

Annual Report and Accounts 2023



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**THE
CAMBRIDGE**
Building Society

Contents

04 Strategic Report

09 Directors' Report

18 Board of Directors

22 Corporate Governance Report

28 Directors' Remuneration Report

32 Statement of Directors' Responsibilities

33 Independent Auditor's Report to the Members of Cambridge Building Society

40 Statement of Comprehensive Income

41 Statement of Financial Position

42 Statement of Changes in Members' Interests

43 Statement of Cash Flows

44 Notes to the Accounts

80 Annual Business Statement

Strategic Report

for the year ended 31st December 2023



John Spence, Chairman

Chairman's address

During 2023, a combination of strong leadership, focused financial management, the efforts of all our people and external market factors beyond our control all contributed to our achieving an unprecedented level of profitability, with a final profit before tax of £20.5m.

With interest rates having now stabilised, and expected to decline, the accounting gains that come with interest rate increases will reverse. Interest margins are under pressure across the sector, but we remain intent on not profiteering from interest rate changes – our mutual status is constantly in our minds. With elevated levels of inflation in 2022 and 2023 we also have a higher cost base, so going forward we expect to revert to more historically normal profit levels.

However, robust financial results mean that we enter 2024 with capital reserves and liquidity in very strong positions and in excess of regulatory requirements. We have repaid ahead of time a significant portion of the funding provided through government following the financial crisis. We have clear business plans to build on the successes of the past.

Yet to look at 2023 through a financial lens alone would be to understate the scale and range of our achievement. During the last year, the new requirements of Consumer Duty were introduced by the Financial Conduct Authority (FCA) and our teams worked hard to achieve the implementation deadline. We are clear that this responsibility is a critical one; consumer duty must never be seen as a project but must become part of our DNA.

Critically, we continue to retain and build the confidence of our members and customers. 95% believed our services improved or were maintained and over 80% were extremely or very satisfied with our service. What we call our net promoter score – a measure of those prepared to recommend us to others – stands at a healthy +47. Your board continues discussions on how we may further build on the advantages of membership.

Despite very challenging conditions, with five separate increases in Bank of England base rate over the year, we continued to grow the business across savings and mortgages alike. Importantly, we concluded a new agreement with a provider of specialist mortgages which will enable us to access particular segments of the market, earning good margins for the Society within acceptable risk levels. A further successful IT upgrade in 2023 is evidence that our systems are robust as we look to expand going forward.

Our purpose is to help people have homes and this helps shape our community activity. Our highly successful Rent to Home scheme is being expanded and is increasingly talked about across the sector. We are currently looking at what opportunities might exist within our estate for the creation of more first buyer homes. Our presence in Cambridge has been enhanced; while we continue to be the headline sponsor of the annual 'Bridge the Gap' fundraising event in the city, we have also convened a seminar on the decarbonisation of higher education buildings, which will be repeated.

This brings me onto climate change. We are clear that we cannot encourage others to do more without addressing our own carbon footprint, as evidenced by the highly successful Head Office refurbishment. We are exploring what schemes might be made available to enable members to adapt their own homes. This issue is critical for the whole world, yet our particular location in low-lying Cambridge and our network of branches sharpen the focus.

Of course, none of this can be achieved without the expertise and commitment of over 200 team members. The Executive team has retained and increased its focus on training and development. We have established a 'Future Leaders' programme to invest in our people and aid succession, and the expectation from our people to develop and retain strong knowledge and skills is noteworthy. I must pay particular tribute to our Chief Executive Peter Burrows and all members of his leadership team.

At last year's AGM we said farewell to three highly experienced Non-Executive Directors who had concluded their terms of office, while a fourth had previously resigned due to pressure of work. Such change in the boardroom created a period of potential risk so I am delighted to report that four new Directors, three of whom you will be electing for the first time at the AGM, are individually and collectively performing beyond expectations. Thanks in no small part to the efforts of the remaining Non-Executive Directors, and the Executive Director team, the new Board is operating strongly as was evidenced during a recent strategic review.

So 2023 was an extraordinary year! We will not let this cloud our judgement as to the challenges of the future; difficult waters lie ahead. We have a culture of continuous improvement, and however well we do we know we can always do more. In my final words, I am pleased to be able to assure our membership – as we enter our 175th year – that your Society is well placed to address whatever challenges come before us.

John Spence

Chairman

19th March 2024



Peter Burrows, Chief Executive

Strategic overview and priorities

The Cambridge aims to be a thriving, independent, mutual business. 2023 was by all measures a successful year for the Society:

- We continued to deliver excellent customer service, validated by independent surveys undertaken over the year. Indeed our 'Customer Experience Score', a weighted average basket of service measures, ended 2023 at its highest level since before the pandemic.
- We participated in the biannual Best Employers (Eastern Region) survey, giving all team members the opportunity to express their views on the culture at the Society. Three quarters of team members participated. We achieved scores that were ahead of our scores from the previous survey two years ago, and also ahead of the average of other participating businesses.
- Financially, we recorded profit before tax of £20.5m, a record level albeit bolstered by one-off financial market gains that will not reoccur. Capital reserves at £127m and liquidity assets of £331m are both healthy and well in excess of regulatory requirements.

- We continued to devote ourselves to making a difference in the local community, expanding our unique 'Rent to Home' scheme and funding four new charities via grants from The Cambridge Building Society Community Fund.

We do not operate in a vacuum and we are acutely aware of the growing financial challenges around us, both for us as an organisation and for many of our members whose household budgets are under increasing pressure. We are confident that our strong customer service, high integrity culture and financial strength stand us in good stead to continue to thrive; but we in no way underestimate the potential economic and market challenges that lie ahead.

Service quality

Our commitment to customer service levels is as important to the Board as financial performance. Our 'Customer Experience Score', a weighted average basket of service measures, ended 2023 at its highest level since before the pandemic.

Average measures of customer satisfaction over the year include:

- 95% of customers said service had improved or remained the same in 2023 (94% in 2022)
- 81% of customers said they were extremely or very satisfied with the service they received (82% in 2022)
- Customer recommendation score (also known as Net Promoter Score) was +47 (+47 in 2022)
- 94% of customers said The Cambridge met or exceeded their expectations (96% in 2022)
- 88% said they would definitely remain a customer with The Cambridge over the next 12 months (86% in 2022).

During the year the Financial Conduct Authority began the introduction of new regulations known as 'Consumer Duty'. We are strong supporters of consumer-focused regulation as we believe it drives up standards across the sector. We implemented any necessary new processes in 2023 in line with regulatory deadlines, and are on track to continue to do so in 2024.

We remain committed to offering members flexibility so that they may choose how they want to interact with us: in person on the high street, over the telephone, or digitally via app and web services. Following a successful upgrade and subsequent embedding of our end-to-end IT systems, in 2024 we will make an increasing range of digital services available to customers with historical products who up to now have been unable to manage their accounts fully online.

We end the year with 125,094 members, a net increase of 101 on the prior year.

Strategic Report

for the year ended 31st December 2023 (continued)

Economic climate

2023 was a difficult year economically. Interest rates continued to rise, with Bank of England base rate rising from 3.5% to 5.25% over the year. The Consumer Prices Index including owner occupiers' housing costs (CPIH) rose by 4.2% in the 12 months to December 2023 – this is a welcome reduction from the 9.2% rise in the previous year, but previous increases remain 'baked in' to current prices creating significant cost pressure for both business and individuals.

In contrast, the housing market has been somewhat subdued with the Office for National Statistics most recently reporting a 22% fall in annual transaction volumes. House prices have also dropped, with average house prices falling by over 2% across England and Wales, and by slightly more in the East of England where much of our lending is concentrated.

Many analysts believe that interest rates have peaked, and going forward we expect rates to begin to trend downwards. We also expect inflation to continue to fall, and the housing market to stabilise somewhat. Overall, significant uncertainty remains, and we expect 2024 to be a challenging year economically.

Mortgages

2023 was a turbulent year for the mortgage market, with many lenders entering and exiting different segments of the market at short notice. We recognise how frustrating this is for consumers and endeavoured to avoid this where we could; but there were times when we too had to withdraw products as financial markets moved quickly, rendering our pricing out of date.

Mortgage rates remained high, creating affordability challenges for many. Whilst rates fluctuated over the year, the underlying trend was an increase with average UK mortgage rates ending the year at around 6% for a two-year fixed rate and 5.5% for a five-year fixed rate mortgage. As customers reach the end of their existing fixed-rate term, many will thus face a significant price shock. It is a testament to our prudent approach to lending that to date we have not seen a significant rise in our mortgage arrears and fewer than 100 members have contacted us to report concerns with paying their mortgage. Nevertheless, as a mutual organisation we stand ready to respond with expertise and empathy should any member encounter payment difficulties.

Over the course of the year our mortgage book grew by 6% and now exceeds £1.5bn for the first time in the Society's history. Looking ahead we expect to continue to grow our book at a similar rate. During the year we established a forward flow agreement with Roma Finance, enabling us to support borrowers with their bridging or more complex buy-to-let mortgage needs, and we aim to grow the partnership to support over £100m of lending.

Savings and deposits

By way of contrast, rising interest rates over the year continued to improve returns for our savings members. We remain committed to offering our members fair and well-priced products over the long term, and we aim always to do so in a way that is sustainable; we are not in the business of tempting savers to join the Society via inflated savings rates, only to let that rate fall behind the market norm as time goes on. To that end we welcome the regulatory pressure on the sector to address any low-rate 'legacy' accounts that some other providers still maintain.

We do not seek to enhance our profitability out of changes in Bank of England base rate. There were five base rate increases in 2023, and over the course of the year our average rate that we paid to savers increased by 1.86%, more than the 1.75% increase in Bank of England base rate. Our 'Your Saver' product, an instant access account that can be managed online, in branch, by phone, post or on our money app, proved particularly popular. Our 100 Day Notice Account was also highly valued by members, and during the year we augmented our savings proposition with the launch of a 100 Day Notice ISA product.

Over the year, savings balance grew by 9% to £1.6bn, and we expect a similar growth rate going forward.

Financial performance

The Society recorded another set of robust financial results. Profit Before Tax of £20.5m (2022: £17.0m) was an all time high but is materially flattered by a number of one-off accounting gains resulting from recent sharp rises in interest rates. These impacts have boosted both 2023 and 2022 profits but we do not expect them to re-occur, and 2024 is therefore expected to see a return to lower and more stable profit levels.

The impact of increased interest rates is immediately visible in our reported results, with interest receivable rising to £90.9m (2022: £49.9m) and interest payable rising to £55.5m (2022: £18.0m). Combined, this results in a rise in net interest income to £35.4m (2022: £31.9m). Reflecting the high inflation environment, administration expenses grew to £19.8m (2022: £18.2m). In common with many businesses, cost efficiency is now one of our top financial priorities.



We continue to invest in the Society, and as such we have modern infrastructure that enables us to introduce more efficient processes and practices, including more options for customer self-service. In so doing we are conscious of the paramount importance that members place on friendly, high-quality engagement and we do not intend to compromise on customer service.

Both our mortgage and savings propositions continued to be attractive to existing and new members, and as a result our mortgage balances grew by 6.0% to £1.53bn and our savings balances grew by 8.8% to £1.57bn. We ended the year with £331m of liquidity assets and £127m of capital reserves, both well in excess of regulatory requirements. Total assets grew by 1.7% to £1.891bn (2022: £1.860bn).

The Society has participated in the Government's 'TFSME' scheme (the Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises), drawing a total of £170m of government backed funding under the scheme. During the year we began to repay our obligations, well ahead of schedule, ending the year with an outstanding balance of £95m. We have chosen to repay ahead of schedule to de-risk any potential market disruption that may arise as other institutions increasingly seek to repay their TFSME loans by generating increased retail savings inflows.

Our people

In 2023 we once again participated in the Best Employers (Eastern Region) survey process. This takes place bi-annually and gives all of our team members an opportunity to express their views on the culture of the Society across a

wide range of dimensions. Three quarters of team members chose to take part and we were delighted to note that our scores increased from 2021 and remain well above the regional average of all participating employers.

The year saw significant change in our Board. Three long-standing Non-Executive Directors – Stephen Jack, Andrew Jones and Andrew Morley – stood down at the conclusion of their nine-year terms and were replaced by three new Non-Executive Directors, Pauline Caldwell, Harriet Hunnabell and Mark Jeffries. The Executive Director team was stable except that Sandhya Kavar, our Chief Risk Officer, left for a period of maternity leave; we are delighted that she has given birth to a healthy baby boy and look forward to welcoming her back in 2024.

We continue to invest in our people, including our 'Future Leaders' programme aimed at developing some of our best managers and equipping them for senior leadership roles. This of course also helps with our succession planning, and I was delighted that two individuals from the cohort were promoted internally this year.

We aim to offer team members satisfying and fairly rewarded roles wherever their skills best fit across the Society. The Society welcomes individuals from all backgrounds and continues to be a Real Living Wage Employer. Over the year we employed on average 180 full time and 53 part time team members, all of whom were either based in our central Cambridge Head Office or at one of our 13 branches across the region. At the time of writing our Board comprises twelve individuals, six female and six male, and our Leadership Team comprises fifteen individuals, nine female and six male.

Strategic Report

for the year ended 31st December 2023 (continued)

Making The Difference to our community

The Cambridge remains rooted in our local community and committed to making a difference to those who live and work in and around Cambridge. We are clear on our purpose: to find ways to help people have a home, by supporting people who couldn't buy without our help and by working with groups in our community who offer services for shelter and housing.

Our 'Making The Difference' programme acts as the unifying thread of all our community initiatives directed towards achieving this goal. Highlights in 2023 included:

- Our cumulative funding for The Cambridge Building Society Community Fund is now approaching £1m. Recipients of grants in 2023 included Property Angels Foundation, who help families fleeing domestic abuse, and the Baca Charity, that supports young people seeking refuge in the UK, many of whom are victims of human trafficking.
- Our unique Rent to Home scheme is designed to help people for whom owning their own home is in sight but just out of reach. Under this scheme, individuals rent a property from The Cambridge for up to three years and at the end of the rental period we return to them around 70% of the rent paid over the last three years, which they use towards home purchase.

To ensure that we target and help the right people, access to the scheme is restricted to first time buyers and subject to maximum income thresholds. We added two new starter homes to our portfolio in 2023, taking the portfolio to five properties, as we welcomed new members to the start of their Rent to Home journey.

- 2023 was our 16th year as headline sponsor of Bridge The Gap, an iconic walk through the colleges of Cambridge University that raised over £21,000 for two local charities, Arthur Rank Hospice and Romsey Mill. Over 100 of our team members supported the walk, whether through administration, marshalling, fundraising, or simply participating.
- As a financial services business we do not manufacture physical product, but nonetheless our environmental performance is of increasing importance to us. In recent years we have dramatically reduced the Society's carbon footprint, and in 2023 we hosted a 'De-carbonising Cambridge' event for Cambridge University colleges and other interested businesses. We also purchased a semi-detached property in central Cambridge, and with ongoing investment we intend to use it as a test case to demonstrate to ourselves and the wider community the art of the possible in taking a typical Cambridge property on an energy efficiency improvement journey.

Looking ahead

The Cambridge Building Society aims to be a thriving, independent, mutual society. We aim to stay true to our core business model of providing funding for the purchase of homes and being a trusted place for people wishing to save.

Your Board is acutely aware of the rising economic challenges facing all of us. We believe that this makes the future for organisations like The Cambridge – organisations with a community ethos, with the wellbeing of its people and customers at its heart, and with a burning ambition to thrive – even more critical.

The Society has had a number of very successful years, boosted further by one-off accounting gains that support levels of profit well above historic norms. We believe that we have used this time wisely, investing in scalable end-to-end IT systems, embedding a range of customer service improvements, and building a strong Board and Executive team.

The future economic outlook is undoubtedly challenging, with UK macro-economic and housing market forecasts indicating depressed levels of activity in 2024 and probably also in 2025. But we go forward with a clear vision of what we want to deliver – fairly priced products, great service, and genuine community impact – and confidence that with continued hard work and the support of our people and members, we are as well placed as any business to continue to thrive long into the future.

I wish all members a safe, healthy and prosperous 2024.

Peter Burrows

Chief Executive

19th March 2024

Directors' Report

for the year ended 31st December 2023

Directors of The Cambridge Building Society have pleasure in presenting their Annual Report, together with the Accounts and Annual Business Statement for the year ended 31st December 2023.

Business review

The Cambridge Building Society is an independent, regional, mutual Society. Its primary activities are to provide funding for the purchase of homes and to provide a trusted place for people wishing to save. Further detail on our progress during 2023 is contained within the Strategic Report on pages 4 to 8.

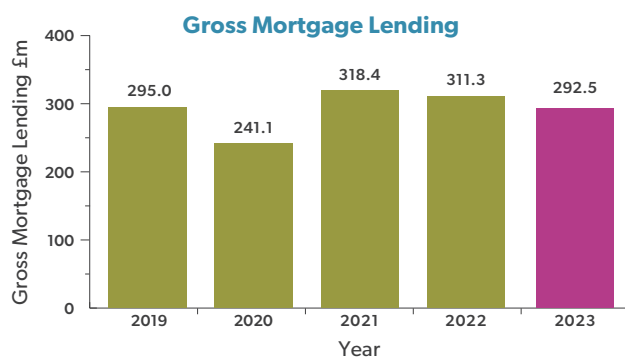
During 2023 the Society's dormant, non-trading subsidiary companies were voluntarily struck-off. As a result, 2023 figures presented below are on a Society-only basis whereas those from earlier years are on a Group basis. This does not give rise to any significant differences in the values or trends presented.

Note that comparative figures are restated to account for the historical correction of the defined benefit pension obligation. Further information is provided in Note 1.3 to the accounts and unless otherwise stated the charts and figures below are unaffected by this restatement.

Key performance indicators

The Board of Directors and Management Team monitor financial and non-financial information on a regular basis. Whilst this involves many performance indicators, the financial information shown on pages 9 to 11 relates to those that are considered key to the Society's overall success.

Mortgage



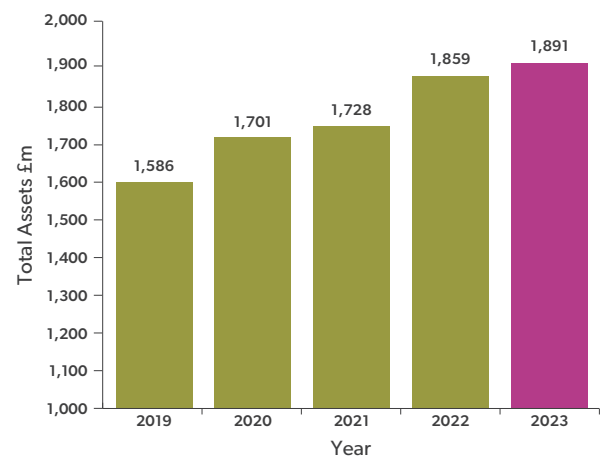
Gross mortgage lending is the amount of new loans that we make to members each year. The Society delivered new mortgage lending of £292m (2022: £311m).

Total mortgage assets grew by 6.0% to £1,526m (2022: £1,439m).

At the end of the year, out of a total of 9,399 mortgage accounts, four accounts (2022: 4 accounts) had arrears of 12 months or more. Together these accounts have balances outstanding of £0.4m (2022: £0.4m) and arrears of £0.03m (2022: £0.04m).

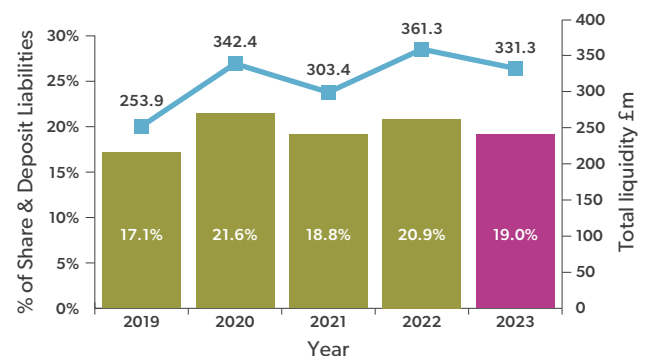
Arrears levels have remained reasonably static over the year and they remain significantly below those of the mortgage market as a whole. This is testament to the Society's prudent lending policies and personalised, supportive approach towards members who have faced repayment difficulties.

Total assets



Assets principally comprise mortgages and liquidity investments. Total assets have increased by 1.7% over the year, driven by growth in the mortgage book offset by a reduction in liquid assets and in the value of the Society's interest rate swap portfolio.

Liquid assets



Liquid assets are cash and short-term liquid investments, and can be expressed as a percentage of shares and borrowings. This is a key measure of the Society's ability to meet its financial commitments as they fall due.

Directors' Report

for the year ended 31st December 2023 (continued)

These commitments include withdrawal requests from savers, new mortgage lending and the funding of general business activities.

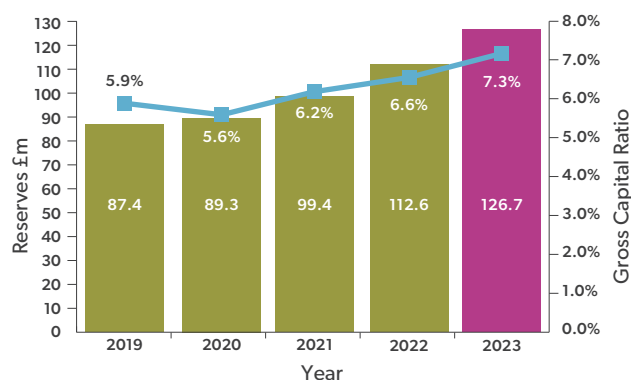
The Society is principally funded by its members' retail savings. During the year the Society began to repay its borrowings under the Government's Term Funding Scheme with additional incentives for SMEs (TFSME), which fall due in 2024 and 2025. At the end of the year the Society held £95m of TFSME funding (2022: £170m). The Society remains active in wholesale money markets, with £18m (2022: £28m) of term deposits.

The majority of liquidity assets are invested in UK Government securities and a Bank of England Reserves Account. The Society also has holdings with highly rated commercial counterparties.

At the end of 2023 the Society held £331m (2022: £361m) of liquid assets. This level of liquidity is comfortably above regulatory requirements and represents 19% (2022: 21%) of shares and deposit balances.

The decrease in the level of liquid assets was expected as the Society had previously increased liquid assets so as to be able to repay its TFSME obligations comfortably before they fell due and having begun to make these repayments liquidity levels have naturally fallen slightly.

Reserves



Our reserves are an important measure of the Society's financial strength, as they are there to protect members should the business encounter financial difficulties.

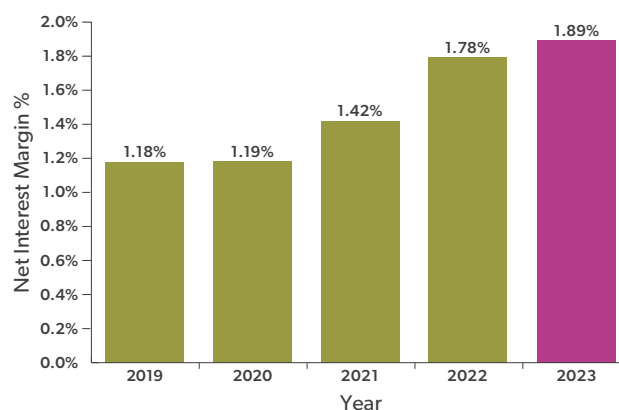
The Society's reserves are all categorised as 'Tier 1' capital and as such are considered by the Prudential Regulation Authority to be the strongest form of capital.

Total reserves grew by 12.5% over the year to £126.7m (2022 restated: £112.6m), including retained profit for the year of £16.5m. Set against profit for the year is a decrease of approximately £0.9m in the market value of the Society's freehold property portfolio.

Reserves include £15m (2022: £15m) of core capital deferred shares (CCDS). CCDS is a perpetual capital instrument with a discretionary distribution. The Society's CCDS investor (Cambridgeshire County Council Pension Fund) holds a single vote, preserving the Society's mutual status. During 2023 the Society made distributions amounting to £1.2m (2022: £0.8m) to the holders of CCDS. These payments come directly from the Society's reserves. A full breakdown of movements in reserves is shown in the Statement of Changes in Members' Interests.

The Society's gross capital ratio stood at 7.3% and its free capital ratio at 6.8% (see page 80 for definitions). Capital amounts and ratios remained comfortably above regulatory requirements throughout the year.

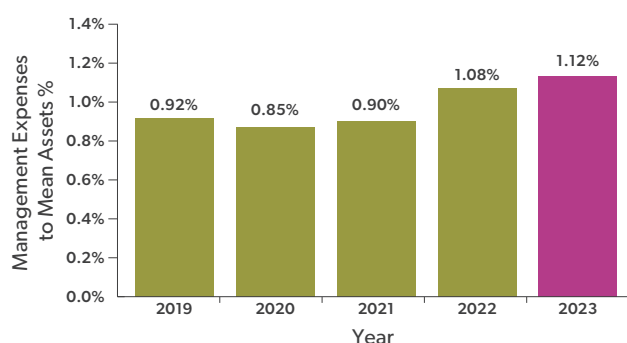
Net interest margin



The net interest margin is the difference between the rate charged to borrowers and that paid to savers, including the impact of net income or expenses on financial instruments. The Society's strategy is to offer competitive products to both borrowers and savers, while at the same time ensuring that it makes sufficient profits to maintain financial strength and stability.

Net interest margin has risen over the year, primarily driven by increased interest income on the Society's liquid assets and by the impact of increases in the Bank of England's Base Rate upon income from the Society's portfolio interest rate swaps, which is held for the purpose of hedging risk in the mortgage book.

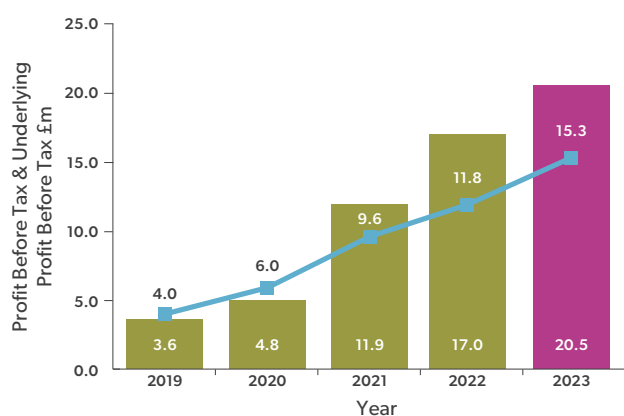
Management expenses ratio



This is the ratio of management expenses and depreciation to mean total assets. It is an indication of the Society's cost efficiency and the aim is, over time, to balance investment in excellent customer service with a desire to increase our efficiency.

The Management expenses ratio rose during 2023 due to the impact of high inflation upon the Society's cost base which meant that costs grew more rapidly than total assets. As inflation falls back towards more normal levels the Society plans for asset growth to exceed growth in the cost base over the coming years, which will reverse the increase in this ratio.

Profit before tax



The Cambridge's strategy is to generate sufficient profit to sustain the financial strength of the organisation and enable managed growth, investment in customer service and an increasing financial commitment to our 'Making The Difference' programme.

During 2023 net interest income increased to £35.4m (2022: £31.9m). This growth, which is the driver of the increase in profit, reflects both the Society's hard work over recent years to improve its margins, but also the impact of increases in the Bank of England's base rate upon income from the Society's portfolio of interest rate swaps.

This strong underlying performance was bolstered by some significant non-cash accounting gains – most notably a £5.2m gain in the net value of the Society's interest rate swap portfolio (2022: a gain of £5.2m). In order to present a clear picture of profitability over time, a line has been added to the chart above representing Underlying Profit Before Tax. A reconciliation between Profit Before Tax and Underlying Profit Before Tax is provided below.

	2023 £m	2022 £m
Profit Before Tax	20.5	17.0
Remove net gain from other financial instruments at fair value through profit and loss (Note 4)	(5.2)	(5.2)
Underlying Profit Before Tax	15.3	11.8

Risk management objectives and policies

Taking and managing risk is an integral part of running any successful business. The main challenge is to identify, monitor and control the principal risks in line with the organisation's strategy and risk appetite.

The Society's Board has overall responsibility for setting the Risk Appetite. The Board Risk Committee, supported by Executive-led sub-committees covering Operational & Conduct risk, Mortgage credit risk and Assets & Liabilities risk (ALCO), all play an important part in monitoring the overall risk profile.

The Board approves the Risk Management Framework and Risk Appetite annually. The Board, with the support of the Board Risk Committee, is responsible for overseeing the risk management processes and ensuring that the Society has a strong culture of risk awareness and risk ownership.

Risk appetite is articulated through a series of limits, which the Executive-led sub-committees, the Board Risk Committee, and the Board review regularly.

In keeping with industry best practice, the Society operates a 'three lines of defence' approach to support the effective management of risks across the business.

The financial instruments used by the Society to mitigate certain risks, particularly interest rate risk, are set out in Note 27 of the accounts.

Further details of the Society's approach to risk management and its risk exposures are set out in the Pillar 3 disclosures. This document can be obtained by writing to the Secretary at Head Office or from the website cambridgebs.co.uk

Directors' Report

for the year ended 31st December 2023 (continued)

Principal risks and uncertainties

The Society's most significant risks and the related mitigating actions, are as follows.

Economic risk

Description: The risk that adverse movements in macroeconomic trends have detrimental effects on the Society's anticipated returns and business strategy.

Mitigating actions: The Society monitors economic conditions at the ALCO and Mortgage Credit Committee. The Risk Committee and Board also receive updates on the economic environment's impact on the Society's risk profile, business operations and strategic plan.

Commentary: While the economy has weathered the pandemic and energy price shock better than many economic commentators predicted, the economic outlook for 2024 remains uncertain. Through 2023, the Bank of England has continued to raise base rate from 3.5% to 5.25% to reduce inflation. While CPIH inflation has fallen since the peak of 11.1% in 2022, the latest OBR forecast sees it remaining above the 2% target until the first half of 2025 with real household disposable income being 3.5% lower in 2024-25 than before the pandemic.

The OBR's forecast sees the unemployment rate increasing during 2024 before peaking at 4.6% in 2025 and house prices falling by 4.7% during 2024, a "peak to trough" decline of 7.6%.

The Society's capital position, predominantly retail funding base and its flexible but prudent approach to doing business means that it is well-placed to continue to meet the needs of its members, whatever future economic conditions prevail. The strength of the balance sheet is tested regularly in several ways, including taking account of the stress testing parameters set out by the Bank of England.

Mortgage credit risk

Description: Mortgage credit risk is the risk that a borrower will be unable to fully meet their financial obligations (the whole and timely payment of principal and interest) when due, or at any time in the future.

Mitigating actions: Mortgage credit risk is managed through prudent lending criteria and underwriting policies. All loans are approved, according to defined affordability criteria, by a central team of experienced underwriters that are operationally independent of sales activity. The prudent underwriting ensures that the Society has adequate security for the loan and that the borrower will be able to meet their repayments when due.

No matter how prudent lending is, some members inevitably get into financial difficulties and struggle to keep up their mortgage payments. As well as rigorous, risk-based underwriting, the Society prides itself on being highly proactive in supporting its members through any financial difficulties, thereby being true to its mutual values and helping to mitigate mortgage credit risk. Some of the main controls that support customers, are:

- A dedicated Financial Support Team that support customers experiencing payment difficulties with expertise and empathy.
- Monitoring customers who fall into arrears to contact them to understand their situation and financial position.
- Identifying affordable and sustainable forbearance options tailored to the customer's circumstances to minimise the risk of failure.
- All accounts in forbearance arrangements or arrears are subject to ongoing monitoring to ensure the support in place for them remains appropriate.

Commentary: With a prudent risk appetite, the Society has experienced low arrears, concessions, and repossessions in comparison to the rest of the mortgage industry.

While industry-wide and Society arrears remain historically low, the tougher economic conditions are expected to exert upward pressure on arrears and credit losses. The Society is not immune to the deteriorating conditions and the proactive support given to members, combined with the conservative lending criteria, will protect the Society from large credit losses.

Counterparty credit risk

Description: The Society places a proportion of its liquidity with other financial institutions to ensure it can meet its liabilities as they fall due (see the liquidity risk section). These Treasury counterparties may also be unable to meet their obligations to repay, exposing the Society to counterparty credit risk.

Mitigating actions: Counterparty credit risk is kept to a minimum by only investing in counterparties with high credit ratings and in selected building societies. In addition, the Society limits exposures to specific counterparties, types of investment or countries, and the period it is prepared to invest for. These limits, and a range of other mitigating processes and controls, are documented in the Society's Treasury Policy. The Board delegates oversight of counterparty credit risk to the Assets & Liabilities Committee (ALCO), through the Board Risk Committee.

Commentary: Treasury counterparties retained their high credit ratings, despite the challenging economic conditions seen in 2023.

Capital risk

Description: Capital risk is the risk that the Society is holding an insufficient quantity or quality of capital to meet regulatory requirements or to support business strategy.

Mitigating actions: The Society monitors its capital position regularly. At least annually, the Society undertakes its Internal Capital Adequacy Assessment Process (ICAAP) that reviews whether its capital resources are sufficient to meet its requirements under stressed conditions. The Board Risk Committee and the Board approve the assumptions and results of the ICAAP.

Commentary: The Society's capital ratios are expected to remain robust over the forecast period, and comfortably within risk appetite even under stressed conditions.

Liquidity and funding risk

Description: Liquidity and funding risk is the risk that the Society has insufficient financial resources to enable it to meet its obligations as they fall due, or can secure such resources only at excessive cost. These obligations include, for example, savers' withdrawals and mortgage advances.

Mitigating actions: The Society has policies to ensure that it always holds prudent levels of liquid assets such that it can meet its liquidity obligations. The Society also has liquidity contingency plans in place to cope with any sudden or extreme outflows and carries out regular stress tests to ensure the robustness of these plans.

ALCO monitors the Liquidity Policy and liquidity contingency plans and receives regular reports on the liquidity position and stress testing thereon. It also receives regular reports on the Society's compliance with regulatory guidelines that govern the scope and nature of the liquid asset holdings.

At least annually, the Society undertakes its Internal Liquidity Adequacy Assessment Process (ILAAP) that reviews whether the liquidity resources would meet internal and regulatory requirements under stressed conditions. The Board Risk Committee and the Board approve the assumptions and results of the ILAAP.

Commentary: The rising interest rate environment has seen savers and borrowers proving to be more rate sensitive over 2023. The Society continues to focus on ensuring liquidity levels are strong, and so despite the challenging external conditions, operated comfortably within risk appetite throughout the year.

Looking ahead, the deposit market is expected to remain competitive, due to this rate sensitivity and the maturity of the Bank of England's Term Funding Scheme with additional incentives for SMEs (TFSME). As this scheme, which the Society has participated in, draws to a close in 2025, there is likely to be heightened demand for retail saving deposits across the industry. To retain its strong funding position over this period, the Society has already started to repay this funding.

Interest Rate Risk in the Banking Book

Description: The Society's primary market risk exposure arises from Interest Rate Risk in the Banking Book (IRRBB). This is the risk arising from movements in interest rates, or losses through movements in the price of financial instruments. For example, if the Society was funded by variable rate savings but lent at fixed rates, it would expose itself to the risk that if rates rose, its cost of funding would rise without any corresponding increase in interest income on loans.

Mitigating actions: Following the Society's move to the "Extended Approach" for treasury activities in 2022, the Society has adopted structural hedging using its free reserves to ensure a stable income stream and more certainty on rates of income.

Using a structural hedge reduces earning's sensitivity and the Society's exposure to the risk created by the imbalance of assets tied to bank base rate and SONIA (Sterling Overnight Index Average), where most of these assets are funded by retail savings with an administered variable rate.

Commentary: To support the use of structural hedging, the Society has enhanced its management information and its operating and risk appetite limits to ensure that the risk is appropriately monitored and controlled.

The Society operated within its IRRBB limits in 2023.

The interest rate sensitivity of the Society at 31st December 2023 is set out in Note 27 on page 66.

Business strategy risk

Description: As a lender primarily funded by retail deposits, there is the risk that competition in the savings and mortgage markets erodes the margin between rates charged to borrowers and rates paid to savers, thereby threatening the financial strength of the Society. One of the Society's key aims is to offer competitive rates to savers and borrowers, and only earn sufficient margin to maintain its financial strength and to meet the product and service needs of its members.

Directors' Report

for the year ended 31st December 2023 (continued)

Mitigating actions: The Board manages this risk to margin by setting financial objectives and closely monitoring performance against them. Reforecasts are regularly carried out, enabling the Society to react promptly to challenges to these financial objectives.

Commentary: As the Bank of England base rate increased over 2023, the Society has aimed to find the right balance between supporting its customers while maintaining the financial resilience of the Society.

Operational risk

Description: Operational risk covers a wide and diverse range of risks faced by the business. This includes:

- **Process risk** – the risk arising from inadequate or failed internal processes.
- **Third party risk** – risks arising from the use of third-party suppliers or from outsourcing functions or services.
- **People risk** – risks arising from not having enough or sufficiently qualified / experienced team members within the Society.
- **Model risk** – the potential for adverse consequences due to decisions being made based on incorrect or misused model outputs.
- **Operational resilience** – the risk that the Society fails to design resilience into business operations, underlying infrastructure and controls such that it is unable to withstand internal or external events that could impact the continuation of operations.
- **Data security** – the risk of failing to effectively govern, manage and control data.
- **Financial crime/fraud** – the risk that the Society's products and services are intentionally or unintentionally used to facilitate financial crime in the form of money laundering, terrorist financing, bribery and corruption, sanctions, and tax evasion, as well as external or internal fraud.
- **Cyber risk** – risks arising from a failure in the Society's information technology systems or processes.

Mitigating actions: Each first line business area analyses and assesses how operational risk impacts their activities and puts in place appropriate controls or other mitigating actions. The Risk team then reviews and challenges these first line assessments every quarter.

Where the Society has outsourced a particular activity, such as the provision of IT services, it has a robust set of procedures in place to oversee these activities, including monitoring closely the provision and quality of these services against pre-determined service level agreements and key performance indicators and ensuring the Society has adequate oversight over these activities.

The Society, like most organisations, is dependent on several key third-party suppliers. A framework is in place to assess and monitor all third parties before and during any contractual relationship, including their financial resilience and the risk they pose to the Society's data and cyber platforms.

There has been an increasing focus on operational resilience across the UK financial system. The Society has identified its Important Business Services and regularly assesses the risks that could threaten their operation and the capabilities available to maintain services. Business continuity and contingency plans have been developed to ensure the impact of any disruption is minimised and there is an ongoing programme to ensure stakeholders are familiar with the plans.

The Operational and Conduct Risk Committee, the Board Risk Committee and Board Audit Committee oversee operational Risk.

Commentary: The Society has been engaged in a multi-year project to upgrade its core banking platform, which was successfully delivered in Q4 2022 and has since reduced the Society's exposure to Operational Risk.

The Society continues to strengthen its approach to operational risk and resilience management and in 2023 has invested in its people to ensure that it can maintain a robust control environment.

Conduct risk

Description: Conduct risk is the risk of inappropriate customer outcomes or customer harm arising from a failure to act fairly and reasonably.

Mitigating actions: As a mutual the customer is at the heart of the Society's operations and processes. The Board have fully embraced the requirements of the consumer duty as the principles become firmly embedded within the Society's culture and the interests of the Society continue to be well served by its commitment to the fair treatment of all customers.

Conduct risk is overseen by the Operational and Conduct Risk Committee, which considers regular conduct risk management information, approves the Conduct Risk Policy and ensures that the customer is at the heart of the product development process, marketing, sales, and post-sales service. The Committee also regularly considers the treatment of vulnerable customers and ensures this is embedded across the business, for example in product development and changes.

Compliance and Internal Audit consider whether the Society is delivering appropriate outcomes for members as part of their reviews.

Commentary: The Society continues to monitor its treatment of customers and customer outcomes, including receiving additional feedback and surveys of customers who have found themselves in financial difficulties.

During 2023, the Society has focussed on embedding the Consumer Duty requirements in line with the regulatory deadlines. The FCA's requirements fit naturally with the ethos of the Society, as a mutual organisation.

Regulatory risk

Description: This is the risk arising from changes in laws or regulations governing the Society and/or failure to comply with legal or regulatory requirements.

Mitigating actions: The Board and Management Team closely monitor compliance with all regulatory requirements and keep up to date with relevant changes. The Society employs a team of compliance experts within the second line of defence to support its adherence to the regulatory requirements.

Commentary: The key areas of forthcoming regulatory change that will impact the Society, include the PRA's Strong and Simple Framework, Basel 3.1 and the continued implementation of Consumer Duty and Operational Resilience in line with the regulatory timescales.

Financial crime and fraud

Description: This is the risk that the Society's products and services are intentionally or unintentionally used to facilitate financial crime in the form of money laundering, terrorist financing, bribery & corruption, sanctions and tax evasion as well as external or internal fraud.

Mitigating actions: The Society would never knowingly enter an activity associated with a financial crime or fraud, and has processes and controls in place to mitigate this risk and ensure that the Society's complies with the legal and regulatory requirements in relation to anti-money-laundering (AML) and combatting the financing of terrorism.

Commentary: Like all financial institutions, the Society is exposed to some degree of financial crime risk as part of day-to-day operations, however has an extremely low tolerance and is committed to fulfilling its moral, lawful and regulatory obligations in this regard.

Climate risk

Description: Risks arising from either the physical changes to the climate (e.g. increased frequency and severity of extreme weather events such as flooding) or from transitioning to a low carbon economy.



Directors' Report

for the year ended 31st December 2023 (continued)

Mitigating actions: In line with regulatory expectations, the Society has integrated climate risk into its Risk Management Framework and has carried out analysis to improve the understanding of the financial risks it presents, including conducting stress testing through the Internal Capital Adequacy Assessment Process ("ICAAP").

Commentary: The Society will use the work carried out to date to inform its wider climate strategy to reduce its carbon footprint and to support its customers in transitioning to a low carbon economy.

Capital

Gross capital at 31st December 2023 was £126.7m (2022: £112.5m) being 7.25% of total shares and borrowings (2022: 6.49%). Free capital at the same date was £118.2m (2022: £103.5m) being 6.77% of total shares and borrowings (2022: 5.97%). An explanation of these ratios can be found in the Annual Business Statement on page 80.

Charitable donations

During the year, the Society made charitable donations amounting to £40k (2022: £303k). No contributions were made for political purposes.

Tangible fixed assets

The Directors consider that the overall market value of the freehold and leasehold properties occupied by the Society, including the principal office of the Society, corresponds to the book value that is included within tangible fixed assets (per Note 17 to the Accounts). In arriving at this view, the Directors have used external valuations of the Society's property portfolio. The book value of freehold assets differs from the external valuation obtained by the Directors due to additions made and depreciation charged since the valuation was obtained.

Creditor payment policy

The Society's policy is to pay trade creditors within the agreed terms of credit once the supplier has discharged its contractual obligations. At 31st December 2023, the Society had an average of five days' purchases outstanding in trade creditors (2022: 7 days).

Viability and going concern

The Board regularly engages in a forward planning process where it considers likely future growth, profitability, liquidity and levels of capital both in normal market conditions and across a range of stressed scenarios, including the implications of the cost of living crisis and potential recession in 2024.

The current economic conditions present ongoing risks and uncertainties for all businesses. In response to such conditions, and as required by the Financial Reporting Council, the Directors have carefully considered these risks and the extent to which they might affect the preparation of the Financial Statements on an ongoing concern basis.

Viability assessment

The Society has modelled a number of severe but plausible five-year scenarios as part of the latest ICAAP including a climate change stress scenario and a severe inflationary scenario. The ICAAP also included a reverse stress test.

The Society's five year Corporate Plan shows that levels of profit for the next few years remain at healthy levels which are capital-sustaining. On the basis of these profit levels and of headroom over minimum capital requirements, the Board concludes that both the ICAAP and the Corporate Plan support the going concern assumption.

Liquidity stress testing, including reverse stress testing, is modelled annually in the ILAAP and the levels of liquidity and stress scenarios are regularly updated with management meeting to review liquidity as well as reviewing in detail at the monthly ALCO meeting.

The Society's 2023 ILAAP showed that the Society held adequate liquidity to withstand a 92-day stress. The Society has continued to hold high levels of liquidity throughout 2023 and into 2024 and accordingly does not consider that liquidity levels undermine the going concern assumption.

Operational viability is assessed regularly by the Society to ensure that it can continue to offer services to Members in the face of a variety of stress scenarios. This ability was tested during the pandemic including the ongoing ability to maintain COVID-secure branches and offices and remote working for non-customer facing staff. The Society's measures worked effectively in maintaining services.

Conclusion

The Directors are required to consider whether the Society will continue as a going concern for a period of 12 months from the signing of the accounts. In making the assessment the Directors have reviewed the Society's five-year plans and forecasts, including related funding, capital needs and a robust assessment of the principal risks facing the Society, the Directors consider that the Society remains viable and is able to generate adequate profits for regulatory capital requirements and holds sufficient liquidity to maintain its solvency.

The Society has maintained strong liquidity and capital positions and the Directors are satisfied that this will continue for at least the 12-month period from the signing of the accounts. In conclusion they consider that the Society has adequate resources to continue in operational existence and continue to meet its liabilities over the five-year planning period and so they continue to adopt the going concern basis in preparing the Annual Report and Accounts.



Post balance sheet events

The Directors do not consider that any event since the year end has had a material effect on the position of the Society.

Corporate governance

The Board of Directors is committed to best practice in Corporate Governance. The report on pages 22 to 27 explains how the Society has regard to the principles of the UK Corporate Governance Code as far as they are applicable to building societies.

Auditor

The Auditor Mazars LLP has expressed its willingness to continue in office in accordance with Section 77 of the Building Societies Act 1986. A resolution for the reappointment of Mazars LLP as auditor is to be proposed at the Annual General Meeting on 23rd April 2024.

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

On behalf of the Board of Directors



John Spence

Chairman

19th March 2024

Board of Directors

for the year ended 31st December 2023



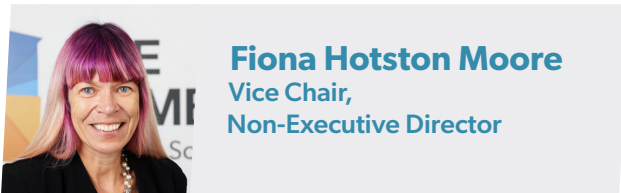
John joined The Cambridge in November 2020 and was appointed as Chairman of the Board in April 2021. John also chairs the Nominations Committee.

John has had a distinguished career in financial services, principally with Lloyds TSB where he ended his executive career with a series of Managing Director roles across various parts of the business. Born and raised in Edinburgh, John excelled as a scholar, spanning across George

Watson's College, Trinity College, Dublin and Harvard Business School.

John has held a range of roles, including Non-Executive Directorships, at the property group Spicerhaart and Skipton Building Society. He is also deeply committed to charitable and public service, being cabinet member for Health and Adult Social Care at Essex County Council and is a Deputy Lieutenant for Essex. He retired after ten years as Finance Chair of the Archbishops' Council of the Church of England on 30 September 2023.

John is a proud family man and lives with his wife, Yvonne, in Essex. He has a passion for cooking, swimming and gardening. John has been awarded the MBE, OBE and CBE for services to community, charity and business respectively.



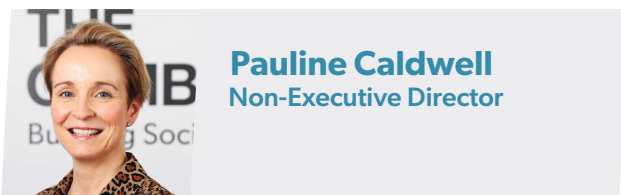
Fiona Hotston Moore joined The Cambridge in November 2018 and brings extensive financial expertise from a career in accountancy, which started in Cambridge at KPMG. Since then, she has been a Partner in a number of Top 10 and international firms in London. Fiona was appointed

Senior Independent Director and vice-Chair of the Board in April 2023.

Today sees her as a forensic services partner in FRP, a national strategic business advisory firm. Fiona is based in Cambridge and Norwich.

Fiona was attracted to The Cambridge because of our strong reputation, culture and focus on the local market. She is Chair of our Audit Committee and a member of the Nominations Committee.

Fiona is a keen runner and is active on social media. She works with the Samaritans as a listening volunteer and also supports communities within local prisons.



Pauline is a Global HR professional, Non-Executive Director, and Executive coach with 20+ years' experience. She has operated at C-Suite level across professional services, within law, accountancy, risk, engineering, wealth management and healthcare.

Her ability to understand the complexities of the environments in which people work enables her to advise Boards and leaders on their people leadership capabilities

in a business first, commercially focused, supportive yet challenging way.

Pauline's key areas of expertise cover people leadership and development, compensation and remuneration, succession planning, ED&I and relationship management. She joined the Board in April 2023 as Chair of our Remuneration & People Committee and is a member of the Audit Committee.

She is MCIPD-qualified and holds a Practitioner Diploma in Executive Coaching and a Systemic Team Coaching certificate via the Academy of Executive Coaching.

Pauline enjoys practising yoga, personal training, reading fiction, leadership and coaching books, and is a keen cinema buff. Pauline is also a proud auntie to her seven nieces and nephews.



Harriet joined The Cambridge in 2000 as a member when she opened a savings account for the first of her three children. In 2023 she joined the Board to help with its contribution to the community and the city she loves. Harriet is a member of the Risk and Remuneration & People Committees.

She brings a unique combination of financial services, treasury and environmental, and social and governance

expertise. Having started her career in the treasury of a small bank, Harriet later went onto lead benchmark reform for the Financial Conduct Authority. Her work has been recognised with several financial product awards and Harriet is a FN 100 Women in Finance holder. Now she serves on critical benchmark oversight boards, advisory boards and works at the University of Cambridge on finance for climate and nature initiatives.

Climate change and a just and fair transition are among her key interests, and she brings experience of helping leaders incorporate new approaches.

Harriet lives in Trumpington, Cambridge, is married to Joe, and has three children. The family all enjoy cooking and eating together. In her spare time, Harriet is a Cambridge Caring Together volunteer.

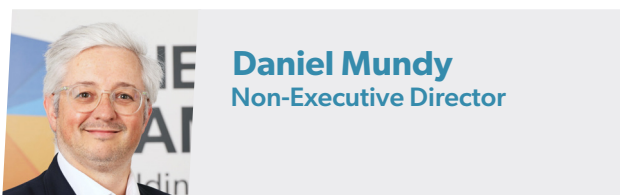


Mark joined the Board in October 2023 and has strong affinity with the Cambridge community having studied law at St John's College and spent his executive career at

Mills & Reeve whose largest office is in the city. Mark was the Managing Partner of Mills & Reeve for six years and the Senior Partner for eight years.

Since retiring from Mills & Reeve, Mark has held a series of non-executive roles in a wide variety of organisations including R.G. Carter Holdings and Britten Sinfonia. Mark is also Chair of the Council of Norwich University of the Arts.

Mark lives in Norwich with his wife, Catherine, with whom he has two adult children and two grandchildren.



Daniel Mundy joined The Cambridge as a Non-Executive Director in January 2023 and is Chair of the Risk Committee.

Over an executive career spanning 25 years, Daniel has held senior roles (including CFO and CRO) across several regulated entities and UK financial service regulators.

Once Daniel completed his formal studies in maths and economics at University College London, he started his professional career at the Halifax and subsequently worked

at several leading mutual organisations, including Yorkshire Building Society, Nationwide Building Society and the Nottingham Building Society. In addition to these roles in the mutual sector, Daniel also worked within the regulator as part of its leadership team after the global financial crisis.

Daniel is also a trustee of DEBRA, UK. DEBRA's mission is to improve the lives of individuals and families affected by Epidermolysis Bullosa (EB) by providing support, research, and advocacy for this rare genetic condition. As well as being a trustee, Daniel is also Chair of DEBRA's Finance, Risk and Audit committee.

Daniel lives in Rutland with his young family and ever-growing collection of family pets, and spends his leisure hours pacing various sports pitches across the Midlands.

Board of Directors

for the year ended 31st December 2022 (continued)



Professor Andrew Rice
Non-Executive Director

Andrew joined The Cambridge in February 2020 and has extensive experience in computer technologies including privacy and professional software development. He is the Society's Consumer Duty champion and a member of the Risk Committee, the Remuneration & People Committee and the Nominations Committee.

Andrew has worked as Principal Researcher at GitHub Software UK Ltd since January 2022, using artificial intelligence to enhance software engineering. He previously worked in the Department for Computer Science and Technology at the University of Cambridge, where his research in software engineering and related areas is internationally recognised.

He also has a strong interest in teaching and co-founded the Isaac Computer Science and Isaac Physics projects, which provide online learning resources for school children across the UK.

Andrew lives in Toft, near Cambridge, with his family. He enjoys jogging and keeps himself busy on his allotment growing his own fruit and vegetables, although he ends up sharing a lot of the produce with the local wildlife.



Peter Burrows
Chief Executive Officer

Peter was appointed Chief Executive Officer in October 2019 having joined the Society in 2016. His vision is for The Cambridge to be a thriving, independent, mutual business, dedicated to helping people have a home and being a trusted place for people to save.

He has more than 25 years of financial services experience, having held senior roles in both mutual and plc businesses and worked in the UK, as well as in mainland Europe. In addition to ensuring that The Cambridge remains a member-centric, financially secure business, Peter is

committed to the further development of our 'Making The Difference' programme aimed at supporting our members and their local communities.

A mathematics graduate of Oxford University, Peter now embraces 'all things Cambridge' as a keen road cyclist and runner alongside the River Cam. A favourite area is around Magdalene Bridge, which for him is where history and modernity meet.

Outside of the Society, Peter is a trustee of Astrea Academy Trust, a multi-academy trust with schools across Cambridgeshire and Yorkshire.

Peter sits on the Nominations Committee and attends the Audit, Risk and Remuneration & People committees. He is also one of the Society's representatives on The Cambridge Building Society Community Fund panel.



Richard Brockbank
Chief Financial Officer,
Executive Director

Richard joined the Board at The Cambridge in 2020 as Chief Financial Officer and brings a wealth of experience to the role.

After graduating from the University of Cambridge and qualifying as a Chartered Accountant, Richard spent 10 years working in early-stage venture capital fund management.

In 2015, Richard joined the Society as Head of Finance where he has been integral to the delivery of The Cambridge's strategy to deliver sustainable growth focused on long term benefits to both savers and borrowers.

In Richard's spare time he is a keen photographer. He also loves baking and is a keen (but slow!) cyclist.



Carole Charter
Chief Commercial Officer,
Executive Director

Carole Charter joined the Society in 2003 and has since held a variety of marketing and customer-related roles within the business. She was appointed to Chief Commercial Officer and joined the Board in April 2020.

Carole brings a wealth of knowledge and understanding of financial services and the building society sector to the

role, which encompasses responsibility for marketing, product development, lending, and financial support and arrears.

Carole has an Accountancy and Financial Management degree from the University of Sheffield. Carole attends the Risk Committee and chairs the Operational and Conduct Risk Committee.

In Carole's spare time she's a big 'foodie' and enjoys cooking up curries and the occasional paella. She would also like to spend more evenings attending the local theatre, the West End, and the opera.



Lucy Crumplin
Chief Operating Officer,
Executive Director

Lucy Crumplin joined The Cambridge in November 2019 as interim Head of People and during 2020 became our Chief Operating Officer and member of our Board.

Lucy studied English Literature and Psychology at Cardiff University before joining KPMG and completing an MSc in Human Resources. Her skill in driving business improvement, turning strategy into reality and building

positive workplace cultures has grown over more than 20 years in management consultancy and in-house leadership roles. She also has six years' experience as a Non-Executive Director of an NHS Foundation Trust.

Today, Lucy is responsible for ensuring The Cambridge has the operational capability to deliver outstanding customer service, help more people have a home, and make a difference in our community. Her remit includes customer engagement (our branch network and customer contact centre), IT and change, people and culture, underwriting, facilities and operational resilience.

Outside of work Lucy can usually be found cheering on her son and daughter at various sports fixtures, walking the dog, or just relaxing in front of the TV.



Sandhya Kwar
Chief Risk Officer,
Executive Director

Sandhya joined the Board of The Cambridge as Chief Risk Officer in January 2022.

Sandhya studied BSc and MSc Economics at the London School of Economics and Warwick Universities. She started her career as an economist at the Bank of England in 2004.

She has since worked as a risk consultant at Deloitte and within the Risk and Operations teams at M&G. Most recently, Sandhya was Head of Risk at Britain's oldest private bank, C. Hoare & Co.

Sandhya and her husband welcomed a beautiful baby boy into their lives over the summer. As a result, Sandhya has become the first ever director of the Society to take maternity leave and we look forward to welcoming her back in 2024.

Corporate Governance Report

for the year ended 31st December 2023

The UK Corporate Governance Code was produced in 1992 with subsequent updates detailing the requirements for listed firms to demonstrate compliance. Whilst building societies are not bound by the Code, the Prudential Regulation Authority expects building societies to have regard to the Principles of the Code when arranging their governance.

The Principles emphasise the value of good corporate governance to long-term sustainable success. Each of the Principles is outlined below, with information demonstrating how the Society delivers the requirements through its activities, culture and values.

Board leadership and company purpose

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

The recent successes achieved by the Society is evidence of the effectiveness of the Board, which is led by an experienced and committed Chairman. The Board prides itself on supporting entrepreneurial initiatives as demonstrated in the signing of a Forward Flow arrangement with Roma Finance during 2023. This agreement opens up access to new markets for the Society and deepens a relationship with a trusted partner. More detail on this agreement is provided elsewhere in the Report.

The Society established The Cambridge Building Society Community Fund which awards grants of up to £10,000 to charities, community groups and organisations operating within a 15-mile radius of our branch and store network. Grants are recommended twice yearly by the Fund Panel on which the Society is represented by the Chief Executive Officer and two other members of staff.

The Society's Board comprised seven Non-Executive Directors and five Executive Directors on 31st December 2023. Following the resignation of Stephen Jack, Andrew Jones and Andrew Morley, who all reached the maximum nine-year term for an independent Director during the year, the Board appointed Pauline Caldwell, Harriet Hunnabe and Mark Jeffries as Directors in order to maintain a majority of independent Directors. Pauline, Harriet and Mark will stand for election at the AGM in April 2024. All other Board members will stand for annual re-election. Fiona Hotston Moore was elected by the Board as the vice-Chair and Senior Independent Director.

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

The Board reviewed and updated the Strategic Plan during the year and restated the strategic imperatives for the next five years. The Society's annual business targets are regularly reviewed against the Strategic Plan to ensure that they remain commensurate with its purpose and strategy. Core products for savings and mortgages are designed to support Members with achieving their personal goals, and updated to ensure they remain relevant.

Executive and Non-Executive Directors are certified annually as competent to continue in role, in accordance with the Senior Managers and Certification Regime. There have been no conduct breaches reported by the Society since the introduction of this Regime.

A Non-Executive Director, Andrew Rice, has been appointed as Consumer Duty Board Champion to ensure that the Board are focused on customer outcomes and avoiding customer harm in their decision-making.

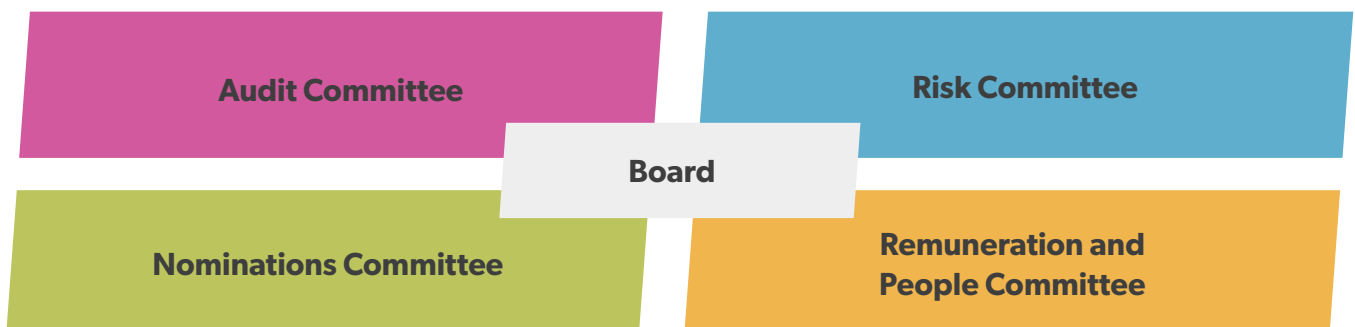
C. The Board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The Board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

Board and Committee packs are presented in advance of meetings to enable committee members to review relevant and timely information relating to progress made against business objectives. In between these meetings, the Executive meet regularly to oversee achievements of individual business areas and address any issues arising in a timely manner.

There are four core Board Committees: Risk Committee, Audit Committee; Remuneration and People Committee, and Nominations Committee.

Each Board Committee is chaired by a Non-Executive Director and Terms of Reference are reviewed annually and published on the Society's website. External and Internal Auditors attend each Audit Committee meeting, and Internal Auditors observe Board meetings on an annual basis. The Committees self-assess their effectiveness annually and feedback is incorporated into future meeting design.

Operational Committees are in place to oversee granular detail of key risk areas and their controls, and these Committees report into relevant Board Committees on a regular basis.



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

The Cambridge is run for the benefit of its members and values its history as a thriving, independent mutual building society. Customer feedback is regularly sought through independently conducted surveys and the results are analysed and presented to the Leadership Team to agree resulting actions.

The 2023 Annual General Meeting was once again held at the Society’s Head Office in Cambridge and an option to participate online in discussions was also available to those who couldn’t attend in-person. Members appreciated the opportunity to interact with the senior team. Results of votes cast in person and in advance were published on the Society’s website and Members were over 94% in favour of each of the resolutions.

The Leadership Team and Board engage with team members via Our Forum, a staff representative group which meets regularly to discuss forthcoming planned changes, practices and culture. This group supports development of projects and feeds ideas back to the wider team.

Online anonymised staff surveys are used to gather feedback and measure levels of team engagement.

The Mortgage Business Development Team work closely with Intermediaries who introduce new mortgage customers to the Society. This relationship is enhanced by regular feedback sessions enabling the Team to improve their support to these key stakeholders.

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

The Staff Handbook is regularly reviewed to ensure that the policies and procedures work within best practice guidelines to ensure fairness and consistency, and new

methods of working are tested, discussed and evaluated for practical adoption. The Handbook is available online for all staff to view, with additional support available from the People Team.

Regular Staff Forum meetings are held by the Chief Executive to provide a safe environment for the raising of any concerns, anonymously if required, by staff representatives. The Forum reviews policies and practice to ensure that they are in line with core values and enable a thriving environment to flourish. Staff representatives are elected for a maximum two-year term, following which they may stand for re-election.

The Senior Independent Director is the Society’s Whistleblowing Champion and all team members are aware of how to raise concerns with her, anonymously if required, for investigation. In accordance with the FCA Senior Management Arrangements Systems and Controls handbook, an annual summary report covering the operation and effectiveness of the Society’s policy in relation to whistleblowing is provided to Board members.

Division of responsibilities

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

The Chairman leads each Board meeting and ensures that the topics covered enable effective evaluation of the progress made towards the Society’s objectives. Summary reports are provided from Board Committees and the Executive Team to enable all Board members to debate internal and external challenges and achievements. The Chairman has been in role for three years and demonstrates independent judgement and control. The Board meets annually each year without the Chairman to discuss his performance. Board and Committee papers

Corporate Governance Report

for the year ended 31st December 2023 (continued)

are issued in advance of each meeting to enable quality preparation for discussion, and presentations from members of the Leadership Team provide updates on current projects and proposals.

The Chairman is available to all Board members between meetings and regularly provides feedback and ideas to enable a culture of continuous improvement.

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

The Board comprised seven Non-Executive Directors and five Executive Directors on 31st December 2023.

Three Non-Executive Directors retired in April 2023: Stephen Jack, Andrew Jones and Andrew Morley as they had reached the nine-year limit for independent Directors. An external recruitment agency, Stanton Chase, conducted the search for three new Non-Executive Directors to join the Board during 2023 and we were pleased to welcome Pauline Caldwell, Harriet Hunnable and Mark Jeffries.

In view of the impact of losing his background knowledge and experience from the Board, Andrew Jones continued to serve as a Non-Executive Director until the end of September 2023 while he handed over his role of Chair of Risk Committee to Daniel Mundy. Andrew Jones therefore served for nine years and five months, however, Nominations Committee assessed him to still be independent.

The roles of Chairman of the Board and Chief Executive are held by separate individuals with a clear division of responsibilities. The Chairman leads the Board and ensures it discharges its duties and responsibilities to members effectively. Fiona Hotston Moore took over as Senior Independent Director from Andrew Morley in April 2023 and oversees the process for annual election of the Board Chair and acted as a sounding Board for the Chairman during the year.

The Chief Executive implements the strategies and policies agreed by the Board supported by the Executive Directors and wider Leadership Team.

The Chairman was considered independent upon appointment to the position. All other Non-Executives are considered to be independent and they form a majority on the Board.

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

During the recruitment search for Non-Executive Directors the interview process outlines the time commitment required and establishes the ability of individuals to undertake their responsibilities. For all members of the Board the acceptance of subsequent additional external roles is subject to the approval of Nominations Committee to ensure that there is neither a conflict of interest nor dilution of time available for Society commitment.

When recruiting new Non-Executive Directors, Nominations Committee ensures that there is comprehensive cover within the Board of the required range and levels of skills and knowledge to enable appropriate challenge and support for Executives.

Non-Executive Directors met without the Executive Directors in June 2023 to discuss performance of the Executive team against objectives. Non-Executive Directors excluding the Chairman meet with the Executive Directors annually to review the performance of the Chairman and feedback to the Chairman is provided by the Senior Independent Director.

Sandhya Kavar became the first serving Director of the Society to take maternity leave as she welcomed a beautiful baby boy into her life. The Board look forward to welcoming Sandhya back in 2024. During Sandhya's leave an interim Chief Risk Officer has been employed but not appointed as a Director.

Confirmation of attendance at the Board and Committee meetings which each individual was eligible to attend in 2023 is outlined on page 27.

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

The Society's Company Secretary ensures that the Board members have access to appropriate information and resources. Delegated Authorities are regularly reviewed to enable appropriate committees or individuals to perform functions on behalf of the Board, although the Board retains overall accountability and responsibility.

Sufficient time is scheduled for Board and Committee meetings which are regularly briefed by members of the wider leadership team. Papers are issued well in advance, providing the opportunity to seek clarification before or at the meeting.

On appointment to the role members of the Board are made aware of the time commitment expected and further external commitments are subject to approval of Nominations Committee to ensure that availability is not eroded.

If necessary, the Board members are able to seek independent professional advice at the Society's expense.

Composition, succession and evaluation

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

In order to attract a capable and diverse range of applicants for the replacement of the retiring Non-Executive Directors outlined in section G, the executive search firm Stanton Chase was appointed to identify and recommend potential candidates to Nominations Committee. This search was successful in identifying three new Non-Executive Directors in Pauline Caldwell, Harriet Hunnoble and Mark Jeffries. Each current Executive Director is eligible for and will seek re-election to the Board at the Annual General Meeting in April 2024.

All appointments are subject to the approval of the Prudential Regulation Authority and Financial Conduct Authority in line with the Senior Managers and Certification Regime, and all candidates have been duly approved.

The Remuneration & People Committee has reviewed the Society's Diversity and Inclusion Policy and considers that appointments for all roles are based on merit. On 31st December 2023 the Board and Senior Leadership Team was comprised of 55% female appointments, the Board has six male Directors and six female Directors. In 2023 one Executive Director, Sandhya Kavar, took maternity leave and we look forward to welcoming her back in 2024.

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

A full review of Board knowledge and skills is completed annually by Nominations Committee. Board members are

invited to serve a term of three years on the Board, subject to satisfactory performance and annual re-election by Society Members. Their service contract may be renewed twice to enable a total of nine years' service.

Nominations Committee review an individual's contribution and capacity prior to renewal, to ensure that the Board remains relevant and configured for the identified business challenges ahead. All appointments are subject to approval of the Society's members who vote on the election or re-election of Directors. All member approved re-elections at the AGM in 2023 were in excess of 97% positive votes.

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

The Board assesses its performance annually. Nominations Committee monitors the composition and diversity of the Board through the year. The Chairman meets each Non-Executive Director on an individual basis at least annually to assess and feedback their performance.

Clare Chalmers of Clare Chalmers Ltd was engaged to conduct an independent external review of the Board in November 2021 and has been commissioned to conduct another review in 2024. Performance of individual Directors is evaluated with feedback given by the Chairman and Chief Executive as appropriate. The performance of the Chairman is discussed by the Board annually and feedback given to him by the Senior Independent Director.

The Board reviews composition and diversity annually and takes into account requirements for the future when recruiting.

Audit, risk and internal control

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

Audit Committee meets at least four times a year. A summary of Committee minutes is presented by the Committee Chair to the following Board meeting and full minutes made available to all Board members. At least annually the auditors meet the Audit Committee members without the Executive Directors present.

Corporate Governance Report

for the year ended 31st December 2023 (continued)

Following their appointment to the role in 2020, Mazars LLP continue to act as External Auditors to the Society.

The production of the Annual Report and Accounts is overseen by members of the Leadership and Finance Teams, with sign off by the Chairman, Chief Executive and Chief Financial Officer following review by the Audit Committee and Board.

Deloitte LLP continue to act as Internal Auditors to the Society, providing independent audit reviews of key Society functions and procedures. The Engagement Director was stood down by rotation in January 2023 and completed a thorough handover to his successor.

Neither auditor company has completed any prohibited non-audit work for the Society during this year.

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

The Statement of Directors' Responsibilities on page 32 sets out the Directors' responsibilities in respect of the preparation of the Annual Report, Annual Business Statement, Directors' Report and the Annual Accounts. The Directors' Report contains confirmation that the Society continues to be considered to be a going concern.

The Audit Committee completes a full review of the Annual Report and Accounts and have recommended approval to the Board.

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

The Society has established a comprehensive Risk Management Framework to provide an effective method of tracking and managing risk.

The Framework's purpose is to provide a structured and disciplined approach to managing risk, with documented procedures for identification, mitigation and control of material risks to the Society's business. Each business area is responsible for ensuring that appropriate controls are designed, maintained and operate effectively to manage risks. The Framework will continue to be developed to support the Society's managed growth plans and continued sophistication.

Using the traditional Three Lines of Defence Model, the Society monitors and reports risk exposures relative to risk appetite alongside ongoing improvements to the Risk and Compliance Strategy. All customer facing teams and support functions form the first line of defence, with the Risk and Compliance Team providing second line independent oversight and challenge. In turn, independent assurance reviews and controls testing is undertaken by Internal Audit providing the third line of defence.

The Board receives regular reporting updates via Risk Committee on the extent and nature of principal risks and the adherence to the Society's risk appetite.

Internal Audit and the Society's Compliance Monitoring Team review business areas to test the effectiveness of the procedures and systems in place, recommending appropriate enhancements and tracking actions through to implementation.

Remuneration

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

The Directors' Remuneration Report on page 28 sets out the policy of the Remuneration & People Committee when reviewing Directors' remuneration. Recruitment of Executives takes into account the wider employment market, the needs of the Society and the delivery of forthcoming strategic plans. Executive Directors are eligible to participate in the Sharing in Success annual performance scheme alongside all team members, and receive no additional performance related incentive payments.

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

Remuneration & People Committee is responsible for recommending to the Board the framework or broad policy for the Society's remuneration including that of the Chair and Executive Directors. The Committee also reviews Leadership Team remuneration annually to ensure that it is sufficient to attract, retain and motivate individuals whilst balancing Society finances. Executive Directors participate in the Society-wide annual performance award scheme which is designed and approved by Remuneration & People Committee.

Nominations Committee agrees the strategic policy for the remuneration of the Society's Non-Executive Directors and reviews the fees annually to ensure that they remain competitive whilst reflecting the required levels of contribution to the success of the Society.

Nobody is involved in discussions relating to their own remuneration outcome.

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

The Society operates one annual award scheme for all team members as a reward for achieving or exceeding the required level of customer experience and profit targets for the organisation.

Remuneration & People Committee agrees the new scheme targets annually and reviews performance against objectives to assess whether any pay out should be made. Compliance, ethical standards, appropriate risk management and financial performance of the Society are taken into account before the final level of award is determined.

Non-Executive Directors do not receive any element of variable remuneration.



John Spence

Chairman

19th March 2024

Directors' attendance record

The attendance record for Board members is shown in the table below. The table shows the actual number of meetings attended with the number of meetings for which the Directors were eligible to attend.

Board member	Board	Audit	Risk	Nominations	Remuneration & People
John Spence	9 (9) Ch	-	-	3 (3) Ch	3 (3)
Stephen Jack	2 (2) Vc ¹	1 (1)	5 (5)	1 (1)	-
Fiona Hotston Moore	8 (9) Vc	4 (4) Ch	-	3 (3)	-
Pauline Caldwell	6 (6)	3 (3)	-	-	2 (2) Ch ²
Harriet Hunnoble	6 (6)	-	4 (5)	-	2 (2)
Mark Jeffries	2 (2)	1 (1)	-	-	-
Andrew Jones	7 (7)	-	8 (8) Ch	-	-
Andrew Morley	2 (2)	-	-	1 (1)	1 (1) Ch
Daniel Mundy	9 (9)	2 (2)	9 (10) Ch ³	-	-
Andrew Rice	9 (9)	-	10 (10)	2 (2)	3 (3)
Peter Burrows	9 (9)	4 (4) A	10 (10) A	3 (3)	3 (3) A
Richard Brockbank	9 (9)	4 (4) A	10 (10) A	-	-
Carole Charter	9 (9)	-	10 (10) A	-	-
Lucy Crumplin	9 (9)	-	10 (10) A	-	3 (3) A
Sandhya Kawar ⁴	5 (9)	2 (4) A	7 (10) A	-	-

Ch – denotes Chair/Chairman

Vc – denotes Vice-Chairman

A – denotes attendee only

() – denotes number of meetings eligible to attend

¹ Fiona Hotston Moore replaced Stephen Jack as Vice Chair of the Board from April 2023

² Pauline Caldwell replaced Andrew Morley as Chair of the Remuneration & People Committee from April 2023

³ Daniel Mundy replaced Andrew Jones as Chair of Risk Committee from October 2023

⁴ Sandhya Kawar was on maternity leave from July 2023

Directors' Remuneration Report

for the year ended 31st December 2023



From **Pauline Caldwell**,
Chair of the Remuneration and People Committee

UK Corporate Governance Code

The report on remuneration for the year ended 31st December 2023 considers the areas set out in the UK Corporate Governance Code relating to remuneration in so far as they are considered relevant to building societies, the relevant requirements of the Prudential Regulation Authority's Rulebook and Financial Conduct Authority's Remuneration Code.

Purpose of the Report

The report includes an overview of Executive and Non-Executive Directors' remuneration, as well as a summary of how our Remuneration & People Committee helped shape our culture during 2023.

Remuneration & People Committee

The primary objective of the Remuneration & People Committee, under delegated authority from the Board, is to make recommendations to the Board on the general remuneration policy of the Society including the remuneration of Executive Directors. In addition to this, the Committee provides general oversight of all aspects of people and culture at The Cambridge.

The Committee ensures that remuneration is in line with the Society's values, corporate objectives, and ambitions. The Committee has responsibility for approving the Society's:

- Remuneration policy
- Organisational Design policy
- Non-Executive Directors' Expenses policy.

In 2023 the Remuneration & People Committee met on three occasions. It is made up of four Non-Executive Directors as shown on page 27. The Chief Executive, Chief Operating Officer and Head of People attend some agenda items by invitation.

As well as approving the above policies, the Remuneration & People Committee's activities in 2023 included:

- Consideration of the Society's annual pay review and related rewards for 2023
- Approval and monitoring of the Society's variable pay scheme 'Sharing in Success', including agreement of related objectives
- Approval of the Society's Leadership Team changes, expanding the 'Heads of Function' team
- Meeting directly with team members from Our Forum (see page 23) to understand our workplace culture from their perspective
- Having oversight of the Society's Executive succession plan
- Receiving an update on our approach to Diversity, Inclusion and Belonging which included an update on the Society's Gender Pay Gap and progress against Women in Finance Charter targets
- Ensuring compliance with current regulatory requirements and their impact on the organisation.

Remuneration in 2023

The Strategic Report provides an overview of the performance of the Society during 2023.

The Remuneration & People Committee reviews Executive Director remuneration annually to ensure that it is sufficient to attract, retain and motivate appropriately skilled individuals whilst balancing Society finances and affordability. On an ongoing basis it considers the alignment of Executive Director objectives with Society objectives, and individual Executive Director performance.

In line with team member remuneration, the Executive Directors received a salary increase on 1st April 2023. Following a periodic review of Executive Director salaries against peer competitors, the Society's Chief Executive Officer received a further increase in July 2023 to ensure that his remuneration remained appropriate and aligned to market norms.

The Committee also reviewed and determined the remuneration for those holding 'Head of department' roles.

The remuneration of the Executive Directors is shown on page 31.

Other Remuneration Code requirements

The Society adheres to the requirements of the Remuneration Code as defined by the Financial Conduct Authority. The Non-Executive Directors do not receive any element of variable remuneration.

Information on the Society's other Remuneration Code requirements is set out in the Pillar 3 disclosure published annually on the Society's website [cambridgebs.co.uk](https://www.cambridgebs.co.uk), along with the Committee terms of reference.

All members eligible to vote at the Society's Annual General Meeting will have the opportunity to approve the Annual Report on Remuneration through an ordinary resolution (non-binding). The 2023 Report received a 94.3% positive vote.

Remuneration Policy

The Society's remuneration policy governs its approach to salary, benefits and bonus scheme construction. All elements of remuneration are reviewed on an annual basis.

The Society's policy for the reward of Executive Directors and Leadership Team is to ensure that remuneration is aligned to their overall responsibilities and delivery of corporate objectives. This includes ensuring that the delivery of objectives is in line with the Society's view on risk.

A variable pay scheme known as 'Sharing in Success' is in place for all team members. The scheme focuses on the importance of customer experience, Society profitability and the long-term financial well-being of the organisation. The Executive Directors participate in this scheme on an equal basis with other team members. There is no separate Executive Director bonus scheme or similar.

Non-Executive Directors

The level of fees payable to Non-Executive Directors is assessed using information from comparable organisations.

Remuneration comprises a basic fee with a supplementary payment for the Chair, Vice-Chair, Consumer Duty champion and committee chairs.

Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not take part in any incentive scheme nor receive any other benefits. Non-Executive Directors do not have employment contracts with the Society.

Fees are set by the Chair and Chief Executive (except for the Chair, whose fee is set by the Vice-Chair and Chief Executive) and hence no Director takes part in any discussion concerning their own fee.

Executive Directors

The remuneration of Executive Directors reflects their responsibilities and roles within the Society. This year it comprised basic salary and various benefits. The Society has no share option scheme and none of the Executive Directors has any beneficial interest in, nor any rights to subscribe for shares in or debentures of, any connected undertaking of the Society.



Directors' Remuneration Report

for the year ended 31st December 2023 (continued)

Basic salary

Salaries are reviewed on an annual basis and are benchmarked against both the sector and the wider financial services sector.

Sharing In Success Scheme

The Society operates an annual 'sharing in success' variable pay scheme. All team members, including Executive Directors, are eligible to participate on the same basis.

The Remuneration & People Committee agrees the Scheme rules on an annual basis and assesses whether and to what extent any payment should be made, giving due regard to affordability, compliance, ethical standards and appropriate risk management.

The Scheme in 2023 again focused on performance against two measures: customer satisfaction and controllable profit, and set indicative targets for a potential payment range of between 0 and 15% of an individual's basic pay.

The Remuneration and People Committee agree the level of payment to be made and every participant receives the same percentage of their basic pay.

Pensions and other benefits

Executive Directors are entitled to pension and other benefits on the same basis as all other team members.

They are members of the Society's Personal Pension Scheme, details of which are set out in Note 26 on pages 63 to page 65.

Alongside all staff members they may apply for a mortgage on a subsidised interest basis and participate in the Society's private healthcare arrangements.

Recruitment policy for Executive Directors

The Committee's approach is to set remuneration with regard to market norms and reflect the individual's skills, knowledge and behaviour. Any new Executive Director's remuneration package will be consistent with our remuneration policy as outlined in this report.

Other Directorships

Subject to Nominations Committee approval, Executive Directors may hold external directorships. The Remuneration and People Committee sees this as a useful tool in the ongoing professional development of individual Executive Directors. None of the Executive Directors holds any paid external directorships.

Directors

The following were Directors of the Society during the year:

John Spence (Chair)

Stephen Jack (Vice-Chair until 24th April 2023)

Fiona Hotston Moore (Appointed Vice-Chair 25th April 2023)

Andrew Jones (until 30th September 2023)

Andrew Morley (until 24th April 2023)

Andrew Rice

Daniel Mundy (Appointed 1st January 2023)

Harriet Hunnable (Appointed 24th April 2023)

Mark Jeffries (Appointed 1st October 2023)

Pauline Caldwell (Appointed 24th April 2023)

Peter Burrows (Chief Executive)

Richard Brockbank

Carole Charter

Lucy Crumplin

Sandhya Kawar (Maternity leave started 2nd July 2023)

Harriet Hunnable, Mark Jeffries and Pauline Caldwell joined the Board during 2023 and along with Daniel Mundy will stand for election to the Board by Membership vote at the Annual General Meeting in April 2024. Richard Brockbank, Peter Burrows, Carole Charter, Lucy Crumplin, Fiona Hotston Moore, Sandhya Kawar, Andrew Rice and John Spence are each eligible for, and will seek, re-election to the Board.

None of the Directors has any beneficial interest in any connected undertaking of the Society as at the year-end.

The Society maintains liability insurance cover for Directors and Officers as permitted by the Building Societies Act 1986.

Biographies of the Board appear on pages 18 to 21.

Pauline Caldwell

Chair of the Remuneration
& People Committee
19th March 2024

	Society 2023					Society 2022				
	Salary (Gross)	Performance related pay	Benefits	Pension contribution	Total 2023	Salary (Gross)	Performance related pay	Benefits	Pension contribution	Total 2022
Non-Executive Directors										
John Spence (Chairman)	54,792	–	–	–	54,792	49,314	–	–	–	49,314
Stephen Jack (Vice-Chairman – Retired 24th April 2023)	11,083	–	–	–	11,083	33,734	–	–	–	33,734
Fiona Hotston Moore (Vice-Chair – Appointed Vice-Chair 25th April 2023)	36,313	–	–	–	36,313	33,734	–	–	–	33,734
Pauline Caldwell (Joined Board 24th April 2023)	25,238	–	–	–	25,238	–	–	–	–	–
Pauline Holroyd (Retired 30th September 2022)	–	–	–	–	–	21,140	–	–	–	21,140
Harriet Hunnab (Joined Board 24th April 2023)	21,650	–	–	–	21,650	–	–	–	–	–
Mark Jeffries (Joined Board 1st October 2023)	7,875	–	–	–	7,875	–	–	–	–	–
Andrew Jones (Retired 30th September 2023)	27,125	–	–	–	27,125	33,734	–	–	–	33,734
Andrew Morley (Retired 24th April 2023)	11,083	–	–	–	11,083	33,734	–	–	–	33,734
Daniel Mundy (Joined Board 1st January 2023)	32,438	–	–	–	32,438	–	–	–	–	–
Andrew Rice	33,000	–	–	–	33,000	28,640	–	–	–	28,640
Total	260,597	–	–	–	260,597	234,030	–	–	–	234,030
Executive Directors										
Peter Burrows (Chief Executive Officer)	270,815	37,188	1,091	32,498	341,592	247,921	23,722	2,066	29,751	303,460
Richard Brockbank (Chief Financial Officer)	175,301	22,525	2,579	21,036	221,440	150,164	13,498	3,554	18,020	185,236
Carole Charter (Chief Commercial Officer)	121,575	17,119	1,672	17,784	158,150	114,125	10,750	3,827	15,686	144,388
Lucy Crumplin (Chief Operating Officer)	123,375	16,931	1,091	14,805	156,202	112,875	10,083	2,066	13,545	138,569
Sandya Kavar (Chief Risk Officer)	134,949	26,893	1,116	33,831	196,789	95,455	–	1,606	9,818	106,879
Total	826,015	120,656	7,549	119,954	1,074,173	720,540	58,053	13,119	86,820	878,532
Total Directors' remuneration	1,086,612	120,656	7,549	119,954	1,334,770	954,570	58,053	13,119	86,820	1,112,562

Statement of Directors' Responsibilities

for the year ended 31st December 2023

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

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

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

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

In preparing the annual accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts
- Prepare the annual accounts on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

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

Directors' responsibilities for accounting records and internal controls

The Directors are responsible for ensuring that the Society:

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

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

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

Independent Auditor's Report

to the members of Cambridge Building Society

From **David Allen**, Senior Statutory Auditor

Opinion

We have audited the annual accounts of The Cambridge Building Society (the 'Society') for the year ended 31st December 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Members' Interests, the Statement of Cashflows and notes to the annual accounts, including a summary of significant accounting policies.

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

In our opinion, the annual accounts:

- Give a true and fair view of the state of the Society's affairs as at 31st December 2023 and of the Society's income and expenditure for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- Have been prepared in accordance with the requirements of the Building Societies Act 1986.

Basis for opinion

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

Conclusions relating to going concern

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

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

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Society's ability to continue as a going concern

- Making enquiries of the Directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Society's future financial performance
- Challenging the appropriateness of the Directors' key assumptions in their forecasts by reviewing supporting and contradictory evidence in relation to these key assumptions and assessing the Directors' consideration of severe but plausible scenarios. This included inspecting the Society's most recent Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP') and its reverse stress testing
- Testing the accuracy and functionality of the model used to prepare the Directors' forecasts
- Performing sensitivity analysis by flexing the stress scenarios to assess the impact on the capital and liquidity position of the Society
- Assessing the historical accuracy of forecasts prepared by the Directors
- Assessing and challenging key assumptions and mitigating actions put in place in response to the current economic situation, including but not limited to, the 'cost of living crisis', inflation levels and interest rates;
- Considering the consistency of the Directors' forecasts with other areas of the annual accounts and our audit, and
- Evaluating the appropriateness of the Directors' disclosures in the annual accounts on going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least 12 months from the signing of the accounts.

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

Key audit matters

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

Independent Auditor's Report

to the members of Cambridge Building Society (continued)

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

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

Key audit matter	How our scope addressed this matter
<p>Credit risk: impairment of loans and advances to customers (£1.9m; 2022: £2.2m).</p> <p>Refer to Note 1.8 (financial instruments), Note 1.17 (accounting estimates and judgements), and Note 14 (allowance for impairment) of the annual accounts.</p> <p>Credit risk is an inherently judgemental area due to the use of subjective assumptions and a high degree of management estimation in arriving at the year-end provisions.</p> <p>The total impairment provision of the Society consists of an individual provision on loans with default indicators and a collective provision on the performing portfolio, both of which are of loans secured against residential and commercial properties.</p> <p>The Society has limited actual loss experience on which to base its impairment assessment on the loan portfolio, resulting in management judgement being required in deriving assumptions to be applied in the assessment. In calculating the individual provision, management applies judgement in identifying loans that require individual impairment assessments and in estimating the recoverable amount from underlying collateral.</p> <p>The collective impairment is derived from a model that uses a combination of the Society's historical experience and, due to the Society's limited loss experience, external data, adjusted for current conditions. In particular, the impairment assessment is most sensitive to movements in the probability of default ('PD') and forced sale discounts ('FSD') against collateral.</p> <p>The collective impairment model is also sensitive to other factors applied to take account of the impact of inflation on borrowers' financial resilience and the movement in future house prices.</p> <p>Management judgement is applied in the estimation of individual impairment assessments, including the use of overlays.</p>	<p>Our audit procedures included, but were not limited to:</p> <ul style="list-style-type: none"> Evaluating the design and implementation, and testing the operating effectiveness, of the key controls in relation to credit processes (loan origination and approval, loan redemptions, arrears monitoring and allowance for impairment) Critically assessing how management has performed the accounting estimate, including the reasonableness of external and internal data used, and Society; consider whether those data are relevant to the Society based on our understanding of the Society's portfolio Engaging our internal property valuation expert to challenge sampled collateral values for loans requiring individual provisioning. In addition, we recalculated the individual provision and compared with the amount provided by management Comparing the Society's key assumptions such as PD and FSD with similar lenders and considering whether they are consistent with industry practice Challenging the reasonableness of the inflation stresses, and future house price movement assumption applied in determining future cash flows from recovery of collateral, before discounting to present value Developing an auditor's range estimate of the collective provision using alternative assumptions relevant to the Society's portfolio Assessing the appropriateness and reasonableness of management overlays in individual impairment assessments and whether they were indicative of management bias Performing a stand-back assessment of the resulting individual and collective impairment estimates to assess their appropriateness, and Assessing the adequacy of the Society's disclosures in relation to the degree of estimation uncertainty involved in arriving at the provision for impairment losses on loans and advances to customers. <p>Our observation</p> <p>Based on the audit procedures performed, we found the resulting estimate of the loan impairment provision as at 31st December 2023 to be reasonable and in compliance with FRS 102.</p>

Key audit matter

Revenue recognition: effective Interest rate (EIR) (£2.4m; 2022: £1.7m).

Refer to Note 1.4 (interest income and expense), Note 1.17 (accounting estimates and judgements) and Note 13 (loans and advances to customers) of the annual accounts.

Interest income substantially arises from contractual interest. Under the effective interest rate ('EIR') method, interest income and fee income and expenses are spread over the expected lives of the loans using the Whistlebrook EIR system.

EIR is an inherently subjective area due to the level of judgement required in determining which cash flows require spreading and over what time period.

The most significant area where we identified greater levels of management judgement is the expected life over which the relevant fees and costs is spread. Its assessment is informed by historical experience and management's retention strategy. In addition, management applies judgement in determining the fees modelled in the EIR calculations.

There is also a risk that early redemption charges ('ERC') and reversionary interest modelled in the EIR calculations are not accurate.

How our scope addressed this matter

Our audit procedures included, but were not limited to:

- Evaluating the design and implementation of the key controls related to review and approval of the assumptions used in the EIR calculation and the process ensuring complete and accurate data is captured in the EIR calculation
- Assessing the reasonableness of the Society's expected life assumptions against actual customer behaviour
- Challenging the basis of management's judgments in respect of the cash flows included in the EIR model
- Testing the accuracy of the fees and costs included in the calculation
- Reperforming the EIR calculation and comparing with management's results, and
- Testing the accuracy and method by which ERCs and reversionary interest are modelled in the EIR calculations.

Our observation

Based on the audit procedures performed, we found the resulting estimate of the EIR method of recognising interest income for the year ended 31st December 2023 to be reasonable.



Independent Auditor's Report

to the members of Cambridge Building Society (continued)

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

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

Overall materiality	£950,000 (2022: £569,000)
How we determined it	0.75% of net assets (2022: 0.5% of net assets)
Rationale for benchmark applied	<p>We consider that net assets is the most appropriate benchmark to use for the Society, whose strategy is to provide mortgages, savings products and other financial services for the mutual benefit of members and customers and not one of profit maximisation.</p> <p>Further, net assets as a benchmark is supported by the fact that regulatory capital is a key benchmark for management and regulators, where net reserves is an approximation of regulatory capital resources.</p>
Performance materiality	<p>Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the annual accounts exceeds materiality for the annual accounts as a whole.</p> <p>Performance materiality of £665,000 (2022: £398,000) was applied in the audit based on 70% (2022: 70%) overall materiality. We considered several factors in determining performance materiality, including the level and nature of uncorrected and corrected misstatements in the prior year and the robustness of the control environment, and concluded that an amount towards the upper end of our normal range was appropriate.</p>
Reporting threshold	We agreed with the Directors that we would report to them misstatements identified during our audit above £29,000 (2022: £17,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

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

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

Other information

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

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

We have nothing to report in this regard.

Opinions on the Annual Business Statement and the Directors' Report

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

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities set out on page 32, the Directors are responsible for the preparation of the annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the annual accounts

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed on the next page.

Independent Auditor's Report

to the members of Cambridge Building Society (continued)

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

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

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

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

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

In addition, we evaluated the Directors' and management's incentives and opportunities for fraudulent manipulation of the annual accounts, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and significant one-off or unusual transactions.

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

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

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

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

A further description of our responsibilities is available on the FRC's website at [frc.org.uk/auditorsresponsibilities](https://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Directors on 21st July 2020 to audit the annual accounts for the year ended 31st December 2020 and subsequent financial periods. The period of total uninterrupted engagement is four years, covering the years ended 31st December 2020 to 31st December 2023.

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

Our audit opinion is consistent with our additional report to the Audit Committee.

Use of the audit report

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

David Allen
Senior Statutory Auditor for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor
30 Old Bailey, London EC4M 7AU

19th March 2024

Annual Accounts 2023

for the year ended 31st December 2023

Statement of Comprehensive Income

	Notes	2023	2022
		£000	£000
Interest receivable and similar income	2	90,897	49,910
Interest payable and similar charges	3	(55,537)	(17,979)
Net interest income		35,360	31,931
Income from shares in subsidiary undertakings (dividends)		563	–
Fees and commissions receivable		826	441
Fees and commissions payable		(18)	(10)
Other operating income		34	39
Net gain from other financial instruments at fair value through profit and loss	4	5,181	5,221
Total net income		41,946	37,622
Other operating charges		(637)	(263)
Administrative expenses	5	(19,804)	(18,154)
Depreciation and amortisation	16, 17	(1,284)	(1,138)
Operating profit before impairment losses and provisions		20,221	18,067
Impairment credit/(losses) on loans and advances	14	335	(1,100)
Provisions for liabilities	25	(90)	43
Profit before tax		20,466	17,010
Tax expense	8	(4,261)	(3,331)
Profit for the financial year		16,205	13,679
Other comprehensive income			
Remeasurement of the net defined benefit liability	26	(195)	593
Fair value adjustment on available for sale financial instruments		(71)	(41)
Deferred tax in respect of valuation gains on freehold property		345	–
Deferred tax arising on losses / (gains) in the pension scheme		49	(148)
Revaluation loss on freehold property	18	(914)	–
Total comprehensive income for the year		15,419	14,083

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

The Notes on pages 44 to 79 form part of the financial statements.

Statement of Financial Position

	Notes	2023	Restated 2022
		£000	£000
Assets			
Liquid assets			
Cash in hand	9	250,201	277,844
Loans and advances to credit institutions	10	22,549	28,105
Debt securities	11	58,739	55,361
Derivative financial instrument assets	12	18,640	43,534
Loans and advances to customers	13	1,525,974	1,438,943
Intangible assets	16	1,807	1,735
Tangible fixed assets	17	7,820	9,304
Investment properties	18	2,170	1,531
Other debtors	19	2,926	3,575
Total assets		1,890,826	1,859,932
Liabilities			
Shares	20	1,572,982	1,445,503
Amounts owed to credit institutions	21	14,435	39,364
Amounts owed to other customers	22	159,270	247,659
Derivative financial instrument liabilities	12	3,676	747
Other liabilities	23	5,195	5,154
Accruals and deferred income	23	2,460	2,190
Deferred tax liability	24	6	592
Provisions for liabilities	25	392	329
Retirement benefit obligations	26	5,726	5,903
Total liabilities		1,764,142	1,747,441
Reserves			
General reserves		109,191	93,870
Revaluation reserve		2,618	3,675
Core capital deferred shares	31	15,000	15,000
Available for sale reserves		(125)	(54)
Total reserves attributable to members of the Society		126,684	112,491
Total reserves and liabilities		1,890,826	1,859,932

The Notes on pages 44 to 79 form part of the financial statements.

These accounts were approved by the Board of Directors on 19th March 2024 and signed on its behalf:

John Spence
Chairman

Fiona Hotston Moore
Vice Chair

Peter Burrows
Chief Executive

Richard Brockbank
Chief Financial Officer

Annual Accounts 2023

for the year ended 31st December 2023 (continued)

Statement of Changes in Members' Interests

2023					
	General reserve £000	Revaluation reserve £000	Core capital deferred shares £000	Available for sale reserve £000	Total £000
Balance at 1st January	93,870	3,675	15,000	(54)	112,491
Prior Period adjustment	–	–	–	–	–
Restated – Balance at 1st January	93,870	3,675	15,000	(54)	112,491
Total comprehensive income for the period					
Profit or loss	16,205	–	–	–	16,205
Other comprehensive income	199	(914)	–	(71)	(786)
Total comprehensive income for the period	16,404	(914)	–	(71)	15,419
Transfers between reserves	143	(143)	–	–	–
Distribution to the holders of core capital deferred shares	(1,226)	–	–	–	(1,226)
Balance at 31st December	109,191	2,618	15,000	(125)	126,684

Restated – 2022					
	General reserve £000	Revaluation reserve £000	Core capital deferred shares £000	Available for sale reserve £000	Total £000
Balance at 1st January	81,318	3,819	15,000	(13)	100,124
Prior Period adjustment	(905)	–	–	–	(905)
Restated – Balance at 1st January	80,413	3,819	15,000	(13)	99,219
Total comprehensive income for the period					
Profit or loss	13,679	–	–	–	13,679
Other comprehensive income	445	–	–	(41)	404
Total comprehensive income for the period	14,124	–	–	(41)	14,083
Transfers between reserves	144	(144)	–	–	–
Distribution to the holders of core capital deferred shares	(811)	–	–	–	(811)
Balance at 31st December	93,870	3,675	15,000	(54)	112,491

The Notes on pages 44 to 79 form part of the financial statements.

Statement of Cash Flows

	Notes	2023	2022
		£000	£000
Cash flows from operating activities			
Profit before tax		20,466	17,010
Adjustments for			
Depreciation and amortisation	16, 17	1,287	1,138
Gain on disposal of tangible fixed assets	17	42	(18)
Equity dividend received from subsidiary undertaking	15	(563)	–
Fair value loss on Investment property	18	138	–
Increase/(decrease) in provision for liabilities	25	63	(43)
Net (losses)/gains on disposal and amortisation of debt securities	11	(2,301)	–
Increase/(decrease) in impairment of loans and advances	14	(335)	1,100
Gain on derivative financial instruments	12, 13	6,300	(7,033)
Total		25,098	12,154
Changes in operating assets and liabilities			
Decrease/(increase) in prepayments, accrued income and other assets	19	819	463
Increase in accruals, deferred income and other liabilities	23	89	465
Increase in loans and advances to customers	13	(65,173)	(69,061)
Increase in shares	20	127,479	79,058
Increase/(decrease) in amounts owed to other credit institutions	21	(24,929)	38,363
Increase in amounts owed to other customers	22	(88,389)	1,129
Increase in other liquid assets	11	(1)	(42)
(Decrease)/increase in loans and advances to credit institutions	10	478	(5,612)
(Decrease) in retirement benefit obligation	26	(323)	(693)
Taxation paid	8	(3,886)	(1,183)
Net cash (utilised)/generated in operating activities		(28,738)	55,041
Cash flows from investing activities			
Purchase of debt securities	11	(112,338)	(47,485)
Disposal of debt securities	11	111,190	9,976
Purchase of tangible fixed assets	17	(189)	(300)
Disposal of tangible fixed assets	17	–	33
Investment property additions	18	(777)	(341)
Purchase of intangible assets	16	(643)	(1,384)
Net cash used in investing activities		(2,757)	(39,501)
Cash flows from financing activities			
Distribution to holders of Core Capital Deferred Shares	31	(1,226)	(811)
Net cash used in financing activities		(1,226)	(811)
Net increase/(decrease) in cash and cash equivalents		(32,721)	14,729
Cash and cash equivalents at 1st January		296,917	282,188
Cash and cash equivalents at 31st December		264,196	296,917
Represented by:			
Cash and balances with the Bank of England	9	250,201	277,844
Loans and advances to credit institutions repayable on demand	10	13,995	19,073
		264,196	296,917

The Notes on pages 44 to 79 form part of the financial statements.

Notes

for the year ended 31st December 2023

1. Accounting policies

1.1. General information and basis of preparation

The Cambridge Building Society (the Society) has prepared these annual accounts in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102, *The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)*. The address of the registered office is given on the back cover of this report.

The Society has also chosen to apply the recognition and measurement provision of IAS 39 *Financial Instruments: Recognition and Measurement*. The presentation currency of these annual accounts is sterling. All amounts in the annual accounts have been rounded to the nearest £1,000.

The Directors are required to consider whether the Society will continue as a going concern for a period of at least 12 months from the signing of the accounts. In making the assessment the Directors have reviewed the Society's five-year plans and forecasts, including related funding, capital needs and a robust assessment of the principal risks facing the Society, the Directors consider that the Society remains viable and is able to generate adequate profits for regulatory capital requirements and holds sufficient liquidity to maintain its solvency.

The Society has maintained strong liquidity and capital positions and the Directors are satisfied that this will continue for at least the 12-month period from the signing of the accounts. This view is based upon the Board's conclusion that the Society has adequate resources to continue in operational existence and continue to meet its liabilities over the five year planning period and so they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

During 2023 the Society's dormant, non-trading subsidiary companies were voluntarily struck-off leaving a standalone society at the year end. In light of this change to the group structure, and the historical immateriality of the former subsidiary undertakings, the Directors have concluded that the preparation of consolidated financial results is no longer necessary. Accordingly, these accounts only present the financial performance and position of the Society.

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

1.2. Measurement convention

The annual accounts are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: freehold property, investment property, derivative financial instruments, pension assets, defined benefit obligations and hedged items in designated hedging relationships and financial instruments classified at fair value through the profit or loss (FVTPL) or available-for-sale.

1.3. Prior year restatement in respect of pension scheme costs

Following the transfer of the scheme to TPT Retirement Solutions, a full review of the scheme rules and past practices was undertaken. This review identified that some historical changes in pension increase rates that apply to pensions in payment had been incorrectly documented and were therefore invalid. Allowing for the correct pension increase rates increases the Defined Benefit Obligation by c6%. The value of the adjustment is material and so in accordance with the requirements of FRS 102, results in the adjustment of 2022's position. In addition, arrears of £84,000 are due up to 31st December 2023 in respect of historic underpayments to pensioner members and this amount has been included in the past service cost shown in the disclosure.

Given that the changes to pension benefits in question each date from between 2001 and 2007 it has not been practicable to precisely identify how the impact of the correction would have built up the intervening years. Therefore the entire correction is shown to an adjustment to 2022's opening balance sheet.

The table that follows sets out the impact of the errors on the financial statements.

	£000
Extract of total assets	
Deferred tax balance 1st January 2022	1,517
Correction of prior period	301
Restated deferred tax 1st January 2022	1,818
Movement during the year	(342)
Restated deferred tax 31st December 2022	1,476
Extract of total liability	
Retirement obligation balance 1st January 2022	5,794
Correction of prior period	1,206
Restated retirement benefits obligation 1st January 2022	7,000
Movement during the year (Note 26)	(1,097)
Restated retirement benefits obligation tax 31st December 2022	5,903
Extract of reserves	
General reserve 1st January 2022	81,318
Correction of prior period	(905)
Restated general reserve 1st January 2022	80,413
Movement during the year	13,457
Restated general reserve 31st December 2022	93,870

1.4. Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

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

Interest income and expense presented in the Statement of Comprehensive Income and other comprehensive income include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis
- Interest on available-for-sale investment securities calculated on an effective interest basis

Fair value changes on derivatives held for risk management purposes, and other financial assets and financial liabilities carried at fair value through profit or loss, are presented in net income from other financial instruments at fair value through profit or loss in the income statement. Realised cash flows on interest rate swaps are included in interest income Note 2.

1.5. Fees and commissions

Fees and commission income and expenses that are directly attributable to the acquisition or issue of the financial asset or financial liability are included in the measurement of the effective interest rate. Other fees and commission income are recognised as the related services are performed.

Notes

for the year ended 31st December 2023 (continued)

1.6. Hedge accounting

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

Hedge accounting

Certain derivatives held for risk management purposes are held as hedging instruments in qualifying hedging relationships. To designate as being in a hedging relationship, the Society formally documents the relationship between the hedging instrument and the hedged item, including the strategy and risk management objective for undertaking the hedge together with a description of the methodology that will be used to determine the effectiveness of the hedging relationship. An assessment is made at the inception of the hedge relationship and on an ongoing basis throughout the hedging relationship to ensure the hedge is, and remains, highly effective in offsetting changes in the fair value of the hedged items during the period for which the hedge is designated. A hedge is considered to be highly effective where the results of the hedge effectiveness testing are within a range of 80% to 125%.

Fair value hedges

A fair value hedge is used to hedge exposures to variability in the fair value of financial assets. For example, the Society hedges fixed rate mortgages. Changes in fair value of the derivatives are immediately recognised in the Income Statement together with changes in the fair value of the hedged items attributable to the hedged risk.

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

In order to manage its interest rate risk the Society may enter into derivative contracts to hedge fixed rate mortgages at the point of offer. No qualifying hedge relationship can exist until the mortgages in question are completed and so changes in the fair value of the derivatives are immediately recognised in the Income Statement without any corresponding movements in the value of the mortgages to be hedged.

1.7. Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the annual accounts. Deferred tax assets and liabilities are recognised gross on the statement of financial position and deferred tax assets are only recognised where it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Both current and deferred taxes are determined using tax rates enacted or substantively enacted at the balance sheet date.

1.8. Financial instruments

Recognition

The Society initially recognises loans and advances and deposits on the date on which they are originated. All other financial instruments are recognised on the trade date, which is the date on which the Society becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value with adjustment of transactions costs and fees which are directly attributable to its acquisition or issue other than financial asset or financial liability and subsequently measured at fair value through profit or loss.

Classification

Financial assets

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

- **Loans and receivables**

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

Loans and advances are initially measured at fair value plus incremental direct transaction costs, transaction fees, and subsequently measured at their amortised cost using the effective interest method (see Note 1.4).

- **Available for sale**

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

Interest income on debt securities is recognised in profit or loss using the effective interest method (see Note 1.4). Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in other comprehensive income and presented in the available for sale reserve. When the investment is sold, the gain or loss accumulated in available for sale reserve is reclassified to profit or loss.

- **At fair value through profit and loss**

The Society uses derivatives only for risk management purposes. Derivatives are measured at fair value in the statement of financial position. Any gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

On initial designation of the hedge, the Society formally documents the relationship between the hedging instrument and hedged item, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship.

The Society makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument is expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80% to 125%.

Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability such as fixed rate mortgages and savings products, all changes in the fair value of the derivative are recognised immediately in profit or loss. The carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged. If hedge accounting is discontinued and the hedged financial asset or liability has not been derecognised, any adjustments to the carrying amount of the hedged item are amortised into profit or loss using the effective interest method over the remaining life of the hedged item.

Financial liabilities

Non-derivative financial liabilities, which includes the Society's shares, deposits and wholesale borrowings are measured at amortised costs with interest recognised using the effective interest method. Derivative financial liabilities are recognised at fair value on inception with movements in fair value being recognised in the profit and loss.

Derecognition

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

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

Identification and measurement of impairment

Throughout the year and at year end, the Society assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated reliably.

Notes

for the year ended 31st December 2023 (continued)

Objective evidence that a financial asset is impaired includes:

- Significant financial difficulty of the borrower or issuer
- Default or delinquency by a borrower
- The renegotiating of a loan or advance by the Society on terms less favourable to the Society
- Indications that a borrower or issuer will enter bankruptcy or other financial reorganisation, and
- Any other information discovered during regular review suggesting that a loss is likely in the short to medium term.

The Society considers evidence of impairment for loans at both a specific asset and a collective level. All individually significant loans and advances are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the Society analyses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or less than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

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

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

Forbearance strategies and renegotiated loans

A range of forbearance options are available to support customers in financial difficulty. These are designed to achieve the best outcome for the customer and the Society by dealing with borrowers' financial difficulties at an early stage.

These may include:

- Reduced monthly payment
- An arrangement to clear outstanding arrears (a repayment plan)
- Capitalisation of arrears
- Conversion of terms from repayment to interest only, or
- Extension of the mortgage term.

These accounts are subject to ongoing monitoring to ensure that the forbearance measures remain appropriate.

1.9. Cash and cash equivalents

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

The Cash Flow Statements have been prepared using the indirect method.

1.10. Tangible fixed assets

Leasehold properties, motor vehicles, office and computer equipment are held at historical cost less accumulated depreciation and impairment losses.

Freehold properties are stated at revalued amounts, being the fair value, determined by market-based evidence at the date of valuation, less any depreciation subsequently accumulated and subsequent impairment.

Full valuations are completed at least every five years followed by interim valuations three years later.

The Directors review the valuations to confirm that they remain appropriate in the intervening years.

Increases in valuations of freehold properties are credited to the revaluation reserve except to the extent that they reverse previous impairment losses recognised in the Income Statement for the same assets, in which case they are credited to the income statement. Decreases in valuations are recognised in the income statement except to the extent that they reverse amounts previously credited to the revaluation reserve for the same assets, in which case they are recognised in the revaluation reserve.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example capitalised costs of refurbishment are treated separately from buildings.

Short leasehold premises comprise improvements to leasehold properties.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. The estimated useful lives are as follows:

- **Freehold buildings**
50 years
- **Short leasehold premises**
over the remainder of the lease
- **Office, computer equipment and motor vehicles**
four to five years

The Society assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation methods, useful lives and residual values are also reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Society expects to consume an asset's future economic benefits.

1.11. Intangible assets

Intangible assets comprise purchased software and costs directly associated with the development of computer software where the asset will generate future economic benefits and where costs can be reliably measured.

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

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

- **Software and capitalised development costs**
five years

The Society reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Intangible assets are regularly tested for impairment. An asset's carrying amount is immediately written down to its recoverable amount if the asset's carrying amount is greater than its recoverable amount.

1.12. Investment property

Investment properties include those portions of freehold land and buildings owned by the Society that are held to achieve rental income, capital appreciation or both. Investment properties are initially recognised at cost

and subsequently carried at fair value, determined by independent professional valuers on an open market value basis.

Full valuations are completed at least every five years followed by interim valuations three years later.

The Directors review the valuations to confirm that they remain appropriate in the intervening years.

Changes in fair values are recognised in the income statement. The cost of renovations or improvements is capitalised and the cost of maintenance, repairs and minor improvements is recognised in the income statement when incurred. No depreciation is charged on investment properties. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in the income statement.

1.13. Employee benefits

Pension schemes

The Society operated a contributory defined benefit scheme until 31st December 2009 when it was closed to future service accrual. The assets are held in a separate trustee administered fund. Included within the statement of financial position is the Society's net obligation calculated as the present value of the defined benefit obligation less the fair value of plan assets less any unrecognised past service costs. Any re-measurements that arise are recognised immediately in other comprehensive income through the statement of comprehensive income. The finance cost is recognised within finance income and expense in the income statement. The finance cost is the increase in the defined benefit obligation which arises because the benefits are one period closer to settlement.

Contributions are transferred to the trustee administered fund on a regular basis to secure the benefits provided under the rules of the scheme. Pension costs are assessed in accordance with the advice of a professionally qualified actuary.

The Society also operates a contributory defined contribution pension scheme. The assets for this scheme are also held separately from those of the Society. For this scheme the cost is charged to the income statement as contributions become due.

Termination benefits

Termination benefits are recognised as an expense when the entity is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

Notes

for the year ended 31st December 2023 (continued)

1.14. Provisions

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

1.15. Term Funding Scheme (TFS) and Term Funding Scheme with additional incentives for SMEs (TFSME)

In order for the Society to access funding from the Government's TFS and TFSME it has to pledge mortgage assets as collateral to the Bank of England.

As the risk and reward of ownership of the mortgage assets remains with the Society, these assets are retained on its balance sheet. The interest receivable on these assets continues to be the Society's and is accounted for as earned on an accruals basis.

1.16. Equity instruments

Issued financial instruments are classified as equity instruments where the contractual arrangement with the holder does not result in the Society having a present obligation to deliver cash or to transfer any other value. Accordingly, the Society's Core Capital Deferred Shares are treated as equity instruments.

Distributions to the holders of equity instruments are recognised when they are paid and are deducted from the General Reserve.

1.17. Accounting estimates and judgements

The Society makes estimates and judgements which affect the assets and liabilities reported in its Statement of Financial Position. These estimates and judgements are based upon historical experience and expectations of future events, and are kept under continual review. The Society's key assumptions are described below.

Accounting estimates

a) Impairment losses on loans and advances to customers

The Society holds provisions for impairment losses against loans on an individual and collective basis. The level of impairment requires a significant degree of judgement and estimation. Provisions are calculated using the historical loss experience of the Society as well as external indicators, however a number of assumptions are required such as realisable values and customer behaviour.

The Society has again assessed the impact of potential changes in value which would be realised from any property taken into possession with regard to house price forecasts published by the Office for Budget Responsibility.

Although this assessment is based on data from credible sources, it is nevertheless subject to significant uncertainty and its size means that changes in the underlying assumptions would generate sizeable movements. For example, a 1% improvement in the outlook for house prices would reduce the provision (and therefore increase profit before tax) by approximately £60,000.

In addition to its detailed assessment of the probability of default and loss given default on a loan-by-loan basis, the Society also considers whether the overall level of the impairment provision adequately reflects the risk in the mortgage book. Where it is deemed to be insufficient the Society includes an overlay adjustment to bring it to a suitable balance. This year's impairment provision includes an overlay adjustment of £500,000.

The carrying value of loans and advances to customers at 31st December 2023 is £1.5bn (2022: £1.4bn). Further detail is provided in Note 13.

b) Defined benefit pension scheme

The Society makes significant judgements in the estimation of the defined benefit scheme liability. Significant judgements on areas such as future interest rates, future inflation or mortality rates have to be exercised in estimating the value of the assets and liabilities of the Society's defined benefit pension scheme. The assumptions used are set out in Note 26 to the accounts. The value of the pension scheme liabilities is most sensitive to the discount rate used. An increase of 0.1% in the discount rate applied would reduce the scheme's liabilities and therefore the net deficit by approximately £115,000. Similarly, a decrease of 0.1% in the discount rate would increase the deficit by approximately £115,000.

c) Property valuation

Land and buildings and investment property are measured at fair value with a valuation exercise carried out periodically in accordance with Note 1.10 by an independent external valuer in accordance with the RICS Global Standards 2017 Edition (the Red Book). The Society considers the methodology and assumptions used by the independent external valuers to be supportive, reasonable and robust, the final valuation may be different to one that would have been used had there been a ready market for an identical property.

For the majority of the Society's investment properties, fair value is estimated using the market valuation approach which uses prices and other relevant information generated by market transactions involving comparable properties. Where comparable transactions may not be available, the Society may also consider a discounted cash flow technique which considers the present value of the net cash flows to be generated from the property, taking into account expected rental growth, void periods and rent-free periods.

The expected net cash flows are discounted using risk-adjusted discount rates.

The carrying value of the Land and buildings and investment property at 31st December 2023 is £8.8m (2022: £9.4m). Further detail is provided in Note 17.

Judgement

Expected mortgage life

The calculation of an effective interest rate requires judgements regarding the expected life of the underlying mortgage assets. The expected life of mortgage assets is derived using a combination of historical data and management judgement and is reviewed periodically throughout the year and reassessed against actual

performance. Any changes to the expected life would result in an adjustment to the carrying value of the mortgages, calculated as the present value of the revised cashflows discounted at the original effective interest rate, recognised immediately in the income statement as described in Note 1.4. Should the actual average life of a mortgage be 0.5 months shorter than that assumed, interest income for 2023 would decrease by approximately £700,000.

1.18. Making The Difference – Rent to Home

Amounts expected to be paid out under the Society's "Rent to Home" scheme (whereby a portion of rental payments received is likely to be repaid to tenants in future) are not recognised as rental income and are instead held within other liabilities.

2. Interest receivable and similar income

	2023	2022
	£000	£000
On loans fully secured on residential property	59,399	42,147
On other loans	453	448
On liquid assets	15,852	4,731
Net interest income/(expense) on derivatives	15,193	2,584
	90,897	49,910

3. Interest payable and similar charges

	2023	2022
	£000	£000
On shares held by individuals	45,586	14,406
On other shares	297	297
On deposits and other borrowings	9,654	3,276
	55,537	17,979

4. Net profit/(loss) from other financial instruments at fair value through profit and loss

	2023	2022
	£000	£000
Derivatives in designated fair value hedge relationships	(30,711)	37,608
Movement in fair value of hedged items	29,106	(32,419)
(Loss)/gain on financial instruments not in designated hedge relationships	(162)	32
Crystallised fair value gain on cancelled interest rate swaps	6,948	–
	5,181	5,221

Notes

for the year ended 31st December 2023 (continued)

5. Administrative expenses

	2023	2022
	£000	£000
Wages and salaries	9,503	8,534
Social security costs	1,035	947
Contributions to defined contribution plans	1,035	1,002
Expenses related to defined benefit plans	254	104
	11,827	10,587
Other administrative expenses	7,977	7,567
	19,804	18,154

The remuneration of the external auditor, which is included within other administrative expenses above, is set out below (excluding VAT):

	2023	2022
	£000	£000
Audit of these annual accounts	239	216
Other services	23	–
	262	216

6. Employee numbers

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

	2023	2022
Executive Directors	6	5
Non-Executive Directors	7	7
Principal office and administration centre	172	163
Branch offices	55	61
	240	236

	Full-time	Part-time
Executive Directors	5	1
Non-Executive Directors	–	7
Principal office and administration centre	142	31
Branch offices	33	21
	180	60

7. Directors' remuneration

Directors' emoluments are set out within the Directors' Remuneration Report on pages 28 to 31.

Total Directors' emoluments for the year amounted to £1,334,770 (2022: £1,112,560). Details of Director loans and transactions are shown in Note 30.

8. Taxation

	2023	2022
	£000	£000
Current tax	4,750	3,182
Adjustments for prior years	(220)	(38)
	4,530	3,144
Deferred tax (Note 24)	(269)	187
Total tax expense	4,261	3,331

The Finance Act 2016 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1st April 2017 and to 17% from 1st April 2020. The rate reduction to 17% was subsequently reversed by the Finance Act 2020, such that the main rate of UK corporation tax from 1st April 2021 remains at 19%. The Finance Act 2021 confirmed an increase of UK corporation tax rate from 19% to 25% with effect from 1st April 2023 and this was substantively enacted by the statement of financial position date and therefore included in these financial statements. Temporary differences have been remeasured using the enacted tax rates that are expected to apply when the liability is settled or the asset realised.

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

	2023	2022
	£000	£000
Profit before taxation	20,466	17,010
Expected tax at 23.52% (2022: 19%)	4,814	3,232
Fixed asset differences	(178)	79
Expenses not deductible for corporation tax purposes	34	2
Group income – chargeable losses	(133)	(6)
Adjustment for prior periods – deferred tax	(20)	98
Pension movements	(36)	(36)
Adjustments for prior years – current tax	(220)	(38)
Tax expense for the year	4,261	3,331

9. Cash and cash equivalents

	2023	2022
	£000	£000
Cash in hand	250,201	277,844
Loans and advances to credit institutions (see Note 10)	13,995	19,073
Cash and cash equivalents per cash flow statements	264,196	296,917

Notes

for the year ended 31st December 2023 (continued)

10. Loans and advances to credit institutions

	2023	2022
	£000	£000
Loans and advances to credit institutions have remaining maturities as follows:		
Repayable on demand	13,995	19,073
Other loans and advances by residual maturity repayable:		
In no more than three months	3,000	9,000
In more than three months	5,500	–
Accrued interest	54	32
	22,549	28,105

11. Debt securities

	2023	2022
	£000	£000
Debt securities:		
Covered bonds	18,470	–
Floating rate notes	2,751	12,763
Treasury bills	37,518	29,662
UK gilts	–	12,936
	58,739	55,361

Debt securities are held as available for sale assets and carried at their fair value with movements reported through other comprehensive income. In the year ended 31st December 2023 the Society acquired covered bonds issued by other rated UK based financial institutions. In the year ended 31st December 2023 the Society increased its holding of covered bonds and purchased debt from multilateral development banks.

Movements in debt securities during the year are summarised as follows:

	2023	2022
	£000	£000
At 1st January	55,361	17,809
Additions	112,338	42,409
Disposals and maturities	(111,190)	(5,091)
Amortisation of premium and accrued interest	1,755	–
Net gains (losses) from changes in fair value recognised in other comprehensive income	(69)	41
Movements in accrued interest	545	193
At 31st December	58,739	55,361

12. Derivative financial instruments

	2023		2022	
	Positive market value £000	Negative market value £000	Positive market value £000	Negative market value £000
Derivatives designated as fair value hedges:				
Interest rate swaps	18,415	(3,395)	43,358	(689)
Unmatched derivatives				
Interest rate swaps	225	(281)	176	(58)
	18,640	(3,676)	43,534	(747)

13. Loans and advances to customers

	2023	2022
	£000	£000
Loans fully secured on residential property	1,533,667	1,468,876
Loans fully secured on land	5,932	6,277
Fair value adjustment for hedged risk	(14,239)	(35,761)
Effective interest rate adjustment	2,430	1,702
Allowance for impairment	(1,816)	(2,151)
	1,525,974	1,438,943

Notes

for the year ended 31st December 2023 (continued)

14. Allowance for impairment

	2023		
	Loans fully secured on residential property £000	Loans fully secured on land £000	Total £000
Individual provision			
At 1st January 2023			
Individual impairment	114	–	114
Collective impairment	1,911	126	2,037
	2,025	126	2,151
Income statement			
Impairment losses on loans and advances			
Individual impairment	517	–	517
Collective impairment	(731)	(121)	(852)
	(214)	(121)	(335)
At 31st December 2023			
Individual impairment	631	–	631
Collective impairment	1,180	5	1,185
	1,811	5	1,816

	2022		
	Loans fully secured on residential property £000	Loans fully secured on land £000	Total £000
Individual provision			
At 1st January 2022			
Individual impairment	205	–	205
Collective impairment	717	129	846
	922	129	1,051
Income statement			
Impairment losses on loans and advances			
Individual impairment	(91)	–	(91)
Collective impairment	1,194	(3)	1,191
	1,103	(3)	1,100
At 31st December 2022			
Individual impairment	114	–	114
Collective impairment	1,911	126	2,037
	2,025	126	2,151

15. Investments in subsidiary undertakings

	2023	2022
	£000	£000
Loans	–	–

During 2023 the Society voluntarily wound up its dormant subsidiary entities. This had no material impact upon the Society's financial position or performance. The undertakings in which the Society's interest at the previous year end was more than 20% were as follows:

	Registered office address	Country of incorporation	Registered number	Principal activity	Class of shares	Proportion of nominal value owned by the Society
Cambridge IT Services Ltd.	51 Newmarket Road, Cambridge CB5 8EG	England	2599581	Holding company for the entities listed below	Ordinary	100%
Cambridge Property Services Ltd.	51 Newmarket Road, Cambridge CB5 8EG	England	3234360	Ownership of Group properties	Ordinary	100%
Cambridge Services Ltd.	51 Newmarket Road, Cambridge CB5 8EG	England	3234363	Ownership of Group properties	Ordinary	100%

16. Intangible assets

Intangible assets comprise purchased software and costs directly associated with the implementation of computer software where the asset will generate future economic benefits and where costs can be reliably measured. Amortisation is charged against these assets when they become ready for use by the business over estimated useful lives of five years. Acquisitions represent upgrades to the core banking system. The estimated useful life is five years.

	£000
Cost	
Balance at 1st January 2023	6,509
Acquisitions	643
Disposals	–
Balance at 31st December 2023	7,152
Amortisation and impairment	
Balance at 1st January 2023	4,775
Amortisation for the year	570
Disposals	–
Balance at 31st December 2023	5,345
Net book value	
At 1st January 2023	1,735
At 31st December 2023	1,807

Notes

for the year ended 31st December 2023 (continued)

17. Tangible fixed assets

	Freehold £000	Leasehold (short) £000	Motor vehicles, office and computer equipment £000	Total £000
Cost				
Balance at 1st January 2023	8,161	2,128	6,225	16,514
Additions	36	–	153	189
Disposals	(33)	(14)	(59)	(106)
Revaluation	(1,495)	–	–	(1,495)
Balance at 31st December 2023	6,669	2,114	6,319	15,102
Depreciation and impairment				
Balance at 1st January 2023	291	1,005	5,914	7,210
Depreciation charge for the year	290	154	270	714
Disposals	–	(2)	(59)	(61)
Revaluation	(581)	–	–	(581)
Balance at 31st December 2023	–	1,157	6,125	7,282
Net book value				
At 1st January 2023	7,870	1,123	311	9,304
At 31st December 2023	6,669	957	194	7,820

Freehold land and buildings were professionally valued by Carter Jonas, Chartered Surveyors, on an existing use basis as at 31st December 2023. This valuation was £6,700,000. Freehold and leasehold costs of £70,000 were incurred in the year.

Had freehold land and buildings been valued on the historical cost basis at 31st December 2023, the net book value would have been £4,314,965 and depreciation charged to the income statement would have been reduced by £159,875.

18. Investment properties

	2023	2022
	£000	£000
At 1st January	1,531	1,190
Additions	777	341
Disposals	–	–
Fair value adjustment	(138)	–
At 31st December	2,170	1,531

Investment properties are generally offices and retail premises ancillary to the Society's branches and are not used by the Society. Investment properties are held at valuation and were professionally valued by Carter Jones, Chartered Surveyors, on an open market value basis as at 31st December 2023.

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

	2023	2022
	£000	£000
Within 1 year	82	38
Between 1 and 5 years	80	60

19. Other debtors

	2023	Restated 2022
	£000	£000
Prepayments and accrued income	1,374	2,100
Deferred tax assets (Note 24)	1,552	1,475
	2,926	3,575

20. Shares

Shares are held by individuals or for groups such as charities, councils, and clubs. In the ordinary course of business the repayment of share balances from the date of the statement of financial position is as follows:

	2023	2022
	£000	£000
Accrued Interest	226	169
On demand	928,707	1,038,325
Within 3 months	123,446	31,173
Within 1 year	276,906	150,005
Within 5 years	243,697	225,831
	1,572,982	1,445,503

Notes

for the year ended 31st December 2023 (continued)

21. Amounts owed to credit institutions

In the normal course of business deposits owed to credit institutions are repayable from the date of the statement of financial position as follows:

	2023	2022
	£000	£000
Accrued Interest	85	104
On demand	14,350	39,260
	14,435	39,364

22. Amounts owed to other customers

In the normal course of business deposits owed to other customers are repayable from the date of the statement of financial position as follows:

	2023	2022
	£000	£000
Accrued Interest	1,588	1,470
On demand	37,879	52,934
Within 3 months	7,784	9,561
Within 1 year	17,017	13,694
Within 5 years	95,002	170,000
	159,270	247,659

23. Other liabilities

	2023	2022
	£000	£000
Corporation tax	4,666	4,022
Creditors	529	501
Total other liabilities	5,195	4,523
Accruals	2,460	2,190

24. Deferred tax assets and liabilities

	2023	Restated 2022
	£000	£000
Movement on deferred tax asset		
At 1st January	1,475	1,517
Prior period adjustment	–	301
	1,475	1,818
Income statement credit/(charge)	(317)	(195)
Recognised directly in other comprehensive income	394	(148)
Asset (at 31st December)	1,552	1,475
The deferred tax asset is attributable to the following items:		
Pension and other post retirement benefits	1,431	1,475
Other timing differences	121	–
Total deferred tax asset	1,552	1,475
Movement on deferred tax liability		
At 1st January	(592)	(599)
Income statement credit/(charge)	586	7
Recognised directly in other comprehensive income	–	–
Liability at 31st December	(6)	(592)
The deferred tax liability is attributable to the following items:		
Accelerated capital allowances	–	(304)
Chargeable gains	–	(276)
Other timing differences	(6)	(12)
Total deferred tax liability	(6)	(592)

The net deferred tax asset expected to reverse in 2023 is £1,547,522. This primarily relates to the deferred tax on pension and other post retirement benefit obligations.

Deferred tax balances at 31st December 2023 have been calculated based on the relevant prevailing rates.

Notes

for the year ended 31st December 2023 (continued)

25. Provisions

	Onerous lease and dilapidations £000	FSCS levy £000	Other £000	Total £000
Balance at 1st January 2023	289	40	–	329
Paid in year	(27)	–	–	(27)
Net charge for year	(9)	–	99	90
Balance at 31st December 2023	253	40	99	392

Onerous lease and dilapidations

The £41,498 charge for dilapidations relates to the Society's obligations under leased contracts for branches and stores. These provisions will likely be utilised if the Society exits these premises. This year we have reflected the full provision discounted over the life of each lease contract.

Due to the number of leased properties and the difficulties in predicting expenditure that will be required on return of a property to the landlord many years into the future, the dilapidations provision is considered a source of estimation uncertainty. The provision has been calculated using historical experience of actual expenditure incurred on dilapidations and estimated lease termination dates of between three to nine years.

Financial Services Compensation Scheme levy

The Society, in common with all regulated UK deposit takers, pays levies to the Financial Services Compensation Scheme (FSCS) to enable the FSCS to meet claims against it. The levies currently relate to claims events in 2008 and 2009. The levies are based on its share of protected deposits in relation to the total UK market.

The FSCS cost consists of two levies, a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme. The compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it.

As at 31st December 2023, the Society has a provision of £40,000 comprising management expense levies for scheme year 2021/2022. In accordance with FSCS guidance, and consistent with the previous year, the 31st December 2022 provision does not include any estimate for management expenses or compensation levies for future scheme years beyond 2022/2023.

Other provisions

The Society is carrying a provision for potential costs in respect of the Society's relationship with The Will Writing Company who ceased trading in 2018. In 2018 Philips Trust Corporation purchased the assets and database of The Will Writing Company and The Family Trust Corporation. In April 2022 Philips Trust Corporation entered administration, with Kroll Advisory Limited appointed as their administrators.

26. Pensions

With effect from 1st January 2010 the Society established a Society Personal Pension Plan with Aviva for all Society staff.

The previous trust-based defined benefit and defined contribution schemes were closed on 31st December 2009. No benefits have accrued since 31st December 2009. Pension benefits for deferred members are based on the members' final pensionable salaries and service at the date the accrual ceased (or date of leaving if earlier). The funds in these schemes are still under the control of the trustees for all deferred and retired members. The trustees also oversee the management and payment of the deficit plan for the defined benefit scheme. The assets of all these schemes are held separately from the assets of the Society in independently administered funds.

The Society operates a defined benefit scheme in the UK. This is a separate trustee administered fund holding the scheme assets to meet long term pension liabilities. The scheme's first actuarial valuation is currently underway as at 30th September 2022 and the preliminary results of this have been updated to 31st December 2023 by a qualified actuary, independent of the Society.

Until completion of the scheme's first actuarial valuation, the Society and Trustee have agreed an interim Schedule of Contributions whereby the Society will pay deficit contributions of £616,800 per annum (payable monthly) plus £96,295 per annum in respect of expenses. In addition, the Society will pay the Pension Protection Fund levies due for the scheme.

The following disclosures are required under FRS 102:

Significant actuarial assumptions

	2023	2022
Discount rate	4.79% pa	4.95% pa
RPI inflation	3.08% pa	3.13% pa
CPI inflation	2.36% pa	2.37% pa

Other actuarial assumptions

	2023	2022
Rate of increases to pensions in payment:		
RPI inflation limited to 5% pa	2.97% pa	3.01% pa
RPI inflation limited to 2.5% pa	2.07% pa	2.08% pa
Revaluation of deferred pensions:		
CPI inflation limited to 5% pa	2.36% pa	2.37% pa
CPI inflation limited to 2.5% pa	2.36% pa	2.37% pa

Mortality assumptions

	2023	2022
	S3PXA	S3PXA
Loading on base tables	97%	97%
Improvement allowance, for males	CMI_2022 (1.5%)	CMI_2021 (1.5%)
Improvement allowance, for females	CMI_2022 (1.25%)	CMI_2021 (1.25%)
Smoothing parameter	7.0	7.0
Initial addition (A) parameter	0.25% p.a.	0.25% p.a.
w2020, w2021, w2022	Default	0%, 10%, n/a

Notes

for the year ended 31st December 2023 (continued)

26. Pensions (continued)

In valuing the liabilities of the pension fund at 31st December 2023, mortality assumptions have been made as indicated below. The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial tables and include allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as below:

Life expectancies (in years)

	2023		2022	
	Males	Females	Males	Females
For an individual aged 65 in 2023	22.0	24.3	22.2	24.5
At age 65 for an individual aged 45 in 2023	23.6	25.7	23.8	25.9

Reconciliation of Plan's assets and defined benefit obligation (£000)

	Assets	Defined benefit obligation	Total
	£000	£000	£000
At 1st January 2023 – restated	13,198	(19,101)	(5,903)
Interest income/expense	653	(871)	(218)
Expenses	(123)	–	(123)
Actuarial losses/(gains) due to scheme experience	–	(18)	(18)
Experience on plan assets (excluding amounts included in interest income) – gain/(loss)	(294)	–	(294)
Employer contributions	713	–	713
Actuarial (losses)/gains due to changes in demographic assumptions	–	553	553
Actuarial (losses)/gains due to changes in financial assumptions	–	(436)	(436)
Member contributions	–	–	–
Benefits paid	(930)	930	–
At 31st December 2023	13,217	(18,943)	(5,726)

Assets

	2023	2022
	£000	£000
<i>The fair value of the assets of the Plan were:</i>		
Asset class		
Private credit	2,024	2,564
Liability driven investment portfolio	7,236	6,284
Liquid Alternatives	1,376	1,896
Equity	940	12
Cash	436	324
Bonds	238	65
Property	86	85
Other	806	1,880
Annuities	75	88
Total	13,217	13,198

	2023	Restated 2022
	£000	£000
Reconciliation to the Statement of Financial Position (balance sheet)		
Market value of assets	13,217	13,198
Present value of defined benefit obligation	(18,943)	(19,101)
Pension asset/(liability) recognised in the Statement of Financial Position before allowance for deferred tax	(5,726)	(5,903)
Amounts recognised		
Amounts recognised in profit or loss		
Net interest	218	104
Operating charge	123	97
Amount charged to Statement of Comprehensive Income	341	201
Amounts recognised in other comprehensive income		
Actuarial gains/(losses) on defined benefit obligation	(18)	(1,730)
Gain/(loss) from change in assumptions	117	11,910
Actual return on assets less interest	(294)	(9,587)
Amount recognised in other comprehensive income	(195)	593

Notes

for the year ended 31st December 2023 (continued)

27. Financial instruments

The Society holds liquid assets in different asset types such as cash, short term investments and treasury bills. The Society also uses derivative financial instruments (derivatives) to manage the risks arising from its operations.

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

Categories of financial assets and liabilities

Financial assets and liabilities are measured on an on-going basis either at fair value or at amortised cost. Note 1.8 'Financial instruments' describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The tables below analyse the Society's assets and liabilities by financial classification:

Carrying values by category 31st December 2023

	Held at amortised cost		Held at fair value			Non-financial assets and liabilities £000	Total £000
	Loans and receivables £000	Financial assets and liabilities at amortised cost £000	Available for sale £000	Derivatives designated as fair value hedges £000	Unmatched derivatives £000		
Financial assets							
Cash in hand	-	250,201	-	-	-	-	250,201
Loans and advances to credit institutions	-	22,549	-	-	-	-	22,549
Debt securities	-	-	58,739	-	-	-	58,739
Derivative financial instruments	-	-	-	18,415	225	-	18,640
Loans and advances to customers	1,540,213	-	-	(14,239)	-	-	1,525,974
Total financial assets	1,540,213	272,750	58,739	4,176	225	-	1,876,103
Non-financial assets	-	-	-	-	-	14,723	14,723
Total assets	1,540,213	272,750	58,739	4,176	225	14,723	1,890,826
Financial liabilities							
Shares	-	1,572,982	-	-	-	-	1,572,982
Amounts owed to credit institutions	-	14,435	-	-	-	-	14,435
Amounts owed to other customers	-	159,270	-	-	-	-	159,270
Derivative financial instruments	-	-	-	3,395	281	-	3,676
Total financial liabilities	-	1,746,687	-	3,395	281	-	1,750,363
Non-financial liabilities	-	-	-	-	-	13,779	13,779
Total liabilities	-	1,746,687	-	3,395	281	13,779	1,764,142

Carrying values by category 31st December 2022

	Held at amortised cost		Held at fair value			Non-financial assets and liabilities £000	Total £000
	Loans and receivables £000	Financial assets and liabilities at amortised cost £000	Available for sale £000	Derivatives designated as fair value hedges £000	Unmatched derivatives £000		
Financial assets							
Cash in hand	-	277,844	-	-	-	-	277,844
Loans and advances to credit institutions	-	28,105	-	-	-	-	28,105
Debt securities	-	-	55,361	-	-	-	55,361
Derivative financial instruments	-	-	-	43,358	176	-	43,534
Loans and advances to customers	1,474,704	-	-	(35,761)	-	-	1,438,943
Total financial assets	1,474,704	305,949	55,361	7,597	176	-	1,843,787
Non-financial assets	-	-	-	-	-	15,668	15,668
Total assets	1,474,704	305,949	55,361	7,597	176	15,668	1,859,455
Financial liabilities							
Shares	-	1,445,503	-	-	-	-	1,445,503
Amounts owed to credit institutions	-	39,364	-	-	-	-	39,364
Amounts owed to other customers	-	247,659	-	-	-	-	247,659
Derivative financial instruments	-	-	-	689	58	-	747
Total financial liabilities	-	1,732,526	-	689	58	-	1,733,273
Non-financial liabilities	-	-	-	-	-	12,331	12,331
Total liabilities	-	1,732,526	-	689	58	12,331	1,745,604

Valuation of financial instruments carried at fair value

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

Valuation techniques

Fair values are determined using the following fair value hierarchy in FRS 102, which reflects the significance of the inputs in measuring fair value:

- Level 1** The most reliable fair values of financial instruments are quoted market prices in an actively traded market. The Society's Level 1 portfolio mainly comprises FRNs from Multilateral Development Banks for which traded prices are readily available.
- Level 2** These are valuation techniques for which all significant inputs are taken from observable market data. These include valuation models used to calculate the present value of expected future cash flows and may be employed when no active market exists and quoted prices are available for similar instruments in active markets. The valuations are derived from the SONIA swap yield curve. The Society's Level 2 portfolio mainly comprises interest rate swaps for which traded prices are readily available.
- Level 3** These are valuation techniques for which one or more significant input is not based on observable market data. Valuation techniques include net present value by way of discounted cash flow models.

Notes

for the year ended 31st December 2023 (continued)

27. Financial instruments (continued)

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

Carrying values by category 31st December 2023

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets				
Gilts, treasury bills and supranational bonds	58,739	–	–	58,739
Loans fully secured on residential property	–	(14,239)	–	(14,239)
Interest rate swaps	–	18,640	–	18,640
	58,739	4,401	–	63,140
Financial liabilities				
Interest rate swaps	–	3,676	–	3,676
	–	3,676	–	3,676

Carrying values by category 31st December 2022

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Financial assets				
Gilts, treasury bills and supranational bonds	55,361	–	–	55,361
Loans fully secured on residential property	–	(35,761)	–	(35,761)
Interest rate swaps	–	43,534	–	43,534
	55,361	7,773	–	63,134
Financial liabilities				
Interest rate swaps	–	747	–	747
	–	747	–	747

Financial assets pledged as collateral

The total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31st December 2023 and 2022 are shown in the following table.

	2023	2022
	£000	£000
Cash in hand	–	–
Treasury bills and similar securities	–	24,664
Loans and advances to customers	146,639	171,031
	146,639	195,695

Financial assets are pledged as collateral as part of the Bank of England's Sterling Monetary Framework and Term Funding Schemes under terms that are usual and customary for such central bank schemes.

Credit risk

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

All loans are assessed with reference to the Society's lending policy. Appropriate credit limits have been established by the Board for individual counterparties and sectors.

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

	2023	2022
	£000	£000
Cash in hand and balances with the Bank of England	250,201	277,844
Loans and advances to credit institutions	22,549	28,105
Debt securities	58,739	55,361
Derivative financial instruments	18,640	43,534
Loans and advances to customers	1,525,974	1,438,943
Total statement of financial position exposure (1)	1,876,103	1,843,787
Off balance sheet exposure – mortgage commitments (2)	100,075	61,480
	1,976,178	1,905,267

(1) All values are stated at balance sheet amounts.

(2) This reflects mortgage applications that have been formally offered but have not yet completed. £50,000,000 relates to the forward flow agreement with Roma. The total facility for this arrangement will reach £120,000,000 within the next five years.

Notes

for the year ended 31st December 2023 (continued)

27. Financial instruments (continued)

Credit quality analysis of loans and advances to customers

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

Credit quality values 31st December 2023

	Total book balance	Capitalisation		Payment concession		Term extension		Total renegotiations		
		£000	£000	Number of loans	£000	Number of loans	£000	Number of loans	£000	Number of loans
Neither past due or individually impaired	1,515,270	-	-	-	-	-	-	-	-	
Past due but not individually impaired	8,608	-	-	-	-	-	-	-	-	
Past due and individually impaired	15,721	-	-	1,512	8	-	-	1,512	8	
Provision	(1,816)	-	-	-	-	-	-	-	-	
Total book	1,537,782	-	-	1,512	8	-	-	1,512	8	
Past due but not individually impaired:										
Up to 3 months	8,329	-	-	-	-	-	-	-	-	
3 to 6 months	279	-	-	-	-	-	-	-	-	
6 to 12 months	-	-	-	-	-	-	-	-	-	
Over 12 months	-	-	-	-	-	-	-	-	-	
	8,608	-	-	-	-	-	-	-	-	
Past due and individually impaired:										
Up to 3 months	9,934	-	-	717	4	-	-	717	4	
3 to 6 months	1,726	-	-	795	4	-	-	795	4	
6 to 12 months	3,851	-	-	-	-	-	-	-	-	
Over 12 months	210	-	-	-	-	-	-	-	-	
	15,721	-	-	1,512	8	-	-	1,512	8	

Credit quality values 31st December 2022

	Total book balance	Capitalisation		Payment concession		Term extension		Total renegotiations	
		£000	£000	Number of loans	£000	Number of loans	£000	Number of loans	£000
Neither past due or individually impaired	1,456,976	–	–	8	1	–	–	8	1
Past due but not individually impaired	10,196	–	–	117	1	–	–	117	1
Past due and individually impaired	7,981	–	–	305	2	–	–	305	2
Provision	(2,151)	–	–	–	–	–	–	–	–
Total book	1,473,002	–	–	430	4	–	–	430	4
Past due but not individually impaired:									
Up to 3 months	9,839	–	–	117	1	–	–	117	1
3 to 6 months	250	–	–	–	–	–	–	–	–
6 to 12 months	107	–	–	–	–	–	–	–	–
Over 12 months	–	–	–	–	–	–	–	–	–
	10,196	–	–	117	1	–	–	117	1
Past due and individually impaired:									
Up to 3 months	4,919	–	–	–	–	–	–	–	–
3 to 6 months	1,112	–	–	86	1	–	–	86	1
6 to 12 months	1,828	–	–	219	1	–	–	219	1
Over 12 months	122	–	–	–	–	–	–	–	–
	7,981	–	–	305	2	–	–	305	2

Individual impairment provisions of £nil (2022: £nil) are held in respect of loans with renegotiated terms.

Individual assessments are made of all mortgage loans where objective evidence indicates that losses are likely (for example when loans are past due) or the property is in possession, or where fraud or negligence has been identified. Further consideration is given in accounting policy 1.7 to the accounts.

Collateral held and other credit enhancements

The Society holds collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against different types of financial assets.

Percentage of exposure that is subject to collateral requirements

	2023		2022		Principal type of collateral held
	%	%	%	%	
Loans and advances to customers	100	100	100	100	Property

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

Notes

for the year ended 31st December 2023 (continued)

27. Financial instruments (continued)

	2023	2022
	£000	£000
LTV ratio		
Less than 50%	693,820	510,685
51 – 70%	517,278	468,894
71 – 90%	274,360	464,814
Over 90%	54,141	30,760
	1,539,599	1,475,153

	2023	2022
	£000	£000
Geographical analysis		
East Midlands	84,896	77,753
East of England	859,299	903,635
London	187,128	162,594
North East England	11,787	7,958
North West England	52,082	38,946
South East England	177,159	159,778
South West England	63,217	49,718
Wales	19,476	15,762
West Midlands	45,011	33,406
Yorkshire and the Humber	39,543	25,603
Total	1,539,599	1,475,153

Liquidity risk

Liquidity risk is the risk that the Society has insufficient cash or liquidity resources to be able to meet its liabilities as they fall due. At the Society, the main form of liquidity risk arises from the mismatch in the maturity period of long term mortgage loans and short term savings deposits. The Society mitigates this risk by ensuring it holds adequate high quality liquid assets to cover a variety of severe but plausible stress scenarios.

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

The Society manages this risk on a continuous basis by ensuring compliance with the Liquidity and Funding Risk Management Policy approved by the Board and reported to ALCO. In practice this results in the Society holding a significant amount of highly liquid assets, mainly UK Treasury bills, multi-lateral development bank and covered bond securities and deposits with the Bank of England, which are eligible to meet its required liquidity buffer set by the regulator and its own internal assessments. In addition the Society maintains deposits placed on call or overnight with the Bank of England and its main current account provider to meet its operational needs without drawing on its buffer requirements.

Maturity analysis for financial assets and financial liabilities

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

31st December 2023						
	On demand £000	Not more than 3 months £000	More than 3 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	More than 5 years £000	Total £000
Financial assets						
Cash in hand	250,201	–	–	–	–	250,201
Loans and advances to credit institutions	17,019	5,530	–	–	–	22,549
Debt securities	13,335	19,596	18,726	7,082	–	58,739
Derivative financial instruments	193	–	212	18,236	–	18,640
Loans and advances to customers	–	791	14,997	127,827	1,395,984	1,539,599
Total financial assets	280,748	25,917	33,935	153,145	1,395,984	1,889,728
Financial liabilities						
Shares	928,711	123,506	276,931	243,833	–	1,572,981
Amounts owed to credit institutions	14,436	–	–	–	–	14,436
Amounts owed to other customers	37,958	7,836	17,216	96,259	–	159,270
Derivative financial instruments	89	–	114	3,172	302	3,676
Total financial liabilities	981,194	131,342	294,261	343,264	302	1,750,363

31st December 2022						
	On demand £000	Not more than 3 months £000	More than 3 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	More than 5 years £000	Total £000
Financial assets						
Cash in hand	277,844	–	–	–	–	277,844
Treasury bills and similar securities	–	–	–	42,425	–	42,425
Loans and advances to credit institutions	28,105	–	–	–	–	28,105
Debt securities	–	–	–	12,936	–	12,936
Derivative financial instruments	5	230	2,560	40,739	–	43,534
Loans and advances to customers	–	1,426	8,048	114,682	1,350,997	1,475,153
Total financial assets	305,954	1,656	10,608	210,782	1,350,997	1,879,997
Financial liabilities						
Shares	1,038,350	31,232	150,030	225,891	–	1,445,503
Amounts owed to credit institutions	39,365	–	–	–	–	39,364
Amounts owed to other customers	53,003	9,648	13,798	171,210	–	247,659
Derivative financial instruments	154	1	57	535	–	747
Total financial liabilities	1,130,872	40,881	163,885	397,636	–	1,733,273

Notes

for the year ended 31st December 2023 (continued)

27. Financial instruments (continued)

The tables below set out maturity analysis for financial liabilities that shows the remaining contractual maturities at undiscounted amounts. The analysis of gross contractual cash flows differs from the analysis of residual maturity due to the inclusion of interest accrued at current rates, for the average period until maturity on the amounts outstanding at the statement of financial position date.

	31st December 2023					
	On demand £000	Not more than 3 months £000	More than 3 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	More than 5 years £000	Total £000
Financial liabilities						
Shares	929,425	123,518	277,014	243,984	–	1,573,941
Amounts owed to credit institutions	14,440	–	–	–	–	14,440
Amounts owed to other customers	37,980	7,836	17,216	96,259	–	159,291
Derivative financial instruments	89	–	114	3,172	–	3,374
Total financial liabilities	981,934	131,354	294,344	343,415	–	1,751,046

	31st December 2022					
	On demand £000	Not more than 3 months £000	More than 3 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	More than 5 years £000	Total £000
Financial liabilities						
Shares	1,039,064	31,244	150,112	226,042	–	1,446,462
Amounts owed to credit institutions	39,377	–	–	–	–	39,377
Amounts owed to other customers	53,024	9,648	13,798	171,210	–	247,680
Derivative financial instruments	154	1	57	535	–	747
Total financial liabilities	1,131,619	40,893	163,967	397,787	–	1,734,266

Market risk

Market risk is discussed in the Directors' report.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Society's financial assets and financial liabilities to various standard and non-standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise in the yield curve. The following is an analysis of the Society's sensitivity to a 200bp increase in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position.

	At 31st December 2023 £000	At 31st December 2022 £000
Sensitivity of reported equity and profit to interest rate movements	(1,426)	(1,210)

The Society only deals with products in sterling so is not directly affected by currency risk. The Society's products are also only interest-orientated products and so are not exposed to other pricing risks.

Derivatives held for risk management

The Society uses derivatives to manage certain risks it faces.

Fair value hedges of interest rate risk

The Society uses interest rate swaps to hedge its exposure to changes in the fair values of its exposure to market interest rates on certain loans and advances. Interest rate swaps are matched to specific loans.

The fair values of derivatives designated as fair value hedges are as follows.

	2023		2022	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Interest rate swaps	18,415	(3,395)	43,358	(689)

Notes

for the year ended 31st December 2023 (continued)

28. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Society	
	2022 £000	2021 £000
Less than 1 year	399	394
Between 1 and 5 years	678	1,038
More than 5 years	–	–
	1,077	1,432

During the year £424,374 was recognised as an expense in the profit and loss account in respect of operating leases (2022: £419,743).

29. Country-by-country reporting

31st December 2023							
	Type of entity	Nature of activity	Location	Turnover (£m)	Number of employees	Profit or loss before tax (£m)	Tax paid (£m)
The Cambridge Building Society	Credit institution	Financial services	United Kingdom	35.4	240	20.5	3.9

31st December 2022							
	Type of entity	Nature of activity	Location	Turnover (£m)	Number of employees	Profit or loss before tax (£m)	Tax paid (£m)
The Cambridge Building Society	Credit institution	Financial services	United Kingdom	31.9	236	17.0	1.2

The Society's turnover is defined as net interest income.

30. Related parties

a. Transactions with Directors

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

	Number of key management personnel and their close family members	Amounts in respect of key management personnel and their close family members	Number of key management personnel and their close family members	Amounts in respect of key management personnel and their close family members
	2023	2023 £000	2022	2022 £000
Loans and advances to customers	4	504	6	869

A register is maintained by the Society containing details of loans, transactions and agreements made between the Society and the Directors and their connected persons. A register of loans to Directors and connected persons is maintained under Section 68 of the Building Societies Act 1986 at the Society's principal office. This is available for inspection during normal office hours for a period of 15 days prior to, and at, the Society's Annual General Meeting.

The Directors held £196,775 of shares and deposit balances with the Society at 31st December 2023 (2022: £114,295).

b. Key management compensation

The Directors of the Society are considered to be the Key Management Personnel, as defined by FRS 102.

Total compensation for key management personnel for the year ended 31st December 2023 was £1,334,768. (2022: £1,112,560).

Further information on compensation for key management personnel can be found in the Directors' Remuneration Report.

c. Transactions with other related parties

During the year the Society transacted with Spicerhaart Group Ltd, a company of which John Spence was Chairman until June 2023 and to which he is now an advisor to the Board. These transactions were for various services provided by Spicerhaart in the normal course of business in respect of certain mortgage accounts and all were on an arm's length basis.

The cost of services provided by Spicerhaart in the last two accounting years are shown below, together with amounts outstanding to Spicerhaart at the end of the year.

	2023	2022
	£000	£000
Cost of services provided	7	4
Amounts outstanding	-	-

d. Defined Benefit Pension Scheme

The Society operates a closed defined benefit pension scheme which constitutes a related party. Details of this pension scheme and of transactions which took place during the year are shown in Note 26.

Notes

for the year ended 31st December 2023 (continued)

31. Core capital deferred shares

	Number of shares	CCDS	Share premium	Total
		£000	£000	£000
At 31st December 2023	150,000	15,000	–	15,000
At 31st December 2022	150,000	15,000	–	15,000

CCDS are a form of Common Equity Tier 1 (CET 1) capital, developed to enable the Society to raise capital from external investors.

CCDS are perpetual instruments which rank pari passu to each other and are junior to claims against the Society of all depositors and creditors. Each holder of CCDS has one vote, regardless of the number of shares held. In the event of a winding up or dissolution of the Society the extent to which each holder of CCDS may participate in the division of the remaining assets of the Society will be limited in proportion to their contribution to the Society's capital over time.

Distributions to the holders of CCDS are at the sole and absolute discretion of the Board of Directors, save that the amount that can be paid to the holders of CCDS in any financial year is currently capped at £19.59 per share. The level of the cap on distributions is adjusted annually in line with CPI. The Society paid distributions of £545,651 (£3.64 per CCDS) on 1st May 2023 and £680,239 (£4.53 per CCDS) on 1st November 2023. These distributions have been recognised in the statement of movements in members' interests.

32. Capital management

Requirements for the quality and quantity of capital to be held by the Society are set out in the Capital Requirements Directive IV, an EU legislative package covering prudential rules for banks, building societies and investment firms. The capital requirements of the Society are monitored quarterly with the results reported to the Board. Capital is ultimately held for the protection of depositors. The internal level of capital is set with the aim of ensuring that the business has sufficient levels of capital for current and projected future activities, to withstand downturn stresses, and to ensure that the minimum regulatory requirement is always met.

The Society conducts an Internal Capital Adequacy Assessment Process (ICAAP) covering all risks. This is used to assess the Society's capital adequacy and determine the levels of capital required going forward to support the current and future risks in the business.

Throughout the year the Society complied with, and maintained surplus capital above, the externally imposed capital requirements.

The following table shows the composition of the Society's regulatory capital (further information is available in the Pillar 3 disclosures published on the Society's website:

	2023	Restated 2022
	£000	£000
Common Equity Tier 1 capital		
General reserves	109,191	93,870
Core capital deferred shares	15,000	15,000
Other reserves	2,493	3,621
Common Equity Tier 1 capital prior to regulatory adjustments	126,684	112,491
Intangible assets	(1,807)	(1,735)
Common Equity Tier 1 capital	124,877	110,756
Tier 2 capital		
Credit risk adjustments	1,185	2,037
Total capital	126,062	112,793

33. Post balance sheet events

The Board are not aware of any subsequent events arising after the year ended 31st December 2023 that require inclusion in the annual accounts.

Annual Business Statement

for the year ended 31st December 2023

1. Statutory percentages

	2023	Maximum Statutory Limit
	%	%
Lending limit	4.02	25
Funding limit	9.94	50

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

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property.

Business assets are defined as total Society assets plus loan impairment provision less liquid assets and fixed assets.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

2. Other percentages

	2023	Restated 2022
	%	%
As a percentage of shares and borrowings		
Gross capital	7.25	6.49
Free capital	6.77	5.97
Liquid assets	18.98	20.85
Profit after tax as a percentage of mean total assets	0.86	0.76
Net interest margin as a percentage of mean total assets	1.89	1.78
Management expenses as a percentage of mean total assets	1.12	1.08

- 'Shares and borrowings' represent the total of shares, amounts owed to other customers and to other credit institutions
- 'Gross capital' is the Society's reserves
- 'Free capital' represents gross capital and collective loan impairment allowance, less fixed assets
- 'Mean total assets' represent the average of the total assets at the beginning and end of the financial year
- 'Net interest margin' is the difference between the rate paid to savers and that charged to borrowers (after adjusting for net income or expenses on financial instruments such as interest rate swaps). It is the ratio of net interest receivable for the year to the average balance of the total assets for the year
- 'Liquid assets' represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions, debt securities and other liquid assets
- 'Management expenses' represent the aggregate of administrative expenses and depreciation and amortisation

3. Information relating to the Directors and the other officers at 31st December 2023

Name	Occupation	Other Directorships during the year	Date of birth	Date of appointment
Directors				
John Spence (Chairman)	Non-Executive Director	<ul style="list-style-type: none"> Spicerhaart Group Ltd (until June 2023) Business Banking Resolution Service Ltd Church of England Central Services (until September 2023) Essex County Council Essex Cricket Foundation Ltd 	January 1951	November 2020
Fiona Hotston Moore (Vice Chair)	Director of Forensic and Advisory Services	<ul style="list-style-type: none"> Securities Industry Management Association Ltd (until January 2023) FRP Advisory Services LLP 	February 1965	November 2018
Pauline Caldwell	HR consultant, Executive Coach and Non-Executive Director	<ul style="list-style-type: none"> Momentum Business Consulting Limited The Risk Advisory Group Limited The Risk Advisory Group (Holdings) Limited 	February 1975	April 2023
Harriet Hunnabale	Non-Executive Director	<ul style="list-style-type: none"> Soft Power Capital (until July 2023) 	June 1966	April 2023
Mark Jeffries	Solicitor (non-practising)	<ul style="list-style-type: none"> Britten Sinfonia Productions Limited Britten Sinfonia Ltd. Norfolk Museums Development Foundation Norwich Diocesan Board of Finance Norwich Glebe Property Limited R.G. Carter Holdings Limited R.G. Carter Group Limited R.G. Carter Pension Fund Trustee Limited 	June 1957	October 2023
Daniel Mundy	Non-Executive Director	<ul style="list-style-type: none"> DEBRA Priory Partners Limited 	December 1976	January 2023
Andrew Rice	Principal Researcher	None	July 1980	February 2020
Peter Burrows	Chief Executive of The Cambridge Building Society	<ul style="list-style-type: none"> Cambridge I.T. Services Ltd (until June 2023) Cambridge Services Ltd (until June 2023) Cambridge Property Services Ltd (until June 2023) Astrea Academy Trust 	September 1968	August 2016
Richard Brockbank	Chief Financial Officer	<ul style="list-style-type: none"> Cambridge I.T. Services Ltd (until June 2023) Cambridge Services Ltd (until June 2023) Cambridge Property Services Ltd (until June 2023) 	October 1977	April 2020
Carole Charter	Chief Commercial Officer	<ul style="list-style-type: none"> CAMMS Meals on Wheels Ltd 	June 1979	April 2020
Lucy Crumplin	Chief Operations Officer	None	September 1977	January 2021
Sandhya Kawar	Chief Risk Officer	None	May 1983	April 2022

Peter Burrows, Richard Brockbank, Carole Charter, Lucy Crumplin and Sandhya Kawar each have a service contract with the Society terminable by either party giving 6 months' notice.

Correspondence to Directors jointly or individually should be addressed 'Private and Confidential' and c/o Mazars LLP, Chartered Accountants, 30 Old Bailey, London, EC4M 7AU.

Annual Business Statement

for the year ended 31st December 2023 (continued)

4. Information relating to the officers at 31st December 2023

Name	Occupation	Other Directorships during the year
Officers		
Thomas Llewelyn	Company Secretary	None

Member of the Building Societies Association
Registered Number 82B. Instituted 1850. Incorporated 1945
Head Office, 51 Newmarket Road, Cambridge CB5 8EG
Telephone: 0345 601 3344, website: cambridgebs.co.uk

We've learned a thing or two over the past couple of centuries.

And we'll be here to keep evolving with open minds and local hearts for many centuries more.

We'll be here for those first ever savings accounts. For making that dream home happen. We'll be here for a brew and biscuit when you need to chat. And when the world makes waves, we'll be here to glide through change like a swan on the Cam.

We're not here for profits and the awards don't matter (honestly). Because above all we're here for our members. And whether you're with The Cambridge in branch, online or on-the-go... when life brings you its biggest moments, we'll be here.

The Cambridge Building Society

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