



Annual Members' Newsletter 2021



Saffron
Building
Society

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Welcome from our Chief Executive Officer, Colin Field

The Society performed strongly in 2021, continuing to operate in the same manner that it had done through most of 2020, providing service through branches, telephone and online, and continuing to operate in a hybrid manner for many of our other functions.

I am proud of the manner in which my colleagues have performed in what continues to be difficult circumstances. Their hard work and commitment has contributed to a growth in mortgage lending of £53m and a growth in Society assets to nearly £1.3bn. I am also delighted that we continue to serve you, our Members well, evidenced by the levels of customer satisfaction and willingness to promote the Society that we achieve, the verbatim feedback that I see and hear and the recognition that we have achieved within the industry.

We continue to build on the strong community foundations we have built through charitable fundraising, support of local clubs and groups and the provision of financial education to both primary and secondary school groups. During 2021, we introduced support of colleague volunteering, which has made a huge impact and at the end of the year welcomed the first groups into Our Saffron Building Society Community link building which we have made available for local groups and charities to use at no charge.

In previous reports, I have often talked about the strong underlying performance of the Society, which due to headwinds from legacy issues, have not always translated to strong profits. This year I am pleased to say that through the business growth, achieved without significantly increasing our cost base and with a very welcome reduction in such headwinds, it has meant that the Society has recognised the strongest level of profitability in its history.

That we have achieved so much in a year that has continued to be dominated by living and working through the pandemic is pleasing and made possible by the ongoing commitment of my colleagues. I am so very proud of how they have continued to respond to the challenge, and how our People team have co-ordinated support, initiatives, and interventions to help all of us during such a challenging time.

At the start of 2021, we launched our new Strategic Goals, which we have shared within this Annual Members review on page 5. We must succeed against these goals to ensure that our Society is able to continue to thrive in the future and after one year, I am pleased with the progress that we have made. Financial and operational strength is the key enabling goal that allows us to be able to unlock the other goals. Most simply put, the Society must deliver strong profitability for us to be able to invest in the products, propositions and facilities that you, our Members demand, supported by motivated and engaged colleagues that you trust to serve you.

We operate within markets that are highly competitive. For the Society to maintain its success, we have to deliver service that stands out, both to existing and future Members and customers. Over recent years, we have made improvements to our online and mobile channels and this has served us well, especially during this period of pandemic. We have also refined our lending propositions and capabilities to be able to help people to be able to buy and build the homes that they want.

The Society will need to continue to invest to invest in technology future proof the business. In 2022 we will implement a significant upgrade to our core banking platform that will enable the Society to improve its service to savings and business customers. This investment is important, but our success in a competitive market will be determined by the capability and attitude of our people and it is vital that we continue to recruit, develop and retain great people, in an environment where the economy is struggling with skill shortages. We understand that we have to be and be seen as an "amazing employer brand" and have made further improvements to our colleague proposition. We have also adapted our head office buildings to better support the more flexible ways of working that we have been accustomed to as we have adapted to pandemic restrictions.

We have had a good year in 2021, making great progress during what has been a challenging time. I would like to thank you all for the continued support of your Society.

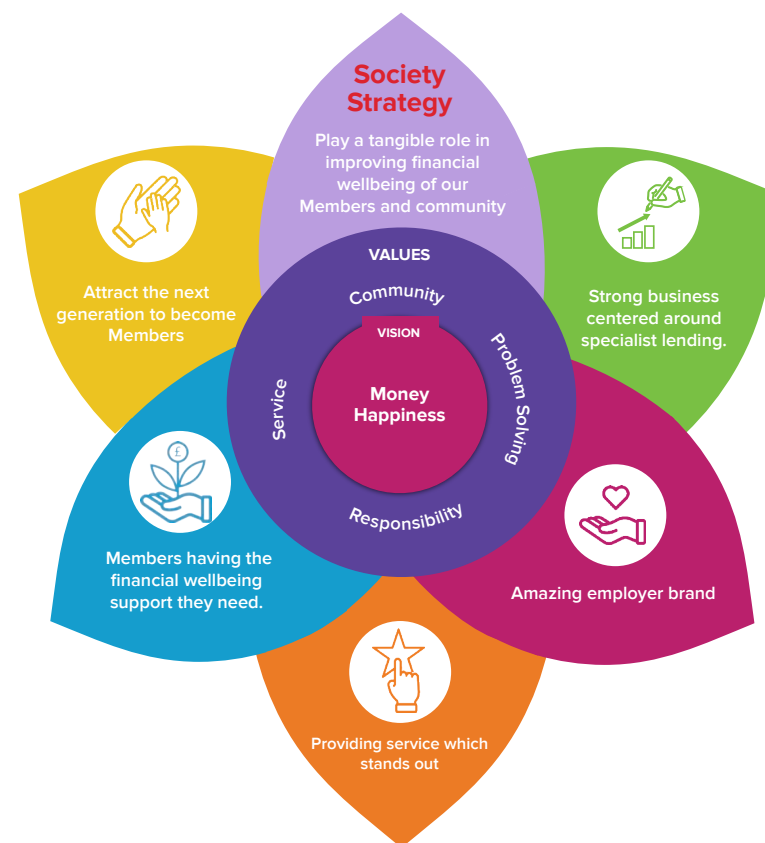
“We must succeed against these goals to ensure that our Society is able to continue to thrive in the future and after one year, I am pleased with the progress that we have made.”



Our 5 year strategy

We want our Members and community to have an unmatched understanding and control of their finances, achieving money happiness. We want to play a tangible role in improving financial wellbeing, driven by the needs of our Members and community.

We will achieve this through being a strong business, able to invest and adapt to the future needs of our Members; an amazing employer brand, attracting and retaining skilled colleagues who are motivated to providing service which stands out. This combination will support our Members and wider community with the financial wellbeing support they need and in turn will attract and engage our next generation of Members.



2021 highlights

Here for you

We're here for you. Not just to source you the best mortgage for your needs, or to help with your savings choices, but to make sure your life's heading for the future you're dreaming of. Everyone deserves that warm feeling of knowing everything's in the right place. And we'll help you get there.



20%

of new loans to first time buyers in 2021, supporting the goal to help people to own their first home.



89%

of our Members are extremely satisfied with our service.



8.1

Our colleague engagement is strong, sitting 0.2 above external benchmark for financial institutions.



£6.4m

Profit after tax, strengthening the Society's available capital.



90%

of Members have the financial wellbeing support they need.

Asset growth of £88.8m, reflecting the step forward the Society has made in ensuring it is a strong business both now and into the future.

We love hearing from you!

This feedback from our Members and recognition of our products and service by industry awards make us feel very proud. Of course there is room for improvement, we pledge that we will strive to be the building Society of the future, your future, ensuring that our Members and communities are at the forefront of every decision we make.

"Friendly chat extending beyond the business conducted which is much appreciated in the circumstances we all find ourselves"

February 2021

"The staff are always courteous, knowledgeable and listen attentively to queries so that they are able to resolve matters quickly"

October 2021

"Easy to deal with. You can actually speak to a person which is what older people appreciate"

May 2021

"The service I have received from the Saffron has always been far superior to most other financial organisations. It definitely makes it easier for me to manage my finances and I am very grateful for that."

December 2021

Award highlights

In 2021 we won Overall Mortgage Lender of the Year and First-time Buyer Mortgage Lender of the Year at the Mortgage Awards. We were also awarded Best Children's Savings Provider for the fifth year running at the Money Net Awards. Another award we are very proud of winning is the Most Eco-Conscious Financial Services Firm - South East England at the Build 2022/21 Eco Excellence Awards.



Best Children's Savings Provider



Our community

We are committed to supporting and investing in our local communities, either through our grants, volunteering, community choir or fundraising. We have a dedicated community fund invested to maximise giving now and in the future.



Colleagues volunteering at Essex and Suffolk River Trust pulling Himalayan Balsam from the river beds.



Saffron Building Society has a wide range of sponsorships. Supporting local organisations and events throughout our communities is just one of the ways in which we like to give back. You can visit saffronbs.co.uk/about/Sponsorships to learn more.



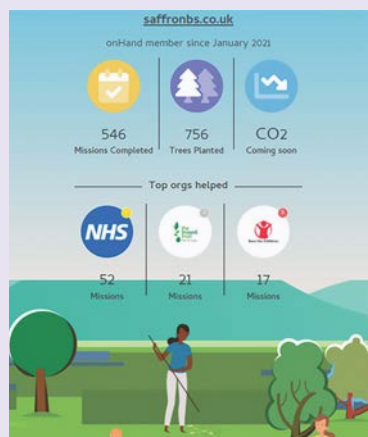
We donated £45,096 to local charities in 2021.

OnHand Volunteering

In January 2021 the Society launched its partnership with onHand volunteering scheme. Set up in collaboration with 6 of the UK's largest charities and regarded as the 'Uber for Volunteers', onHand is rapidly expanding across the U.K.

onHand helps us engage our colleagues in high impact, local volunteering. With the onHand app our colleagues can choose their missions which can be anything from befriending calls, gardening, food drops, enviro missions, awareness pledges and dog walking nearby.

As well as volunteering our time, we are growing a Saffron Forest with a tree planted for every colleague that signs up and for missions completed. We get to see how our impact and Saffron forest are growing with our regular impact reports.



Saffron Community Link



The Saffron Community Link is completely independent to the society and offers a unique, central location for charities, community groups and not for profit organisations to use for a purpose that suits them, completely free of charge.

We have already had the pleasure of hosting some charities and it has been well received. Below is some feedback received from a local disability charity.

"Accuro pop up in various venues for our services and events, so we're incredibly grateful for the opportunity to use Saffron Community Link. The location of Saffron Community Link and the open space without too many nooks and crannies means the venue is safe and accessible for our Members and highly functional as a space for fundraising and awareness raising. Saffron Community Link is exactly what small charities like Accuro need."

Chloe Salisbury Accuro

We are immensely proud of this space and look forward to it being well used by our communities.

This year our AGM will be held in the Community Link on 26th April 2022 at 2.00pm, if you would like to attend in person please refer to your voting pack for information or alternatively email AGM@saffronbs.co.uk.

It's more than money

It's more than money was born out of the service already provided to our Saffron Members and our shared commitment to continuous improvement. It has grown from research and insight into our existing strengths, into the needs of our Members and partners and the bold aspirations that we have for the future.

- **We are:** Proud to be a mutual building society committed to providing excellent financial products and services.
- **We do:** We work together to improve financial wellbeing, by problem solving, innovating and working in collaboration.
- **We serve:** As a driving force for good. Committed to our Members, our partners and our local community: whose goals we share.
- **We overcome:** The constraints of a financial world which is ruled by algorithms and has lost its focus on the needs and dreams of individuals and communities.
- **We deliver:** Products that real people need, to protect themselves and realise their dreams. And a service that – while excellent – improves constantly.
- **We commit:** To deliver a relationship that goes beyond a transaction: understanding the hopes and fears of our customers to achieve money happiness.
- **We promise:** To actively support our communities in safely achieving their goals through a personalised service that makes money work for them.

We communicate all of this through, **It's more than money**

The Conservation Volunteers

Launched in July 2020, the Enviro Saver products chose to support The Conservation Volunteers by donating a percentage of the interest earned from the last 12-month interest period. The charity was chosen by Members, customers and the public via an online poll held in May 2020. For over 60 years, the Conservation Volunteers have been creating, improving, and caring for green spaces. Through their community Network, they support over 1,300 local community groups across the UK. In July 2021, 4 volunteers from Saffron Building Society went to present a cheque to The Conservation Volunteers of £3,000 raised from the Enviro Saver and spent the day pulling Ragwort in High Woods Country Park in Colchester.



Dealing with the pandemic

Throughout 2021 we have worked to keep all our services open, and with only a few branch closures throughout the year we managed to keep our doors open for you, our Members.

Our head office colleagues have worked from home throughout lockdowns and our branch colleagues have done everything they can to help protect our Members whilst in our branch. Our core processes have been maintained and this year we have achieved sustainable growth, all whilst dealing with the challenge and stresses of the pandemic.

Our People Team have looked after the wellbeing of our colleagues, with lunch and learns and wellbeing sessions covering topics such as; Traumatic Effects of COVID-19, World Menopause Day, Trouble Sleeping and even a baking session. The Society now has seven Mental Health First Aiders and two Bereavement First Aiders, who are all available to support our colleagues on a daily basis.

Throughout 2021 our branches have also worked hard in their own communities, Ware once again partnered with Small Acts of Kindness, distributing 'Warm in Winter Gift Bags' to the elderly. Royston held a market stall at their local markets, Colchester raised £300 for St Helena Hospice as part of the Road to Tokyo challenge and Haverhill took on its own cycling challenge of cycling 155km on a static bike in support of The Women's Tour, the money raised by this and the colouring competition was donated to the Saffron Community Fund.

Our customer facing colleagues also undertook Debt Training, we believe this will put us one step ahead in understanding customer financial situations and provide better and clearer advice. It will give colleagues a strong understanding of what debt can look like in various situations, understand the jargon, and give teams the tools to direct customers to the help they need. Just another example of how it's more than money at Saffron.





A word from your Chairman, Nick Treble

The Society has made good progress during 2021, a year in which we delivered growth in lending and maintained high levels of service whilst still having to adapt to the challenges posed by the ongoing COVID-19 pandemic. Just as the Society has had to adapt, so has the Board and despite some of the challenges of working in a largely remote manner, from a governance perspective, the Society has continued to operate very much as normal.

The strong financial performance recognised in the year is welcome and follows a number of years in which the Society has had to address legacy headwinds. The statutory profit recorded, recovers the loss made in 2020 and builds capital strength that is important to allow the Society to invest and grow its capability into the future. The financial strength is important, but as Colin highlights in his CEO report, the Society has delivered against far more than financial strength during the year.

The strong performance achieved this year is particularly pleasing, because it is the result of a sustained focus by the Board over recent years to develop the fundamental capability of the Society and

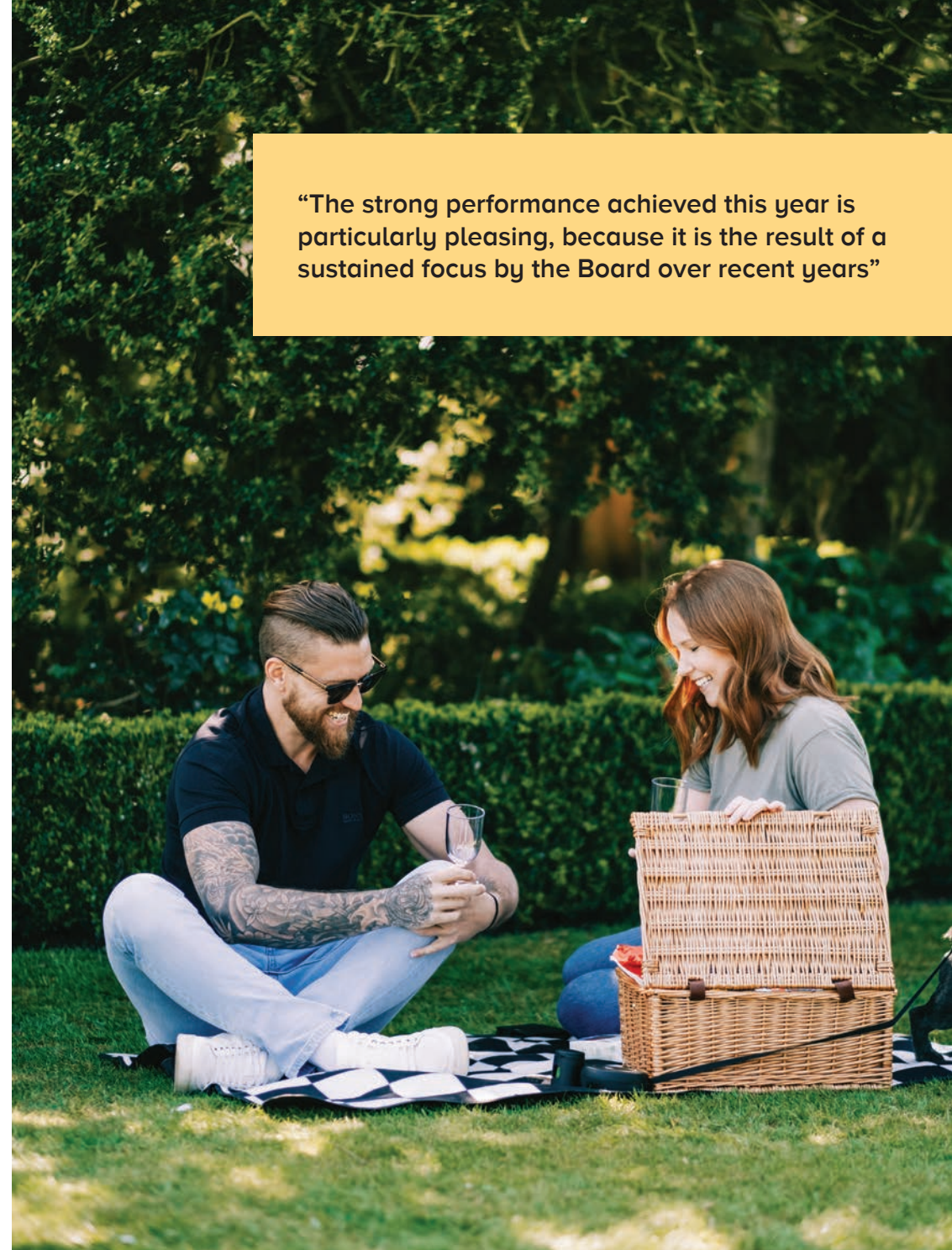
to set it on strong foundations for the future. Our strategic goals, outlined in this report and explained by Colin sets out how the Society is developing to support Members, colleagues and the wider community over the coming years.

Just as the Society is moving through a period of transition, so is your Board. In the coming year we will be looking to replace two of our experienced directors as they approach the end of their term of nine years. I am grateful to the support that they have provided to the Society and me during their tenure and whilst I will miss their wise counsel, I am excited by the opportunity to welcome fresh insight, experience and diversity to the Board.

Looking forward, the direction of the economic weather is again not clear. Interest rates remain low by any historical comparison but could now be on an upward trend. In more normal times this would be welcomed by savers and likely reflect a sign of economic recovery, but now the position is less clear given the sharp increase in inflation that we have seen recently. In facing such uncertainty, the Society is well positioned to support its Members through the challenges ahead, a testament to the hard work and progress made over several years.

I look forward to talking with you at our AGM which this year we are hoping to hold both in person, and virtually, allowing Members to join through their computer or mobile device.

On behalf of the Board I would like to thank all of my colleagues at Saffron Building Society for their continued efforts to support our Members during the pandemic. May I also thank the Members who have supported our Society through 2021 and we hope that you stay safe and healthy during the pandemic and beyond this difficult period.



“The strong performance achieved this year is particularly pleasing, because it is the result of a sustained focus by the Board over recent years”

Meet the Directors

Non-Executives

Nick Treble – Chairman

Appointment: March 2014

Experience: 40 years' experience in financial services, working primarily in the areas of treasury, capital markets, risk management, retail and commercial banking. Most recently he was CEO of AIB Group (UK) plc (2009 to 2012), a retail and commercial bank operating in Great Britain as Allied Irish Bank GB and in Northern Ireland as First Trust Bank. Previously he was AIB plc Group Chief Risk Officer (2008) and Group Treasurer (2001 to 2008).

Committee Membership: Board (Chair), Nominations Committee (Chair), Risk Committee and Remuneration and Loans Committee.

External Appointments: Non-Executive Director of Bank Leumi (UK) plc, Eskmuir Property Group, Cambridge & Counties Bank and a Trustee for a major family settlement.

Jenny Ashmore – Senior Independent Director

Appointment: May 2015

Experience: over 25 years' experience spanning consumer goods, media and oil/utilities as a marketing and commercial leader. Her career includes Senior Commercial Leader and Chief Marketing Officer in Procter & Gamble, Mars, Yell Group and SSE. She now runs her own business consulting across business and charitable sectors with a focus on marketing strategy, innovative propositions and the implications of digital marketing on sales, products and customer service.

Committee Membership: Board, Nominations Committee, Risk Committee, Remuneration and Loans Committee (Chair), Audit Committee and Project Cedar Committee.

External Appointments: Non-Executive Director of Commonwealth Games England, Jazz-works Limited and Fitness Over Fifty Limited.

Neil Holden – Non-Executive Director

Appointment: March 2014

Experience: 40 years' experience in financial services. After qualifying with Thomson McLintock & Co (now KPMG) he held a number of executive roles in financial services mainly in financial control and risk management with JP Morgan, Hambros Bank, Westdeutsche Landesbank and Standard Bank Group.

Committee Membership: Board, Nominations Committee, Risk Committee, Remuneration and Loans Committee and Audit Committee.

External Appointments: Non-Executive Director of Integrated Financial Arrangements Limited, Integralife UK Limited, Stanbic International Insurance Limited and AlbaCo Limited.



Gary Barr – Non-Executive Director

Appointment: April 2014

Experience: 30 years' experience in industry including retail, manufacturing, health and services. Companies he worked for include IT Director at the National Blood Service (NBS), Welcome Break, Sodexo UK & Ireland, WM Morrisons and Dixons Group the electrical retailer as Group IT Director.

Committee Membership: Board, Risk Committee, Remuneration and Loans Committee, Audit Committee and Project Cedar Committee (Chair).

External Appointments: Non-Executive Director of IT Range Ltd.



David Rendell – Non-Executive Director

Appointment: April 2020

Experience: 40 years' experience in financial services across both consumer and corporate lending in the UK and across Europe. His executive career includes both risk management and business leadership roles within Lloyd's Banking Group (1988-2000) and GE Capital (2000-2016) where latterly he was CRO of the European Leasing division, Managing Director of the Green Financing division and CRO and Management Board Member of GE's Dutch bank, Artesia.

Committee Membership: Board, Risk Committee (Chair), Remuneration and Loans Committee, Audit Committee and Project Cedar Committee.

External Appointments: Director of Richmond Place Consultants Limited.



Robin Litten – Non-Executive Director

Appointment: January 2021

Experience: Over 20 years' experience in senior financial services roles. His early career was spent in consulting with Touche Ross, where he qualified as a Chartered Management Accountant and then in retail with Sears Group. In 1997 he joined Barclays Bank Group and held senior roles in its credit card business, as Deputy Finance Director at Barclaycard and as Chief Financial Officer of Barclays Private Bank. In 2002 he joined Scarborough Building Society as CFO becoming CEO in 2008 prior to its merger with Skipton Building Society where he became Commercial Director. In 2012 he joined Leeds Building Society where he was Chief Financial Officer.

Committee Membership: Board, Risk Committee, Remuneration and Loans Committee, Audit Committee (Chair) and Project Cedar Committee.

External Appointments: Member of the Risk and Audit Committee of Ripon Cathedral

Executive Directors



Colin Field - Chief Executive Officer

Appointment: April 2014

Experience: A number of senior finance positions with Barclays, Caudwell Group and Willis Group having previously qualified with PwC. Colin is a Chartered Accountant (FCA). Colin joined the Board in 2014 as Chief Financial Officer before being promoted to Chief Executive Officer in September 2015.

Committee Membership: Board, Nominations Committee, Executive Committee, Executive Risk Committee, Asset and Liability Committee and Credit Committee.

Trevor Slater - Chief Financial Officer

Appointment: June 2020

Experience: Over 30 years' experience in the financial services industry. His early career started in Yorkshire Bank where he was the Financial Controller and director of a number of Group companies, before being appointed as the Group Chief Accountant of the parent company, Clydesdale Bank PLC, in 2006 until 2017. Trevor is a Chartered Management Accountant and a Chartered Banker and immediately prior to joining the Society had been the Finance Director at Ipswich Building Society since December 2017.

Committee Membership: Board, Executive Committee, Executive Risk Committee, Asset and Liability Committee and Credit Committee.

John Penberthy-Smith – Chief Commercial Officer

Appointment: January 2022

Experience: Worked in senior level Commercial roles in a wide variety of industries such as Telecommunications/Technology/ Retail and the Public Sector with Vodafone/ Dixons Stores Group and the Money Advice Service. John joined Saffron in April 2020.

Committee Membership: Board, Executive Committee, Executive Risk Committee and Credit Committee.

Summary Financial Statement

For the year ended 31 December 2021

This Summary Financial Statement is a summary of information in the audited Annual Accounts, the Directors' Report and the Strategic Report, all of which will be available from our website, saffronbs.co.uk. If you need a physical copy, please e-mail agm@saffronbs.co.uk with your details, and we will post this to your address free of charge or send it to your nearest branch for collection.

Performance of the Saffron

The Board is committed to balancing the needs of borrowers, depositors and investment in the Society to deliver excellent customer service and continued financial sustainability.

Against an uncertain economic backdrop the Society continued to improve its underlying financial performance. Total assets grew by 7% to £1,296m, within which the mortgage book grew 6% to £996m. Net interest margin in the period grew by 0.36%, resulting in net interest income growth of 45% in the year, to a total of £22.8m. The income growth was achieved during a period of tight cost control and resulted in a profit after tax of £6.4m, a significant improvement from the loss of £3.3m in 2020.

A key reason for the income improvement was the access to significant amounts of government funding at Base Rate, coupled with an emphasis on higher yielding mortgages, at a time when the mortgage market was boosted by the stamp duty concessions.

Mortgages

Despite the uncertainty arising from COVID-19, the lending portfolio ended the year at £996m, up from £943m in 2020. This included £240m of gross new lending with blended margins above the Society's strategic plan.

The attrition relating to legacy mortgages was a strategic focus to improve margins achieved on the total lending portfolio, in order to

improve the return on capital and profitability of the Society, something which has been successfully delivered in the period.

Arrears experience in the book reduced in the year to £0.6m, down from £0.8m. Many members who took advantage of the payment holidays and other forms of forbearance at the start of the COVID-19 pandemic have successfully exited the support and are now making their regular repayments, resulting in no loss to the Society.

Savings

As a result of the significant support packages offered by the government throughout the year and the unprecedented low Base Rate, the market interest rates on savings products fell significantly and remained low throughout the year.

The Society recognises the challenges that this creates for those such as pensioners who rely on their savings interest, and we take our commitment to savers very seriously. As a building society we are continually balancing the rates that we offer to both our mortgage and savings members, trying to strike the right balance. It is pleasing to be able to pass on some rate increases towards the end of 2021 and more so in 2022 as the protracted pandemic recovery continues.

Liquidity and Capital

The Society's principle measure of liquidity is high quality liquid assets (HQLA) as a percentage of shares and deposits, as this reflects the funds that are immediately and fully available to support the Group's liquidity needs. The level of HQLA strengthened to 23.2% (2020: 22.7%).

The Society holds capital to provide protection for members' deposits against losses from lending and to protect the Society's operations through difficult times. After regulatory deductions, the Group's regulatory capital increased from £56.1million to £63.7 million, largely resulting from the profit after tax explained above, together with an offset from the amortisation of intangible assets.

A measure of capital strength commonly reported amongst financial institutions is the regulatory Common Equity Tier 1 (CET1) ratio. This ratio represents the relationship between our strongest form of capital (accumulated profits held in reserves) and our assets, weighted by the level of risk they carry. The Group's CET1 ratio strengthened to 12.5% at 31 December 2021 (2020: 11.2%).

Economic Outlook

At the time of writing, the COVID-19 outbreak continues to impact countries across the globe. The Society has plans in place to mitigate the operational impact of any further worsening of the outbreak, but the potential impact to the UK economy remains uncertain.

The shocking events currently unfolding in Ukraine increase the economic uncertainty, and the longer-term financial consequences for members are unknown. Energy prices are already impacted, as are businesses with trade both to and from Russia. The Society has no interests which are directly impacted by the conflict although there may be mortgage members whose employer trading is detrimentally affected. As always, the Society will seek to assist members where possible.

Whilst Brexit has been delivered in January 2021, the outcome of trade agreements continues to evolve. Although the core Society business is UK based, any change to our global trading relationships could have an impact on domestic markets, including the housing market. In addition there are a number of instruments held by the society which are linked to market interest rates and are therefore affected by market movements. The Society continues to monitor this situation.

The increase in the capital requirements of financial institutions was announced by the regulator in order to protect the financial services industry in the event of further shocks. This will require the Society to hold around £5m more capital at December 2022, therefore requiring the Society to remain conscious of the need to maintain capital replenishing profitability.

Notwithstanding the risk factors identified above, the improvement to the Society's capital position against the regulatory capital requirement at the year-end means that the Society is in a position to grow mortgage and savings balances through 2022 and beyond.

N J Treble

Chairman on behalf of the Board
8 March 2022



Summary Financial Statement

Results for the year	2021 (£000) Group	2020 (£000) Group
Net interest income	22,759	15,703
Other income and charges	1,090	(4,244)
Administrative expenses and depreciation and amortisation	(15,807)	(15,131)
Operating profit before impairment losses and provisions	8,042	(3,672)
Impairment losses on loans and advances	13	(194)
Provisions for liabilities	-	-
Operating profit	8,055	(3,866)
Profit/(Loss) on disposal of property, plant and equipment	-	38
Profit before tax	8,055	(3,828)
Tax	(1,625)	543
Profit for the financial year	6,430	(3,285)

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 Members of the Society.

Statement of comprehensive income

Profit for the financial year	6,430	(3,285)
Available for sale reserve		
- Valuation (losses)/gains taken to reserves	(323)	82
- Amount transferred to income statement	1	-
Net actuarial gain/(loss) recognised in the defined benefit pension scheme	608	(957)
Unrealised gain/(loss) on revaluation of property, plant and equipment	-	(386)
Tax relating to components of other comprehensive income	(170)	207
Total comprehensive income for the period	6,546	(4,339)

Financial position at the end of the year

	31 Dec 2021 (£000) Group	31 Dec 2020 (£000) Group
Assets		
Liquid Assets	279,050	251,024
Loans and advances to customers	996,029	942,814
Fixed assets and other assets	20,830	13,257
Total assets	1,295,909	1,207,095
Liabilities		
Shares	897,468	893,977
Borrowings	304,160	212,728
Other liabilities	27,253	39,929
Subordinated liabilities	10,291	10,270
Reserves	56,737	50,191
Total liabilities	1,295,909	1,207,095

Summary of key financial ratios

	2021 % Group	2020 % Group
Gross capital as a percentage of shares and borrowings (Note 1)	5.5	5.4
Liquid assets as a percentage of shares and borrowings (Note 2)	23.2	22.7
Profit for the year as percentage of mean total assets (Note 3)	0.51	(0.29)
Management expenses as a percentage of mean total assets (Note 4)	1.26	1.33

Summary Statement of Financial Results

Notes

1. The gross capital ratio measures the proportion that capital bears to shares and borrowings. Gross capital constitutes the reserves and subordinated liabilities shown in the Statement of Financial Position and includes the profits accumulated since the Society's formation. Capital provides a financial cushion against possible adverse market conditions in the future and therefore protects Members.
2. The liquid assets ratio measures the proportion of the Group's shares and borrowings which are held in the form of cash, short term deposits and securities which can be readily converted into cash. Liquid assets are maintained at a level which enables the Group to meet requests from Members for withdrawals from their accounts, to make new mortgage loans to borrowers and to fund its general business activities.
3. This ratio measures the proportion which profit after taxation for the year bears to the average balance of the total assets for the year. The ratio is similar to a Group's return on assets. The Group needs to make a reasonable profit each year in order to maintain its capital ratios at a suitable level to protect Members.
4. The ratio of management expenses as a percentage of average total assets measure the proportion which administrative expenses (including depreciation and amortisation) bear to the average balance of total assets during the year.



Independent Auditor's Statement to the Members and Depositors of Saffron Building Society

Opinion

We have examined the summary statement of financial results of Saffron Building Society ('the Society') for the year ended 31 December 2021 which comprises the Summary Financial Statement, Results for the year, the Statement of Comprehensive Income and Financial Position at the end of the year, together with the Summary Directors' Remuneration Report.

On the basis of the work performed, as described below, in our opinion the summary statement of financial results is consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Basis for Opinion

Our examination of the summary statement of financial results consisted primarily of:

- Agreeing the amounts and disclosures included in the summary statement of financial results to the corresponding items within the full annual accounts, Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021, including consideration of whether, in our opinion, the information in the summary statement of financial results has been summarised in a manner which is not consistent with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for that year;

- Checking that the format and content of the summary statement of financial results is consistent with the requirements of section 76 of the Building Societies Act 1986 and regulations made under it; and
- Considering whether, in our opinion, information has been omitted which although not required to be included under the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it, is nevertheless necessary to include to ensure consistency with the full annual accounts, the Annual Business Statement and Directors' Report of the Society for the year ended 31 December 2021.

We also read the other information contained in the Annual Members' Review and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the summary statement of financial results.

Our report on the Society's full annual accounts is unmodified and describes the basis of our opinions on those annual accounts, the Annual Business Statement and Directors' Report.

Directors' Responsibilities

The directors are responsible for preparing the summary statement of financial results within the Annual Members' Review, in accordance with applicable United Kingdom law.

Auditor's Responsibilities

Our responsibility is to report to you our opinion on the consistency of the summary statement of financial results within the Annual Members' Review with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

The purpose of our work and to whom we owe our responsibilities

This auditor's statement is made solely to the Society's members, as a body, and to the Society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the Society's members and depositors those matters we are required to state to them in such a statement 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 and the Society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

BDO LLP

Ariel Grosberg (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
8 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).



Summary Directors' Remuneration Report

The purpose of this report is to provide information about the Group's policy for the remuneration of Non-Executive and Executive Directors and to give details of the process for determining the level of remuneration.

The Remuneration and Loans Committee is there to make sure remuneration is in line with the Society's values, corporate objectives and ambitions. It also determines the remuneration of Non-Executive and Executive Directors. No Non-Executive or Executive Director is involved in any decision as to their own remuneration.

The principal aim of the Remuneration Policy is to ensure the remuneration of all colleagues and executives is fair, reflects individual performance and competence and is competitive within the local financial services market.

COVID-19 continued to have a major impact on everyone in 2021. As in 2020, no members of staff suffered any pay reduction, no colleagues were furloughed, and all COVID-19 related absence was paid in full.

Staff remuneration and bonus for 2021

In July 2021 a 2.5% salary increase was awarded to all colleagues (excluding Executive Directors). In addition, there was a further increase for frontline Customer Service Assistants. Some additional increases were applied to ensure that they kept pace with external benchmarking of that role.

The 2.5% increase was in-line with inflation at the time and meant that the Society continued to make steady progress in line with the mid-range of combined external market data and in-sector salary benchmarking. The Society exceeds the statutory National Minimum Wage and meets the voluntary Real Living Wage requirements of at least £9.50 per hour. This rate is set to rise in 2022 to £9.90 per hour and the Society will continue to deliver on its commitment to the Real Living Wage.

After a number of very challenging years for the Society, 2021 was a stand-out year where strong retained earnings were delivered primarily due to well-managed growth of the mortgage book. This performance was on top of keeping all of the operations working effectively through the COVID-19 constraints.

In recognition of the hard work in continuing to manage through the pandemic and deliver these results, the bonus comprised a fixed sum bonus of £1,500 per qualifying colleagues, plus a 0%, 5%, or 10% of salary bonus payment across all roles, depending on individual performance.

Executive Directors' Remuneration

The remuneration of Executive Directors reflects their responsibilities and roles within the Society. In 2020, this was made up of a basic salary and various benefits. The Committee continues to monitor remuneration provided to Executive Directors to make sure it is appropriate to attract, retain and motivate the individuals needed to operate a successful organisation as well as being fair and affordable.

The bonus award reflects the extraordinary leadership delivered by the Executive team in 2021 as a part of a 3-year turnaround plan. The performance included a Capital Improvement Plan in 2019/20 and rebuilding the engine of growth for the Society to deliver the 2021 results, all against the difficult backdrop of COVID-19.

Therefore, after no bonus payment in 2018, a small bonus in 2019 and no bonus payment in 2020, the Committee agreed that the bonus award for 2021 should be at the high-end of the policy-approved range to reflect the level of delivery from the Executive Directors and was awarded within a range of 25% to 30%. In line with the Policy, this is paid out in three parts: 60% of the amount in March 2022 and the remaining 40% deferred across the next 3 years.

There were no other changes to the other benefits or pension contributions for current Executive Directors in 2021.

Non-Executive Directors' Fees

In determining Non-Executive Director remuneration, the Committee and the Board take account of fees payable to Non-Executive Directors and chairmen of building societies that are similar in size and complexity to the Society. To ensure that fees are set at a level to retain and attract individuals of the calibre necessary to operate an organisation such as the Society and which reflect the skills

and time commitment required, the Committee periodically commissions a review of Non-Executive remuneration.

In 2021 there was no increase to Non-Executive Directors' fees. There are no bonus schemes or other benefits for Non-Executive Directors and they are not entitled to any pension from the Group.

Analysis of Directors' Remuneration for 2021

The total remuneration of each Director is analysed and presented in the table below.

	2021 (£000)					2020 (£000)				
Analysis of Directors' emoluments:	Salary/fees	Bonus earned in relation to financial year (7)	Other benefits (2)	Pension/ Pension allowance	Total	Salary/fees	Bonus earned in relation to financial year (7)	Other benefits (2)	Pension/ Pension allowance	Total
Executive										
C H Field (1)	200	60	21	27	308	188	-	20	25	233
T Slater (3)	165	45	18	12	240	96	-	10	7	113
	365	105	39	39	548	284	-	30	32	346
Non-Executive										
G R Dunn (4)	-	-	-	-	-	17	-	-	-	17
T G Barr	40	-	-	-	40	33	-	-	-	33
N J Treble	53	-	-	-	53	50	-	-	-	50
N J Holden	43	-	-	-	43	43	-	-	-	43
J A Ashmore	43	-	-	-	43	40	-	-	-	40
E Kelly (5)	-	-	-	-	-	11	-	-	-	11
D Rendell	43	-	-	-	43	29	-	-	-	29
R Litten (6)	33	-	-	-	33	-	-	-	-	-
	255	-	-	-	255	223	-	-	-	223
Total	620	105	39	39	803	507	-	30	32	569

Notes:

1. There was a bonus paid in March 2021 of £17,024 (2020 - £10,384) to CH Field in respect of 2018 and 2019 deferred bonus.
2. Other benefits is made up of car allowance and private health insurance.
3. T Slater joined the Society on 1 June 2020.
4. G R Dunn retired at the AGM in April 2020 and left the Society on 30 April 2020.
5. E Kelly resigned as a director and left the Society on 30 April 2020.
6. R Litten joined the Society on 4 January 2021 and was appointed Chair of Audit on 14 September 2021.
7. Directors bonus reflects bonus earned in relation to activities within the financial period. 40% of this is deferred over the following 3 years.

The increase in the period results from the Executive Director's bonus award for 2021 and the timing of new Director appointments in 2020 and 2021.

Notice of Annual General Meeting 2022

The 172nd Annual General Meeting of the Members of the Saffron Building Society will be held on Tuesday 26 April 2022 at the Community Link, 1b Market Street, Saffron-Walden, CB10 1HX at 2pm for the following purposes:

Ordinary Resolutions

1. To receive the Directors' report, the Annual Report and Accounts, the annual business statement and the Auditors' report thereon for the year ending 31 December 2021.

2. To re-appoint BDO LLP as Auditors until the conclusion of the next Annual General Meeting.

3. To approve the Directors' remuneration report for the year ending 31 December 2021.

Re-election of Directors

4. To consider, and if thought fit:

- a) elect John Penberthy-Smith
- b) re-elect Nick Treble
- c) re-elect Jennifer Ashmore
- d) re-elect Colin Field
- e) re-elect Trevor Slater
- f) re-elect Neil Holden
- g) re-elect Gary Barr
- h) re-elect David Rendell
- i) re-elect Robin Litten

As a Director of the Society.

By order of the Board.

Harriet Hollowell
Assistant Society Secretary
8 March 2022

Notes

1. These notes form part of the Notice of Meeting.

2. Under the Society's rules, a Member entitled to attend the meeting and vote may appoint one proxy to attend and vote on his/her behalf. You may appoint the Chairman of the meeting or anyone else as your proxy, and your proxy does not have to be a Member of the Society. Your proxy may vote for you at the meeting but only on a poll. A poll is a formal vote (which includes all valid proxies).

3. You may instruct your proxy how to vote at the meeting. Please read the instructions on the Proxy Voting Form.

4. The voting date is Tuesday 26 April 2022 if voting in person and Friday 22 April 2021 if voting by proxy.

5. In order to attend and vote at the meeting, or to appoint a proxy, you must qualify either as a shareholding Member or as a borrowing Member (please refer to the voting conditions on the Proxy Voting Form).

6. In addition, you can only vote once as a Member, irrespective of:

(a) the number of accounts you hold and whether you hold accounts in different capacities (for example, on your own behalf and as a trustee), and

(b) whether you qualify to vote as a shareholding Member and as a borrowing Member.

7. Members attending the meeting will be requested to produce their passbooks or other evidence of membership in order to obtain admission. If you are appointing a proxy to attend the meeting and vote on your behalf, please ensure that your proxy brings an appropriate form of identification to the meeting.

If you appoint a proxy to vote on your behalf and your proxy does not attend the meeting, your vote will not be counted.

A donation amount of £1 per vote will be made to the Community fund.





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saffronbs.co.uk

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**Saffron
Building
Society**