments including on and off the statement of financial position assets and liabilities is assigned to future time periods on the basis of their contractual maturity or contractual re-pricing arrangements. In calculating the net exposure for each future period, account is also taken of those assets and liabilities with embedded optionality, such as pipeline and prepayment risk on fixed rate mortgages. As at 31 December 2024, if there was a 2% parallel upward shift in interest rates the adverse impact on reserves would be £456,000 (2023: £629,000 adverse impact on reserves).

31. Post balance sheet events

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

Capital Requirements (country-by-country reporting) Regulations 2013

For the year ended 31 December 2024

The Capital Requirements (country-by-country) Reporting Regulations 2013 introduced reporting obligations for institutions within the scope of the European Union's Capital Requirements Directive (CRD IV). Article 89 of the Capital Requirements Directive IV (CRD IV) requires credit institutions and investment firms in the EU to disclose, by Member State and by third country in which it has an establishment, the following information for the year ended 31 December 2024:

EU Member State and/or third country	Nature of activities	Turnover *	Number of Employees at year end	Profit before tax	Corporation tax payments made in 2024	Public subsidies
United Kingdom	Deposit taking, mortgage lending	£11.4m	87	£1.6m	£0.6m	£nil

* Turnover is defined as the sum of Net Interest Income and Net Fee and Commission expense.

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. Income and expenses relating to transactions between operations in the same jurisdiction have been eliminated. All of the Society's operations are in the United Kingdom.

Independent auditors' report to the Directors of Bath Investment & Building Society

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

Opinion

In our opinion, Bath Investment & Building Society's country-by-country information for the year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 December 2024 in the Country-by-Country Report.

Basis for opinion

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

Independence

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

Emphasis of matter – Basis of preparation

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

Conclusions relating to going concern

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

- Critically assessing the directors' going concern assessment;
- evaluating the impact of management's stress test scenarios and considering the likelihood of successful implementation of management actions to mitigate the impacts. We considered whether the Society would continue to operate above required regulatory capital and liquidity minimal during times of stress;
- challenging the reasonableness of the scenarios used by the Directors in their going concern assessment and checking the appropriateness of the assumptions used within their forecasting;
- evaluating management's disclosures in the Annual Report & Accounts and checking the consistency of the disclosures with our knowledge of the Society based on our audit.

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

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

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

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

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

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

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

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

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

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

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

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

Based on our understanding of the Society, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority ('FCA') and the Prudential Regulation Authority ('PRA'), and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journals to interest receivable and similar income and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management and those charged with governance to enquire of any known instances of non-compliance with laws and regulations, or fraud;
- reviewing correspondence with the Society's regulators, the FCA and the PRA, in relation to compliance with Financial Services Regulations;
- reviewing internal audit reports, and relevant meeting minutes including those of the Audit Committee and the Board;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment losses on loans and advances to customers; and
- identifying and testing a sample of journal entries, including those posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Independent auditors' report (continued)

Use of this report

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

The engagement partner responsible for this audit is Stafford Moran.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Bristol
6 March

Annual Business Statement (Unaudited)

For the year ended 31 December 2024

1. Statutory percentages

	2024 %	Statutory Limit %
Lending Ratio	**3.3**	25.0
Funding Ratio	**17.6**	50.0

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

The Lending Limit measures the proportion of business assets not in the form of loans fully secured on residential property and is calculated as (X-Y)/X where:

X = business assets, being the total assets of the Society, plus allowances for impairment of loans and advances, less liquid assets and tangible fixed assets as shown in the Society Balance Sheet.

Y = the principal of, and interest accrued on, loans owed to the Society, as shown in the Society Balance Sheet, gross of allowances for impairment, which are fully secured on residential property.

The Funding Limit measures the proportion of shares and borrowings not in the form of shares held by individuals and is calculated as (X-Y)/X where:

X = shares and borrowings, being the aggregate of-

1. the principal value of, and interest accrued on, shares in the Society; and
2. the principal of, and interest accrued on, sums deposited with the Society; and
3. the principal value of, and interest accrued under, instruments or agreements creating or acknowledging indebtedness and accepted, made, issued or entered into by the Society or any such undertaking less any amounts qualifying as own funds.

Y = the principal value of, and interest accrued on, shares in the Society held by individuals otherwise than as bare trustees for bodies corporate or for persons who include bodies corporate.

The statutory limits are as laid down under the Building Societies Act 1986, 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

	2024 %	2023 %
As percentage of shares and borrowings:		
Gross capital	**13.8**	14.8
Free capital	**12.8**	13.9
Liquid assets	**24.4**	25.6
Profit for the year as a percentage of mean total assets	**0.31**	0.69
Management expenses as a percentage of mean total assets:	**2.54**	2.10

The above percentages have been prepared from the Society accounts and in particular:

- 'Shares and borrowings' represent the total of shares and amounts owed to other customers.
- 'Gross capital' represents the aggregate of general reserves and revaluation reserve.
- 'Free capital' represents the aggregate of gross capital and the collective allowance for impairment of loans and advances less tangible fixed assets.
- 'Liquid assets' represents the total of cash in hand, loans and advances to credit institutions and debt securities issued by other borrowers as shown in the balance sheet.
- 'Mean total assets' represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- 'Management expenses' represent the aggregate of administrative expenses, depreciation and amortisation and exclude the Levy to the Financial Services Compensation Scheme.

3. Directors and Officers (Unaudited)

The Directors and Officers of the Society at 31 December 2024 together with their further particulars were as follows:

Name	Occupation	Appointment	Other Directorships
Richard Ingle	Chief Executive	August 2022	• County of Gloucestershire Community Foundation
Ash Kassam	Chief Finance Officer	June 2024	
Andrew Payton	Non-Executive Director	January 2024	• Cirencester Friendly Society Ltd
David Smith	Non-Executive Director	January 2016	
Fionnuala Earley	Non-Executive Director	January 2018	
Joanne Evans	Non-Executive Director	January 2021	• Maplejak Investment Ltd • Pondfield Ltd • Mobius Life Ltd • Mobius Life Administration Services Ltd • Mobius Life Group Ltd
Kevin Hayes	Non-Executive Director	January 2022	• Interbridge Mortgages Ltd • Interbridge Mortgages Holdings Ltd • Equiniti Financial Services Ltd
Sameer Rahman	Non-Executive Director	May 2022	• Datamonet • Millennium Stadium PLC • Football Association of Wales

Documents may be served on the above-named Directors c/o The Society Secretary, Bath Building Society, 15 Queen Square, Bath BA1 2HN.

Details of Directors' service contracts are shown in the Directors' Remuneration Report.

Other Officers

Name	Business Occupation
Craig Brown	Chief Mortgage Officer
Emma Davis	Chief Customer Officer
Foteini Leventi	Chief People Officer
Peter Dossett	Chief Risk Officer
Steve Burnard	Chief Digital Officer

Your Local Society

Registered name and office

Bath Investment & Building Society
15 Queen Square, Bath BA1 2HN
Telephone (01225) 423271

Registered No. 30B

Branch offices

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Oldfield Park
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Telephone calls may be recorded to help the Society to maintain high standards of service delivery.

Bath Building Society