ANNUAL REPORT

Year ended 30 November 2015

IPSWICH
BUILDING SOCIETY

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Chairman's Report

2015 was a year of two distinct halves for the Society. In the first part of the year, whilst we were continuing to embed our new IT systems, we needed to reduce the amount of mortgage lending we undertook. However, in the second half of the year once the majority of the IT work had been completed, we returned to growing our mortgage book and established a strong platform for 2016.

In the circumstances, we are satisfied with the financial performance of the Society during the year. The accounts show that our mortgage balances reduced by 4.7% to £453m while the overall balance sheet reduced by 6% to £565m.

The reduction in the overall balance sheet was in part due to the fact that the Society made a decision this year not to raise funds by borrowing against the security of the Funding for Lending Assets which it had done the previous year under a scheme led by the Bank of England and HM Treasury to incentivise banks and building societies to increase their lending to the UK economy.

The reduction in the mortgage book reflected the delays that we experienced during the year in our mortgage processing caused by needing to put extra resource into our IT development. We had expected to launch an online portal in the first quarter of the year through which brokers would submit mortgage applications. There were delays and the mortgage team was involved in testing the new system, reducing their ability to process applications. In addition, applications that were received required more manual processing than normal, slowing our response times and reducing the volume of mortgage applications that we were able to handle.

Despite the delays we are particularly encouraged that brokers have been very positive about our approach to lending and the range of products that we have available for homebuyers who have not been able to borrow elsewhere. This resilience in our underlying product offering, which is discussed more fully in the Chief Executive's Report, has been an important theme running through the year.

We were disappointed to have to reduce interest rates on a further range of savings products this year. However, the move was necessary to enable us to continue to generate appropriate levels of profit and continue to build our capital base. Our overall level of capital this year has increased by 4.4% to £36m which represents comfortable headroom over the regulatory minimum that we must hold.

An increased level of profit of the business in the last three years compared with the years before, has strengthened our level of capital to a position where we are now able to repay some of the subordinated debt upon which we have been relying but which was proving costly to the business. In January 2016 we repaid £3.5m of subordinated debt, saving the Society £517k of interest payments per year. While we may want to take on some further subordinated debt in the future to fund further growth of the mortgage book, we anticipate that this will be at a lower rate of interest and will be more cost effective.

Having come through a frustrating year caused by delays in the launch of our full IT functionality, the business is faced with further regulatory change in the year ahead. March 2016 sees the introduction of the Mortgage Credit Directive ("MCD"), an EU wide set of conduct rules for mortgage firms. These new rules do not change the fundamentals of the mortgage business but do change the timing and manner of our communication with borrowers. As many of our communications are generated by our IT system, the new MCD rules will require further IT changes. So once again we are into a period of testing and retesting and the need for the staff to become familiar with new systems and processes. Such changes in regulatory regime are particularly disappointing when even the UK Government acknowledges that the changes bring few benefits to UK consumers or to the internal lending market in the UK but do add to costs for individual firms. Further, extensive changes that we will face in 2016 come with the introduction of the Senior Manager Regime ("SMR") which is aimed at strengthening accountability in banks. The SMR will clarify the lines of responsibility at the top of banks and building societies, enhance the regulators' ability to hold senior individuals to account and require banks and building societies regularly to vet their senior managers for fitness and propriety. In addition there will be a Certification Regime requiring firms to assess fitness and propriety of staff in positions where the decisions they make could pose harm to the Society or its members. As a business we are supportive of steps taken by our regulators to try to prevent the sort of collapse of financial institutions which we saw in 2008 which were often caused by failures in corporate governance.

This year has seen a number of allegations of failures of governance at the highest level of global organisations. The revelations around the world governing body of football, FIFA, and more recently the alleged failures at IAAF, have shone a spotlight on the need for integrity, transparency and accountability at the highest levels of organisations. We continue to refresh our Non-Executive Board of Directors in a way which meets the highest standards of governance and helps the collective skills and experience of the Board meet the rigours of today's regulatory and business environment.

We were sorry to lose Andrew Wilson who stood down from the Board at the end of May. As an established Director in the field of commercial property, Andrew brought an incisive mind and an instinctive ability to challenge on a range of issues, particularly of course those impacting the property sector. I should like to take the opportunity to thank Andrew for his considerable contribution to the Board in the all too brief time that he was with us.

We have been delighted to welcome two new experienced individuals as Non-Executive Directors: Valerie Dias and Peter Elcock. Valerie joined us in March 2015, replacing Charles Tilley, who stood down at the AGM. Valerie is Chief Risk and Compliance officer at Visa Europe and was previously Finance Director. She brings a wealth of experience of finance, governance and controls and risk management.

Peter Elcock joined the Board on 1 June 2015. Peter has extensive experience of risk management in retail financial services and was previously Chief Risk Officer at a large building society. Peter is currently an Executive Director and Chief Risk Officer of a challenger bank. This experience of the retail financial services sector is very helpful for the Society.

Together Valerie and Peter have already had a significant influence on our approach to risk reporting, governance and compliance and their expertise has helped us to evolve the overall skills of the Board in an appropriate direction and in a way which satisfies our regulators.

We follow a rigorous recruitment process for Non-Executive Directors, engaging an executive search firm and involving all members of the Board in the process of interviewing candidates so that we can test not only an individual's skills, experience, independent thinking and robustness but also their 'fit' with the rest of the Board. In addition, new Directors must be assessed by the regulator and receive their approval before their appointment can be confirmed. With such a thorough recruitment process and good internal governance, including regular appraisal, we believe that we have a strong, independent minded Board fit to fulfil their duties and responsibilities to members.

The recruitment of Non-Executive Directors is an on-going process as we seek to comply with the Corporate Governance Code which recommends that, where possible, Non-Executive Directors serve no more than nine years on a Board. This year both Michelle Tennens and Derek Bowden have reached nine years as Non-Executive Directors. With the change in Directors already this year and in order to bring some continuity and stability to the Board, we do not think it would be appropriate for both Derek and Michelle to retire from the Board at the same time. Therefore, we have agreed that Derek will stand down during 2016 when a new Non-Executive Director will be appointed and that Michelle will stand for a further year.

We will be sorry to lose Derek who has been a stalwart of the Board throughout my time with the Society. Derek is an experienced Chief Executive and has a better grasp than many of the role of the CEO, management of people and operational issues. His contributions to improving the running of the Society have been consistently strong while his grasp of markets and consumer behaviour has had a positive influence on our branch strategy in recent years. I have particularly valued Derek's contribution as Deputy Chairman and will miss his support and encouragement.

With constant regulatory change, no year is easy for a building society. However, the Society has shown great resilience this year and we enter 2016 with a strong mortgage pipeline, an offering which the brokers find attractive and appropriate for their customers and a much improved IT system capable of supporting the business and improving its efficiency. I should like to thank all staff for their hard work, their determination and 'can do' attitude and for the loyalty that they show, every day, to the Society and its members.

E. Sarah Evans
Chairman
28 January 2016

Chief Executive's Report

Welcome to our latest Annual Report.

Our results this year reflect the fact that we've been consolidating around recent changes, and putting in place the building blocks for our future development and success.

In the year the Society saw a fall in mortgage assets. Full details are shown in the Directors' Report. This was due to the continuing impact of the change to IT systems in 2014 so that our abilty to process the volumes of mortgage business we had wanted was restricted. Once these issues had been largely resolved by the middle of the year we were able, during the second half of 2015, to return more actively to the mortgage market and mortgage balances grew by almost 2% in that period.

Helping mortgage misfits and mortgage prisoners

The Mortgage Market Review (MMR) of 2014 created a large number of 'mortgage misfits' and 'mortgage prisoners' – people who genuinely can afford the repayments on a mortgage and often have good payment records, but still find themselves on the wrong side of the new affordability rules.

Misfits find it hard to qualify for a mortgage because they are older (which can actually mean 'over 40'), pensioners, recently self-employed, first-time-buyers, paid largely in bonuses or buying an unusual property (including self-build).

Mortgage prisoners are unable to remortgage (often from an interest-only loan) because they fall into one of these categories and other lenders are unwilling to take them on. According to the Resolution Foundation an estimated 770,000 borrowers are in this predicament, unable to access a new deal.

Where other lenders see bad risks across the board, we know how to identify those that are merely unusual. And we believe that it's possible to give people a choice while retaining a diligent approach to lending.

We underwrite individually and look at each and every mortgage application purely on its merits, using sound judgement and common sense rather than computerised tools to gauge outgoings and affordability. We've also launched a range of products for different parts of the market, such as self-employed. As a result, we can often find room for misfits, or liberate mortgage prisoners.

It's an approach that marks us out as different from the rest. As Patrick Collinson, Money Editor of *The Guardian* says, 'Ipswich has caused a stir in the mortgage industry for being the first to consider lending to mortgage misfits.'

The Mortgage Credit Directive

From 21 March 2016, we see the introduction of the Mortgage Credit Directive (MCD). This new EU legislation imposes common information standards on all lenders within the EU, with the aim of creating an open, pan-European market for financial services.

I personally believe the MCD does nothing to improve consumer protection. The changes we have to make will be costly and disrupt the mortgage market once again so soon after the introduction of MMR.

One key change imposed by the MCD is a ban on the use of the transitional provisions in MMR, which have been one of our most powerful tools for taking on mortgage prisoners from other lenders. There's a real danger that this change will create many more mortgage prisoners.

New broker brand

Elsewhere, the news is much better. In June, we launched our new broker brand. This initiative was aimed at revitalising our very good relationship with brokers and intermediaries, who deliver around 85% of our new mortgage business. We emphasised the simplicity of doing business with us.

We built a dedicated new website (ipswich-intermediaries.co.uk) and held a number of face to face events where we explained to brokers our approach to mortgage lending and how we wanted to work with them.

We also extended the broker brand to incorporate Ipswich Building Society Prestige, an exclusive club for our top-performing partners that currently has 18 members. The Business Development team has been strengthened to ensure we can offer the best possible service to brokers. Alongside this we have added resource to the Mortgage underwriting and processing team so that when business is received it is dealt with quickly and efficiently. We believe that experienced underwriters add value to the mortgage service we offer.

In 2016, once the requirements of the Mortgage Credit Directive have been addressed, we anticipate once again allowing brokers to be able to submit new business through our online portal.

Local lending

Whilst we have continued to strengthen our mortgage intermediary service, we still want to offer an effective service to those who come to us direct. Unlike some lenders we continue to offer accessible qualified mortgage consultants who are available either face to face in branches or by telephone.

Serving our members

Despite what is often said in the media, the Society still finds that members do wish to use our branches and agencies, valuing the benefit of face to face conversations with staff whose principal aim is to look after their interests.

During 2015 we made changes to the management structure of our branches to ensure that our members have access to managers whenever needed.

As any prudent business should, we will continue to review our network to ensure it is still relevant to the needs of the Society both now and in the future, and from time to time may make some changes. However, we are fully committed to continuing with a branch and agency network.

The branch network is a key part of our work to support local communities and all branches have been involved in 2015 with activities to strengthen further our links with communities. For example our Ravenswood branch helps the local Rotary Club with the counting of the cash raised thorough its Rudolph appeal.

It is our savings members who provide the funds for our mortgage lending. The long period of low interest rates has meant that the returns savers have received have been much lower than historically they are used to. To enable the Society to balance the inflow of new savings against the lower than planned level of mortgage business in 2015 we reluctantly found it necessary to reduce interest rates on some accounts. Although rates have fallen we have continued our policy of offering a better rate to those members who decide to reinvest their maturing savings than we offer to new savers.

From April 2016 savers will see the introduction of the new personal savings allowances which will mean that the vast majority of savings interest will be tax free. This is a welcome simplification to the tax system. It will be interesting to see its impact, particularly on the demand in the future for ISAs.

Financial education, Money Metrics® and career support

We're very proud of the work we do to help disadvantaged people and the broader community in all the locations where we work, and to support the economic development of Ipswich and its surrounding area.

For several years now, our staff have been offering financial education in schools, colleges and Her Majesty's Prisons (HMP) to help students and inmates understand how to manage their money better. This March, our education programme reached a new milestone when we launched Money Metrics®: a fully developed educational module including talks, games and activities aimed at Year 10 pupils (those aged around 15).

We've been delivering money management classes at HMP Highpoint since 2013. This year, we also began working with HMP & HM Young Offender Institution Hollesley Bay. I myself visited in September, which allowed me to see the positive impact of our work first-hand.

We hope our education offering will make a real difference to the lives of everyone we've worked with, whether they're beginning working life or returning to it.

One in five of our staff are now trained to offer financial education, including both Head Office and branch staff at every level of the business. That's a remarkable achievement, and a testament to the dedication and community spirit of our team.

Overall we've delivered almost 700 hours of financial education in 2015, compared to 231 hours in 2014.

Closely related to financial education is our work in careers advice. We've carried out 95 hours' work in this area this year, attending a number of careers fairs.

Volunteering and community support

We encourage all our staff to get involved in volunteering projects to help their local community. This year, we've delivered almost 1,000 hours of volunteer support, compared with 616 hours in 2014.

At a corporate level, we support our staff's efforts with our matched funding pledge. In spring and summer this year, we matched over £10,000 raised by staff for local and national charities including East Anglia Children's Hospice (EACH), St Elizabeth Hospice, Cancer Campaign in Suffolk, Cancer Research and Diabetes UK and Lighthouse Womens Aid.

Matched funding sends a positive, motivating message to everyone involved and encourages staff to take on new challenges that improve their wellbeing. And, of course, it doubles the benefit for good causes too. I'm pleased to confirm that matched funding will continue throughout 2016.

The Society has its own Charitable Foundation. Each year we make a donation to the Foundation which then works with the Suffolk Community Foundation (SCF) to ensure the funds are used to the best effect. We also work with SCF on their ' Surviving Winter Campaign'. Branches accept donations from those who feel able to give their winter fuel allowance to those suffering from fuel poverty.

On a lighter note, we're also looking forward to being the official Community Engagement Partner for Suffolk's biggest ever mass-participation public art event: Pigs Gone Wild. This exciting project will see around 40 pig sculptures set out on a trail around Ipswich and the Waterfront next summer in aid of St Elizabeth Hospice. As the Community Engagement Partner, we'll be delivering financial education in a fun and engaging way to local youngsters, and our nine Suffolk branches will be hosting trail maps and housing junior pigs. We're very proud to be supporting St Elizabeth Hospice and raising the profile of Ipswich as a tourist destination.

All In

Our member initiative 'All In', launched in 2014, emphasises our members' ownership of the Society and encourages them to get involved, both in corporate decision-making and in member events. These events often focus on discovering more about our beautiful county and supporting local organisations and are designed to add value to our relationship with our members offering experiences which are memorable and often not usually available to the general public.

Chief Executive's Report continued

This year, just over 1,000 members have attended events including a coach trip to Sandringham Flower Show, Christmas wreath workshops and guided tours of Wingfield College, Royal Hospital School and many more.

We've also hosted two member volunteering events, at horse charity, Suffolk Punch Trust, and Beachwatch on Aldeburgh Beach.

Apprenticeships

As our business develops, so we need new people to help us grow.

Whilst we have also recruited a number of new staff at senior level, we're committed to apprenticeships as a key means of recruitment. Our training programmes are approved by the National Apprenticeship Service.

I'm delighted with the progress our apprentices have made with the Society. In fact, several have already succeeded in gaining promotion, which is great for them and proves the value of the apprenticing approach.

Apprenticeships give young people a strong start in the world of work and equip them with skills they can use for life. As the costs and debt burden of attending university continue to rise, they're also a great alternative to formal education as a route to employment.

Staff training and development

We haven't forgotten those who are already part of the team. Our existing staff now have the opportunity to develop their skills through our new Valuing Individual Performance (VIP) programme. It's a web-based system packed with ideas and materials to help staff improve their skills and knowledge.

VIP also allows us to carry out bi-annual appraisals online and deliver our corporate induction pathway, guiding new recruits through the essential knowledge and skills they need when they first join us.

Last year's Best Companies survey highlighted that we needed to do more for our staff's personal or long-term development, as well as offering job-focused training. To address this, we're introducing an external qualification (BTEC NVQ level 3) that will help our staff develop skills in a wide range of areas from customer service and complaint handling to personal and professional development, developing business relationships and social media.

Improving IT

Last year, I looked forward to ramping up our lending following the completion of our IT refresh project. As it turned out, that process took longer than expected, mainly because of the inherent complexity of the mortgage business. Sophisticated functionality such as the facility for brokers to submit applications online inevitably took some time to get right. However, we're now nearing the point where our IT refresh will be definitively completed, and start to deliver real benefits to our business.

The financial burden of the IT project was significantly lightened by our collaboration with Loughborough and Dudley Building Societies. Under this arrangement, we agreed to share the costs of IT development with a view to sharing the benefits of the technology once it's created.

Looking forward

Over the last couple of years, housing has become a key political issue. At present, all the mainstream political parties are promising to build more houses. We support any attempt to deal with the pressing shortage of new house building. Wherever we can, we will work with Government to provide mortgages on properties developed under its initiatives.

Many economic observers expected a rise in interest rates during 2015. In the end, it never happened, and at present the prospect of a rise seems to be receding. Clearly, the ongoing low-rate environment is helping to support the housing market, and to sustain the growth in the UK economy more widely. However, we do recognise that low rates aren't good news for savers. We continue to do our best to balance the needs of savers and borrowers.

Our mortgage business has come through a period of change and is in good shape for the future. We will build on the strong foundations we've put in place.

I have no doubt that our future results will reflect the effort we've put in.

Paul Winter MBE
Chief Executive
28 January 2016

Directors' Report

The Directors have pleasure in presenting the 166th Annual Report and Accounts for the year ended 30 November 2015.

Business objectives and activities

The principal purpose of the Society continues to be that of making loans (which are secured on residential property) to enable people to buy their own homes. These are funded substantially by its members.

Offering simple and straightforward savings products to investing members and providing mortgages so that borrowing members can buy a home has been the Society's purpose for 166 years and continues to be so.

Business review

The Society faced two main challenges this year. The first related to delays in the delivery of full functionality of its IT system, which affected our ability to process new mortgage applications. The second was an increasing level of regulation affecting the way in which the mortgage market operates and more widely, the financial services market. Both these challenges had an impact on the administration costs of the Society.

We successfully migrated to the new core IT system in October 2014, but certain aspects of the mortgage application process needed further work and extensive testing before it could be used to process the larger volumes of mortgage business we were planning. This meant that staff who would otherwise be focused on mortgage processing and underwriting spent much of their time testing the new system. As a result we were not in a position to offer the range of products we had planned so that the volume of new business in the first half of 2015 was much below target.

We also launched our new broker proposition, Prestige, an exclusive club for top-performing partners. By doing this and by continuing to write direct mortgage business during the IT development phase we have been able to continue to support mortgage misfits by making full use of our individual approach to underwriting, ensuring that we use our expertise to assist those that we are able to. The feedback received by the Society on our approach to lending has been positive and we hope to build on this in 2016.

There has been an increase in regulation in the financial services industry in general last year, and particularly in relation to mortgage business. March 2016 sees the introduction of the Mortgage Credit Directive which will require further developments to our IT system.

We are committed to being a membership owned organisation. As a mutual building society we act in our members' best interests and in those of the wider community. We believe that it is integral to the Society's purpose and vision for members to be aware of their position as the owners of the Society. As a result in 2014 we launched our new member initiative 'All In' which encourages our members to become involved in member events and have their say in how we are run and helping to improve our products and services. It is intended to highlight the benefit of being a member instead of just a customer. The events this year have included a wildlife trip to RSPB Minsmere, a trip to the Sandringham Flower Show and a Christmas wreath making workshop. All our events have proved hugely popular and we look forward to developing the 'All In' programme further in the next year.

Looking ahead

The Society continues to develop despite a challenging year with the changes to the IT system. Further development has been delivered to the core system, particularly in the area of mortgage processing.

IT is a key tool for the Society's business and there is an ever increasing use of technology in all areas. There will be further technology development required in 2016, including a system upgrade, related to the implementation of the Mortgage Credit Directive and implementation of the Society's MI systems.

We remain confident that the Society is well placed to continue to deliver products and services that its members want. The Board looks forward to next year where we concentrate on growing our mortgage business. This will require a small net growth in savings balances.

Key Performance Indicators

Key performance indicator	2015	2014	2013
Mortgage Assets (£m)	**453**	474	485
Arrears cases over 12 months	**11**	16	17
Retail savings balance (£m)	**524**	539	549
Profit before tax (£m)	**1.9**	3.8	3.2
Management expenses (£m)	**8.0**	7.3	6.3
Total capital (£m)	**36**	34	33

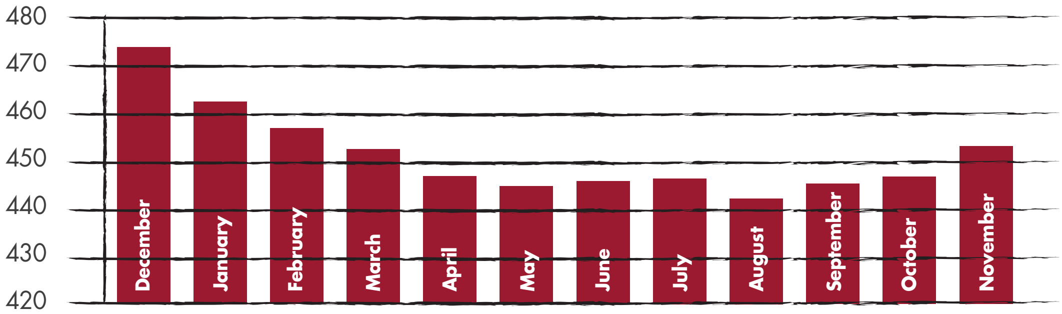
Mortgage Assets

We commenced the year with a low level of applications in the pipeline. This was a deliberate decision to assist with the IT integration. It resulted in a reduction of the mortgage book during the first half of the year. However, we are pleased to end the year with three months of consecutive mortgage growth resulting in a balance at the end of the year of £453m. This level of mortgage asset is below that of the last two years, is due to issues with the IT integration and our capability to process mortgage applications. It is a focus of the Society in 2016 to grow the mortgage asset substantially.

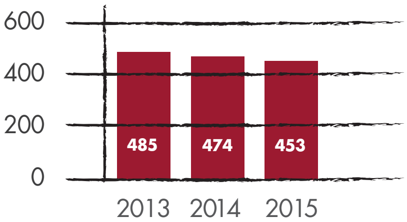
We are pleased to report that by championing the 'mortgage misfit' we have been able to assist people with lower deposits and in particular first time buyers. The Mortgage Market Review created a large number of people who genuinely can afford the repayments on a mortgage and often have good payment records, but still find themselves on the wrong side of the new affordability rules. We underwrite individually and look at each and every mortgage application purely on its merits, using our own judgment to assess outgoings and affordability. We will use this approach in growing the mortgage business in 2016.

Directors' Report continued

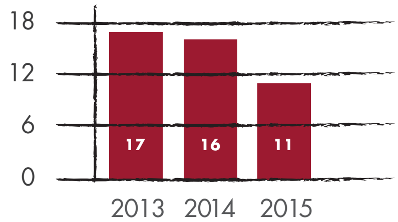
Monthly Mortgage Assets (£m) 2014 -2015



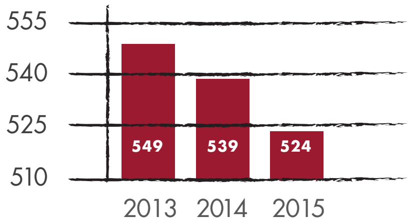
Mortgage Assets (£m)



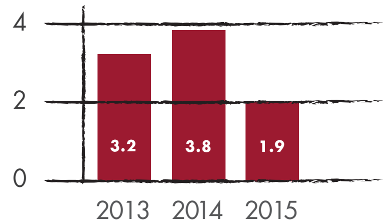
Arrears Cases



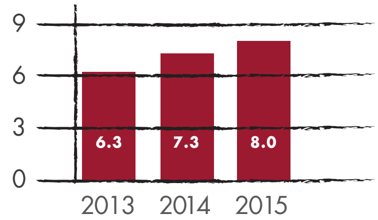
Retail savings balances (£m)



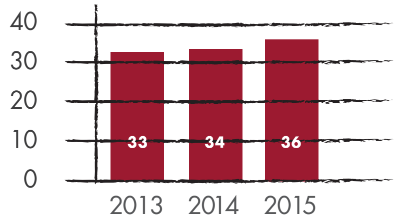
Profit before tax (£m)



Management Expenses (£m)



Capital (£m)



Arrears

Our arrears levels have substantially reduced throughout the year. This has been achieved by our arrears team working diligently and with care to support members with payment difficulties. We have continued with a sympathetic and positive approach, agreeing sensible and affordable payment arrangements with those borrowers, ensuring that we work together to enable them to manage their payment difficulties.

At 30 November 2015 there were 11 (2014: 16) mortgage accounts where payments were 12 months or more in arrears. The total amount of principal outstanding in these cases was £980k (2014: £1,270k). The total amount of arrears was £118k (2014: £130k). On 30 November 2015 the Society has taken two out of those 11 properties into possession.

At 30 November 2015, the Society has 126 (2014: 148) mortgage accounts subject to forbearance, which equates to 3.06% by number of the total mortgage book. These mortgage accounts have a total balance of £9.15m (2014: £12m). 64 of these cases are currently in arrears, with total arrears balances of £118k (2014: £136k). Forbearance activities include providing members with payment arrangements, extending the term of a capital and interest repayment mortgage, changing the payment date or method of payment and temporarily converting a mortgage from a capital and interest repayment to interest-only. Where the Society considers there is a possibility of loss a provision is made in accordance with the Society's policies.

Retail savings balance

With the introduction of the Government's very competitive 'Pensioner Bond' the Society had anticipated a significant retail savings outflow in the early part of 2015. This did not materialise, and despite falling interest rates, for the first half of the year the Society continued to see modest inflows and closed issue balances held steady.

To maintain our overall plan, taking into account our lending experience this year the Society has:

- Regularly reviewed the rates being offered on main range products
- Continued to pay a loyalty differential above our fixed rate offer to savers with maturing fixed rate bonds
- Reduced rates on the majority of closed issued 'variable rate' products to bring them in line with general market conditions.

The Directors were disappointed to have to make a reduction in our closed issue variable rates. However, this decision was made after careful consideration and was necessary to rebalance the savings and lending book to generate profit and capital for the Society as a whole. The most noticeable changes were made to the Corporate Gold, Diamond Plus and County 10 accounts. The rate reductions applied during this financial year were dispersed across the year but unfortunately some account holders will have had cumulative reductions of up to 0.75% during this financial year. The Directors ensured that any reductions in rate were applied only when necessary and in a fair manner.

This rate reduction, together with the lowering of the FSCS limits (a reduction from £85k to £75k), which allowed penalty free withdrawals of the £10,000 difference has resulted in retail savings outflows in the second half of the year which means that our savings balances have reduced by £15m.

A review of the balance changes on accounts experiencing rate reductions shows that balance reductions on these accounts during this financial year total £11m, representing just 6.5% of the balances affected and account for over 50% of the full year outflow and the closure of 3.8% of accounts.

It is encouraging to see that we retained 85% of maturing funds in 2014/15 (82% in 2013/14). Members tell us that they appreciate the communications provided and the opportunity to reinvest at preferential rates.

Profit for the financial year

The Society achieved a profit before tax of £1.9m. As expected this is a reduction compared to last year's (£3.8m) due to a smaller than planned mortgage book, increased costs particularly in the area of technology and last years figure including a one off profit on the redemption of sub-debt. The Board is confident the Society can remain profitable over the three year corporate plan period and fulfil its aim of growing the mortgage book faster than the rate of management expenses.

Management expenses

Management expenses consist of administrative expenses, depreciation and amortisation. During the period the Society invested a significant amount in developing the new IT system and in recruiting a number of staff to assist in the growth of the business. This investment has resulted in an increase in management expenses over the year. It is important that the Board and Executive exercise close control over costs in the forthcoming year while continuing to invest in the business.

Capital

As at 30 November 2015 gross capital and free capital as a percentage of share and deposit liabilities stood at 6.76% (2014: 6.05%) and 6.01% (2014: 5.30%) respectively. The Society's capital is £36 million, an increase of 4.4% in the last year. Since 30 November 2010 the Society has grown its free reserves (retained profits) by £8.5m, an increase of 44%.

On 21 January 2016 we repaid £3.5m of subordinated debt held by Reliance Mutual, saving the Society £517k of interest payments per year. Following this repayment our subordinated debt (remunerated capital) represents only 13% of our total capital compared with 31% at 30 November 2010. The remainder of our capital is made up of retained reserves and therefore our capital position is now much stronger than it was five years ago. The Board considers the level of remunerated capital to be appropriate for a business of our size. In order to grow the business in the future the Board may consider issuing further remunerated capital instruments to replace current subordinated debt and maintain capital strength.

As part of the Capital Requirements Directive (CRD) the Board has conducted an assessment of the adequacy of the Society's capital resources. Information about the Society's Pillar 3 disclosures, which are a requirement of the CRD, together with the disclosure to comply with the requirements of Article 89 of the Capital Requirements Directive IV (CRDIV), are provided on the Society's website www.ibs.co.uk.

Financial Services Levy

The Society continues to need to contribute to the Financial Services Compensation Scheme. The charge for the year was £271k (2014: £429k).

Community, economy and environment

The Society has a strong commitment to social responsibility in all its forms. We continued our employee volunteering programme which allows all employees four hours per month to volunteer. In 2015 we gave 984 hours of volunteering to the community. We continued to deliver our financial education programme in local schools and HMP Highpoint and HMP Hollesley Bay. Our employees raised £10,000 for local charities through fundraising in branches or personal sponsorship. The Society offers matched funding for personal sponsorship of local charities.

The Society is efficient in its running costs and supports the environment by the use of solar panels and recycling office waste.

Customer satisfaction

Members consistently tell us that they appreciate the face to face accessibility via our branch network. Our branches achieved a high customer satisfaction score of 98% (2014: 90.5%) and a Net Promoter Score (NPS) +81.79 (2014: +66.93), which is high. NPS is a score showing how likely members are to recommend us to others.

We communicated to Members earlier in the year that the Needham Market agency was to close. The Clare agency will also close during 2016.

Directors' Report continued

However, we do not consider that this has a material negative impact on members because of the close proximity of other branches. We will focus on ensuring that members receive the same experience and high level of customer service whatever branch they visit.

The Society has this year commissioned research into branch based customer experience and compared our handling of new enquiries with that of our competitors. It is very pleasing to see that the Society out performs its immediate high street competitors by 18%.

Directors

The Directors of the Society during the year were as follows:-

E Sarah Evans (Chairman)
Kieron F Blackburn
Derek W Bowden (Deputy Chairman)
Valerie M Dias (appointed 26 March 2015)
Peter C Elcock (appointed 1 June 2015)
Alan Harris
Michelle A Tennens (Senior Independent Director)
Charles B Tilley (Retired 26 March 2015)
Paul Winter
Andrew L Wilson (Retired 1 June 2015)

We welcome both Valerie and Peter to the Board. Their experience in audit, compliance and risk will be valuable to the Society. We would like to thank Charles Tilley and Andrew Wilson for their service to the Society during their appointments.

Principal risks and uncertainties

The Society's risk strategy is:

- To ensure that it holds sufficient capital so no investor suffers a loss in all reasonably foreseeable circumstances
- To hold sufficient liquidity to ensure all payments due and expenses can be met on time
- To hold sufficient liquidity to ensure members' requests to withdraw funds can be met in all reasonably foreseeable circumstances.

Our Risk Tolerance and Culture Policy, Lending Policy, Liquidity Policy and Internal Liquidity Adequacy Assessment Process set out our risk tolerance for our business. We also undertake an Internal Capital Adequacy Assessment Process. This ensures we plan our capital requirements on an annual basis and operate with sufficient capital to protect our members. These policies not only define our risk parameters and mitigations, but also enable us to operate in ways that ensure our members can have confidence in the sustainability of our business.

The Board reviews the Risk Tolerance and Culture Policy annually and this is monitored by the Board Risk Committee. There are four management committees reporting to the Board Risk Committee. These are Retail Credit Risk, Assets and Liabilities, Conduct Risk and Operational Risk. We also have a comprehensive business-wide risk register to capture all the key risks across our business. Managers are responsible for identifying and detailing risks in this document and their associated mitigations and controls. In 2015 the Board considered the Society's biggest challenge was the need for significant adaptations on our IT system and processes to ensure that we are in line with the increasing regulatory requirements. Our principal risks are detailed below.

We have sought to enhance our risk management function further through the appointment of a new Head of Risk and Compliance.

Retail Credit Risk
This risk materialises when an unexpected loss is incurred through non-repayment of mortgage lending, and is mitigated through our Board-approved Lending Policy which shows our risk tolerance for our lending and includes clear guidelines for mandate levels and lending. We also focus on supporting borrowers who may be having payment difficulties to help mitigate any potential loss and assist the borrowers in returning to a normal repayment pattern.

Where we consider the potential for a loss we make a provision for this in accordance with our policies.

Liquidity Risk
Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. This includes requests from members to withdraw funds. The Society is required by regulation to hold a calculated level of liquidity. Liquidity investments are held in either 'on-call' accounts or as short term dated investments including Certificates of Deposit (CDs) and Floating Rate Notes (FRNs). We hold the majority of our 'on-call' liquidity investments with the Bank of England.

At 30 November 2015 we had a total of £107m held as liquid assets; £53m of this was available 'on-call' (£47m with the Bank of England) and the remainder sat in cash, CDs and FRNs.

Wholesale Credit Risk
Wholesale credit risk is the risk of default on assets held to mitigate liquidity risk ('on-call' accounts, CDs and FRNs). We manage the risk of investing these liquid assets by having strict criteria for accepting counterparties to invest in and absolute limits for these investments with each counterparty. These criteria and limits are stated in our Board-approved Liquidity Policy, and include a requirement for counterparties to have a Fitch rating of A- or higher (except building societies where Management may use their specialist knowledge). We review our approved counterparty list and investments made monthly at the Assets and Liabilities Committee.

Operational Risk
Operational risk is the risk of loss through inadequate or failed internal processes or systems, including human error or external events.

Operational risks are logged and assessed on our Risk Register and mitigations put in place to ensure their management. Outsourced services are assessed and managed for risk through contractual terms with agreed service level agreements, performance indicators and documented processes where relevant. Our most significant operational

Directors' Report continued

and business risk during 2015 was further developing and embedding our IT systems and going forward will be the implementation and compliance with MCD in 2016.

Interest Rate Risk
Interest rate risk arises from a mismatch between the interest rate characteristics or maturity profiles of assets and liabilities. The Board-approved Financial Risk Management Policy includes set limits for assets and liabilities on different interest rate bases. Where possible we use natural hedging between our fixed rate mortgages and fixed rate savings bonds. We also use derivatives known as interest rate swaps to manage interest rate risk within our Balance Sheet. Further details can be found in note 29 of the accounts.

Regulatory Risk
Regulatory risk is the risk that the Society breaches a regulatory requirement. As a result we have policies and procedures in place to ensure compliance with the regulations that affect our business. The volume and complexity of compliance with these regulatory issues may impact the Society's ability to compete and grow. The Board will continue to monitor regulatory changes, to ensure that the Society continues to meet all of its regulatory requirements.

Conduct Risk
Conduct risk arises when a firm's behaviour results in inappropriate or poor outcomes for customers. Our culture is based upon ensuring that each of our members has a right to expect that his or her relationship with us will be conducted in a fair and consistent manner. We recognise our members as the owners of the Society, with individual requirements and expectations and this approach is demonstrated within our conduct risk framework.

We believe our membership can only be served by having committed, knowledgeable staff, with the ability and authority to meet requirements and expectations of our members. As such we encourage all staff to undertake personal development and advancement, and we recognise and reward their achievements, creating a sense of pride in serving our membership, and in providing total customer satisfaction.

Capital Risk
The Board complies with the Basel II Capital Requirements Directive (CRD) which requires the Society to assess the adequacy of its capital through an Internal Capital Adequacy Assessment Process. To assist the Board in determining the level of capital required, stress testing and scenario analysis is performed on key business risks to assess whether the Society could survive a severe economic downturn and other severe business shocks. Through this process the Board ensures that the Society holds a level of capital sufficient to satisfy both the CRD's Pillar 1 minimum capital requirements and to cover those risks that the Board has identified under Pillar 2. The Pillar 3 disclosures required under the CRD are available from the Society's Secretary, or on our website.

Financial risk management objectives and policies

In addition to the risks outlined above, some risks arise from the very nature of being a building society. Primarily these are the raising of funds from savers and lending to mortgage borrowers and other counterparties. Theses financial risks are closely monitored and controlled by the Board, supported by its Committees.

Further details of the Society's approach to financial risk management, including the use of financial instruments for risk management purposes and the key risks faced, are detailed in note 29 to the Accounts.

Internal Audit

The Society's internal auditors provide independent and objective assurance that there are appropriate systems and controls in place and that they are effectively applied. The Society outsources the Internal Audit function to Deloitte LLP. The Directors consider that this is beneficial to the Society because it means it is able to benefit from a wide range of expertise and resources.

Defined benefit pension scheme

The Society has an ongoing commitment to fund the defined benefit pension scheme. This scheme was closed to future accruals in 2006. Further details are given in Note 7 to the Accounts.

Supplier payment policy

Our policy is to pay invoices on receipt of the completed provision or service, unless staged payments are agreed in advance. We operate within agreed payment terms with our suppliers. At 30 November 2015 we had an average of 13 days' purchases outstanding in trade creditors (2014: 12 days).

Going concern

The Board regularly engages in the forward planning of the business to ensure we meet the liquidity, capital, lending and retail savings balances defined in our corporate strategy and annual plan. Board members also consider our liquidity and capital requirements in further detail within our capital and liquidity adequacy assessment; these include the results of placing both requirements under significant stress scenarios. As a result of these considerations the Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason, the Accounts continue to be prepared on a going concern basis.

Auditor

In accordance with Section 77 of the Building Societies Act 1986, a resolution for the re-appointment of KPMG LLP as auditor is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board of Directors.

E. Sarah Evans
Chairman
28 January 2016

Corporate Governance Report

There have been further developments in the regulatory environment in the recent year. In October 2014 changes were made to the UK Corporate Governance Code (the Code). As a Building Society we are not required to fully comply with the Code, but we have regard to the Code when establishing and reviewing our own corporate and governance arrangements. The Directors of the Society are committed to best practice in corporate governance. This report highlights the best practice suggested by the Code by inclusion of the relevant paragraph and then explains the Society's approach.

The Role of the Board

A.1. Every company should be headed by an effective Board, which is collectively responsible for the long-term success of the Company.

The Board is here to ensure our long term sustainability for the good of our members. We do this by setting our strategy to ensure we meet the needs of our members and regulators, remain competitive and deliver our services appropriately with a profit to help build our capital over the long term. The Board formulates our strategy, reviews business performance, oversees the identification and management of risks, adherence to laws and regulations and ensures that the required controls are in place and aligned to our strategy. The results achieved by the Society over recent years are a testament to the Board's effectiveness.

The Board meets at least 11 times a year with two additional days dedicated to strategy. Board meetings have a formal schedule with Board packs circulated in a timely manner to ensure Board members can perform their duties effectively. Minutes record details of Board, Board Committee and Management meetings.

The Society has a process to evaluate, at least annually the performance and effectiveness of individual Directors, the Chairman, the Board and Board Committees. The performance of the Chief Executive is evaluated by the Chairman and Nominations Committee. This appraisal process includes a self assessment questionnaire and feedback from all members of the Board. The Chairman is evaluated by the Deputy Chairman, with assistance from the Senior Independent Director, after consulting and obtaining the views of the other Directors and the Executive team. The Chairman also evaluates the performance of all the Non-Executive Directors on an annual basis. The Chief Executive evaluates the Finance Director as a member of the Executive team. The Board also annually evaluates its overall performance and the performance of the Board Committees. Annually the various committees are also subject to review and assessment, their future membership and Terms of Reference agreed.

The Board has established four committees; Board Risk Committee and the Audit and Compliance Committee which meet at least quarterly; the Remuneration Committee and Chairman's and Nominations Committee both of which meet at least twice a year. There are four management committees; Assets and Liabilities Committee and Retail Credit Risk Committee both of which meet monthly, and the Conduct Risk Committee and Operational Risk Committee, both of which meet quarterly. The Terms of Reference for Committees can be found on the Society's website www.ibs.co.uk, or are available from the Society's Secretary on request.

The composition of all the Committees can be found on page 16 of this Report.

Board Committees

Audit and Compliance Committee

The Committee oversees the effectiveness of the management of the risk environment. It does this by assessing the effectiveness and ensuring the adequacy of controls by reviewing the work of internal audit and compliance. It also makes judgements in financial reporting and regulation and assesses the effectiveness of internal audit and compliance. The Committee sets the Terms of Reference for our External Auditors and ensures their continued independence and effectiveness particularly around the provision of non-audit services. The Committee also ensures that the Society has an effective whistle-blowing process which enables employees to raise concerns confidentially. Minutes of the meetings are circulated to the Board, along with a report from the Chairman of the Audit and Compliance Committee highlighting key issues for review by the Board.

At least annually this Committee meets with the External and Internal Auditors without the Executive Directors present. The Board is satisfied that the members of the Committee have specialist expertise including current and relevant financial, legal and risk management expertise.

The Committee considers the appointment, performance and remuneration of the Internal Auditor and agree the scope of the annual audit plan.

The Committee consider the Annual Report, Summary Financial Statement and Associated Reports including appraisal of accounting policies. It provides advice to the Board on whether the annual report and accounts are fair, balanced and provides the information necessary for members to assess the Society's performance.

The Committee consider the appointment, removal, performance and remuneration of the External Auditors including consideration of any proposed non-audit services, the planning, scope and conclusion of the annual external audit including the receipt and response to the Auditor's management letter.

Chairman's and Nominations Committee

The Committee is responsible for making recommendations to the Board on matters relating to the composition of the Board, including Board and Executive succession planning, the appointment of new Directors, election and re-election of Directors and the Chief Executive's annual appraisal.

Remuneration Committee

The Committee's main role is to approve the remuneration and incentive schemes for the Society's Executive and senior management. The Executive together with the Chairman meet annually to review Non-Executive Director fees, including those of the Deputy Chairman and Chair of the Audit and Compliance Committee.

The Directors' Remuneration Report can be found on page 20.

Board Risk Committee

The Committee is responsible for ensuring the Society complies with the Board's Risk Tolerance and Culture Policy. It also reviews the Society's future risk strategy for economic, capital, liquidity, reputational and operational risk profiles. The Committee uses a variety of internal and external sources to make these assessments. It ensures an appropriate risk management framework is in place and reviews the effectiveness of the Society's risk management processes and risk reporting, including the Society's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP).

Management Committees

Assets and Liabilities Committee

This Committee manages wholesale credit risk (the risk of default on assets), liquidity risk (the risk that the Society will not be able to meet its financial obligations) and interest rate risk (arises from a mismatch between interest rate characteristics). This Committee is responsible for ensuring the Society operates within agreed parameters set out in the Board's Liquidity and Financial Risk Management Policies. It is involved in the development of the Society's ICAAP and ILAAP.

Conduct Risk Committee

The Committee manages Conduct Risk which is the risk that the firm's behaviour results in inappropriate or poor outcomes for customers. The Committee meets to ensure there are robust systems and controls, skills and judgement to ensure positive outcomes for members and stakeholders. The Committee ensures compliance with the FCA Conduct of Business Rules, by reviewing and monitoring the Society's conduct risk appetite, conduct risk register and conduct risk key risk indicators (KRIs).

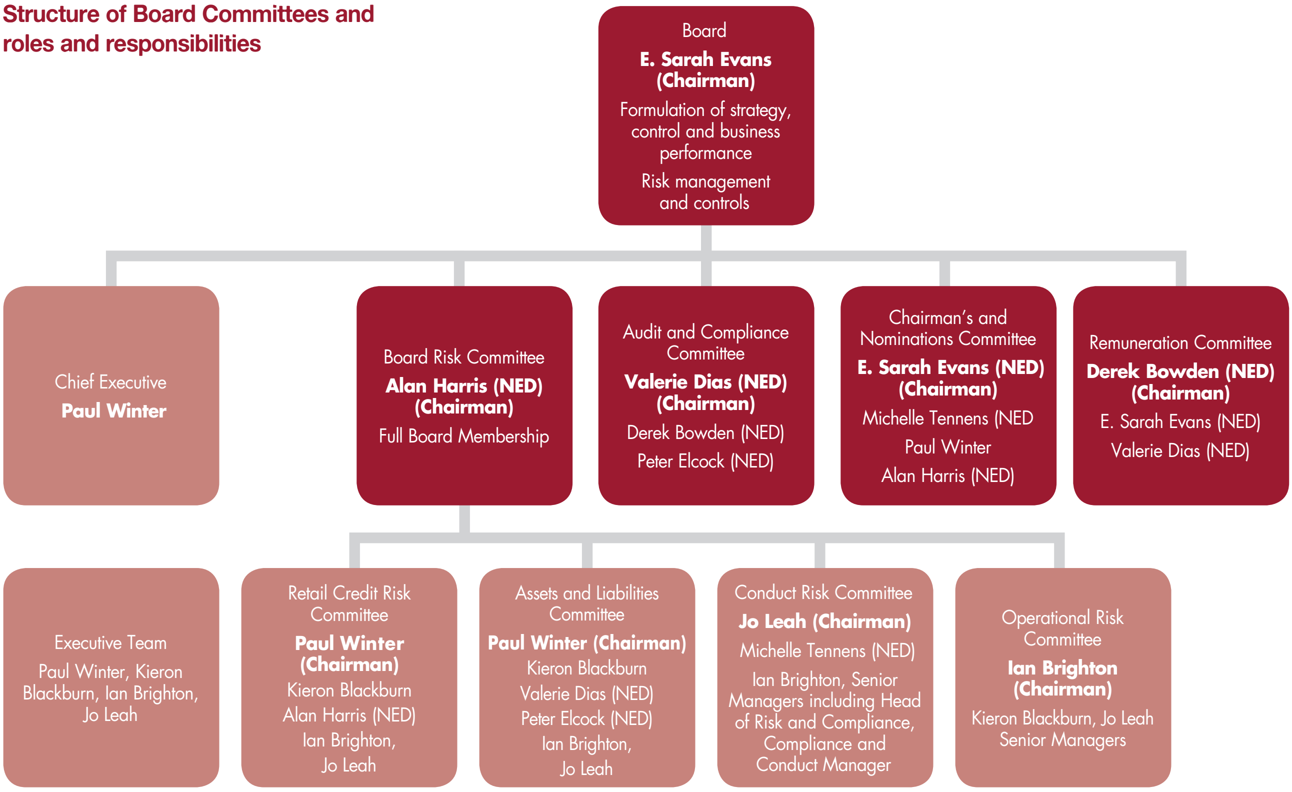
Operational Risk Committee

This Committee considers operational risk, which is the risk of loss through inadequate or failed internal processes or systems, including human error or external events. The Committee ensures the risk register reflects these risks, identifying appropriate mitigation for likelihood and severity. The Committee ensures on-going identification, control and mitigation of risks in the business.

Retail Credit Risk Committee

Retail Credit Risk arises when unexpected losses are incurred through non-repayment of mortgage lending. This Committee is responsible for monitoring the Society's high level policy on lending. This includes ensuring the mortgage assets stay within agreed Board-approved levels, including reference to PRA's Specialist Sourcebook for Building Societies. The Committee also ensures oversight and challenge to our underwriting policy and long-term credit risk approach. The Committee reviews the Society's Lending Policy Statement, ensuring this aligns with our Risk Tolerance and Culture Policy; it then recommends this to the Board for approval.

Structure of Board Committees and roles and responsibilities



Note: NED – Non-Executive Director

Board Committee   Executive committee.

Division of Responsibilities

A.2. There should be a clear division of responsibilities at the head of the company between the running of the Board and the Executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.

A.3. The Chairman is responsible for leadership of the Board and ensuring its effectiveness of all aspects of its role.

We have separate roles for Chairman and Chief Executive and these are held by different people. Each role has its own job description approved by the Board. No individual has autonomous powers of decision making. The Chairman is appointed by the Board annually.

Below is a summary of each role:

Chairman

- Leadership of the Board, setting the tone of organisational culture and values
- Ensuring the Board is effective in its duties
- Setting and monitoring the strategic direction and risk appetite
- Ensuring long term sustainability of the Society
- Development and evaluation of Board Directors
- Leading open and honest debate and encouraging challenge in Board meetings
- Liaise with regulators as appropriate

Role of the Deputy Chairman

Derek Bowden is the Deputy Chairman. The Deputy Chairman acts as a sounding board for the Chairman and with the Senior Independent Director undertakes the Chairman's annual appraisal. They also stand in for the Chairman in the event that they are unable to attend a meeting or perform their duties.

Role of the Senior Independent Director

Michelle Tennens is the Senior Independent Director. The Senior Independent Director is available for members to refer issues to that they have not been able to resolve via the Chairman, Chief Executive or other Executive Directors or for matters where it is not appropriate to raise these issues directly with these Directors. The Senior Independent Director also assists the Deputy Chairman in performing the Chairman's appraisal. Michelle is also the Society's Whistleblowing Champion and provides an independent point of contact for members of staff who may wish to raise issues.

Chief Executive

- With support of the Executive team implementation of the Board strategies and policies
- On-going management of the Society guided by risk management
- Implementing and monitoring processes, people and systems to ensure effective delivery of corporate plans and budgets
- Developing an effective working relationship with the Chairman and Board of Directors
- Develop positive relationships with regulators, media, trade organisations, other building societies to promote the Society and lobby on key issues in the corporate strategy.

Role of the Executive team

Members of the Executive team work with the Chief Executive and Board to ensure the effective implementation of strategies and policies within agreed budgets and timeframes. They hold a leadership role within the business, acting to ensure the correct culture is developed and that the relevant resources, people and systems are utilised efficiently and towards the aims of the corporate strategy and policies set by the Board. They are also responsible for the development of employees, delivering consistent high quality customer service standards, implementation of effective systems within the business and reporting and tracking progress towards our key performance indicators and key results indicators. The Executive team is also responsible for designing, operating and monitoring risk management systems and controls.

Non-Executive Directors

A.4. As part of their role as members of a unitary Board, Non-Executive Directors should constructively challenge and help develop proposals on strategy.

The Non-Executive Directors of the Society are drawn from a wide range of backgrounds to ensure that the Board has the appropriate skills, knowledge and experience to provide a robust level of challenge and debate. The role requires an understanding of the risks in business, commercial leadership within a framework of prudent and effective risk management controls and the ability to monitor performance and resources whilst providing support to the Executive in developing the Society.

The Composition of the Board

B.1. The Board and its Committees should have the appropriate balance of skills, experience, independence and knowledge of the Company to enable them to discharge their respective duties and responsibilities effectively.

The Board consists of six Non-Executive Directors (including the Chairman) and two Executive Directors providing a balance of skills and experience appropriate for the requirements of the Society. The mix of the Board and Committees is reviewed annually by the Chairman's and Nominations Committee to ensure that appropriate expertise and skills are maintained. Two Non-Executive Directors were appointed in 2015 providing audit, compliance and risk management experience.

In the view of the Board, all of the Non-Executive Directors are independent in character and judgement, are free of any relationship or circumstance which could interfere with the exercise of their judgement, and bring wide and varied commercial experience to Board deliberations and continue to represent the interests of the Society's members.

Appointments to the Board

B.2. There should be a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

The Society makes Non-Executive Director appointments on merit, based on the specific skills and experience required under the succession plan. The Chairman's and Nominations Committee meet as necessary to oversee the Board succession plan. The Society has appointed an independent executive search agency to identify and short list candidates for positions on the Board. This agency follows a methodical process for searching and shortlisting candidates to conduct a broad search of the marketplace. The Chairman's and Nominations Committee lead the recruitment process, although the Board as a whole makes the final decision.

All Directors must meet the tests of fitness and propriety designed by the Financial Conduct Authority and Prudential Regulation Authority and all Directors are required to be registered with the regulators as Approved Persons to fulfil their controlled functions as Director. From March 2016 a new regulatory regime will be introduced, aiming to extend personal accountability in the financial sector. As a result the Society's Directors will be required to hold Senior Manager Functions with responsibility for specific areas of the business allocated to them.

The Society is committed to diversity and currently has a 37.5% female representation on the Board and therefore exceeds the recommendations of the Davies Report which, for diversity purposes, has set a minimum target of 25% female representation.

Commitment

B.3. All Directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.

The Chairman's and Nominations Committee evaluate the ability of Directors to commit the time required for the role, prior to appointment. The formal appraisal process carried out by the Chairman each year also assesses whether Directors have demonstrated this ability during the year.

Set out below are details of the Directors during 2015 and their attendance record at Board meetings and relevant Board Committee meetings in the year. The number in brackets is the maximum number of scheduled meetings that each Director was eligible to attend.

Attendance at Board and Board Committee meetings

Name/Title	Board Meetings	Audit and Compliance Committee	Remuneration Committee	Chairman's and Nominations Committee	Board Risk Committee
Sarah Evans (Chairman)	11 (11)	–	2 (2)	3 (3)	4 (4)
Derek Bowden Deputy Chairman, Remuneration Committee Chairman	10 (11)	3 (4)	4 (4)	–	4 (4)
Alan Harris Board Risk Committee Chairman	11 (11)	–	–	3 (3)	4 (4)
Michelle Tennens Senior Independent Director	10 (11)	–	4 (4)	3 (3)	3 (4)
Valerie Dias Audit Chairman (appointed 26.03.15)	8 (8)	3 (3)	–	–	3 (3)
Peter Elcock (Appointed 1.06.15)	4 (4)	2 (2)	–	–	2 (2)
Charles Tilley (Retired 25.03.15)	3 (3)	1 (1)	2 (2)	–	1 (1)
Andrew Wilson (Retired 1.06.15)	6 (6)	2 (2)	4 (4)	–	2 (2)
Kieron Blackburn (Finance Director)	11 (11)	–	–	–	4 (4)
Paul Winter (Chief Executive)	11 (11)	–	–	3 (3)	4 (4)

Note 1: Numbers in () denote the total number of meetings held during the year. Numbers not in brackets denote the number of meetings attended during the year.
Note 2: (–) indicates this Director is not a member of this committee.
Note 3: In addition to the above Directors may have attended meetings as an invitee but not as an official committee member.

Development

B.4. All Directors should receive induction on joining the Board and should regularly refresh their skills and knowledge.

The Society provides a formal induction for Non-Executive Directors tailored to their individual needs. This includes the nature of building societies, the wider financial services industry, Director's responsibilities and duties, the management information they will be provided with and how to interpret this, information on the Society and its local market, an overview of the regulatory requirements together with details of any significant current issues for the industry. The Chairman ensures that Non-Executive Directors continually update their skills and knowledge to fulfil their role on the Board and Committees. Training and development needs are identified as part of the annual appraisal of the Board and individual Director performance and effectiveness; these needs are usually met by attendance at industry seminars and conferences, internal briefings and specialist speakers.

Information and support

B.5. The Board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.

The Chairman ensures that the Board receives information sufficient to enable it to discharge its responsibilities. Each Committee of the Board is responsible for evaluating the effectiveness of the information received and improvements are made where necessary. Board information is subject to on going review to ensure that it meets the needs of the Board in the current and future environment.

The Executive Directors and/or the Secretary ensure that information requests are delivered in accordance with the requests of the Board.

Evaluation

B.6. The Board should undertake a formal and rigorous annual evaluation of its own performance and that of its Committees and individual Directors.

Each Director has an annual performance appraisal carried out by the Chairman. The Chairman's performance is facilitated through the Deputy Chairman and Senior Independent Director taking into account the views of all the Directors. The Chairman gives feedback to the Board on general issues of performance improvement following the appraisal process to allow it to review its own performance. The Board evaluates its overall performance and that of its Committees each year.

Re-election

B.7. All Directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

The Society's Rules require that all Directors be submitted for election at the Annual General Meeting (AGM) following their appointment to the Board and accordingly Valarie Dias and Peter Elcock stand for election in March 2016. Each Non-Executive Director is appointed to the Board for a term of up to three years, subject to satisfactory performance. After three terms the Board is required to review and satisfy itself of the continued independence of judgement and character of a Non-Executive Director prior to re-election. At the Annual General Meeting 2016 Michelle Tennens and Derek Bowden will have held office for nine years. Derek will be retiring during the year, following the appointment of a new Non-Executive Director. As a result the Board does not consider it necessary to put him forward for re-election. The Chairman's and Nominations Committee has reviewed the independence, character and judgement of Michelle Tennens and confirms that she is able to commit the appropriate amount of time and demonstrate capability and independence. In addition

E. Sarah Evans and Kieron F Blackburn also stand for re-election. The Board agrees the appropriateness and in this respect Michelle Tennens, Sarah Evans and Kieron Blackburn stand for re-election at the Annual General Meeting in 2016.

Financial and business reporting

C.1. The Board should present a balanced and understandable assessment of the company's position and prospects.

The responsibilities of the Directors in relation to the preparation of the Society's accounts and the statement that the business is a going concern are contained in the Directors' Report on page 9 and Director's Responsibilities on page 22.

Risk management and internal control

C.2 The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal control systems.

The Directors have a responsibility, both under the Building Societies Act and the Financial Services and Markets Act, to establish and maintain systems of control appropriate to the business. Executive Management is responsible for designing, operating and monitoring risk management systems and controls. The principal risks faced by the Society are set out in the Directors' Report on page 9. Each Board and Management Committee is responsible for the risks and controls within its remit. The Board Risk Committee assesses the adequacy of this process on behalf of the Board. The Internal Auditor provides independent assurance to the Board on the effectiveness of the system of internal control through the Audit and Compliance Committee.

The Board has reviewed the effectiveness of risk management systems and concluded that the Society has a strong risk management and compliance culture and that the current systems are effective and appropriate for the size and complexity of the business.

The information received and considered by the Audit and Compliance Committee provided reasonable assurance that during the financial year there were no material breaches of control or regulatory standards, and that overall, the Society maintained an adequate system of internal control.

Audit Committee and Auditors

C.3. The Board should establish formal and transparent arrangements for considering how they should apply the corporate reporting and risk management and internal control principles and for maintaining an appropriate relationship with the company's auditors.

The role and membership of the Audit and Compliance Committee have been set out earlier in the Directors' Report.

The Society also engages the Auditors for non-audit services which includes advice on corporation tax issues. The Board has a policy relating to the engagement of external auditors to supply non-audit services, the purpose of which is to ensure the continued independence and objectivity of the External Auditor.

Remuneration

D.1 Executive Directors' remuneration should be designed to promote the long term success of the company. Performance- related elements should be transparent, stretching and rigorously applied.

The Directors' Remuneration Report on page 20 explains how the Society complies with the Code Principles relating to remuneration.

Dialogue with shareholders

E.1. There should be a dialogue with shareholders based on the mutual understanding of objectives. The Board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.

The Society does not have shareholders in the same way as a listed company; as a mutual society our members are our shareholders. The importance of listening to and engaging with members in the Society's activities is an important part of its culture. We endeavour to elicit their views on the products and service being offered by the Society through market research and dialogue with our staff. We hold focus groups to gather views, hold members events and do all we can to encourage members to attend and ask questions at the Annual General Meeting (AGM). Each year the Society sends the details of its AGM within its voting packs. This is distributed by an independent scrutineer 21 days prior to the AGM and is sent to all qualifying members. Voting enables members to have their say on issues such as Directors' Remuneration and election and re-election of Directors.

Constructive use of the Annual General Meeting (AGM)

E.2. The members of the Board should use the AGM to communicate with members of the Society and to encourage their participation.

Each year the Society sends details of the AGM and voting forms to those members eligible to vote. The resolutions include election and re-election of Directors, the Director's Remuneration Report, and any other relevant matters. Members are provided with forms, which enable them to appoint a proxy to vote on their behalf if they are unable to attend in person. The distribution of AGM notices (with at least 21 clear days' notice) and the receipt and counting of proxy votes is carried out by independent scrutineers. At the AGM a poll is called in relation to each resolution and the proxy votes cast are included in the result. The results are subsequently disclosed on the Society's website.

The Society is keen to encourage as many members as possible to attend the Annual General Meeting as this gives the opportunity for members to meet the Society's Directors and Executive to discuss issues that are of concern. The Chairmen of all the Committees are also available to answer any questions.

On behalf of the Directors

E. Sarah Evans
Chairman
28 January 2016

Directors' Remuneration Report

The purpose of this Report is to inform members of the Society about our policy on the remuneration of Executive and Non-Executive Directors. The Report explains how the Society has regards to the principles of the UK Corporate Governance Code 2014 relating to remuneration, as far as they are applicable to a mutual organisation of our size. The Society has adopted a Remuneration Policy, which complies with the relevant elements of the FCA's Remuneration Code. The remuneration of individual Directors is detailed in note 5 of the accounts.

The level and components of remuneration

D.1. Executive Directors' remuneration should be designed to promote the long term success of the company. Performance related elements should be transparent, stretching and rigorously applied.

The Society's policy is to reward Directors according to their expertise, experience and overall contribution to the successful performance of the Society and reflects their roles and responsibilities within the Society. The Executive Directors' benefit package is designed to motivate decision-making in the long terms interests of the Society and members as a whole. A performance related pay scheme operated during the year for Executive Directors. This was carefully designed to encourage achievement of targets that maintain the financial strength and integrity of the Society; and to recognise performance in accordance with good robust risk management.

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 Audit and Compliance Committee Chairman, Board Risk Committee Chairman, Deputy Chairman and Senior Independent Director. This fee reflects the additional responsibilities and time commitments of these positions. Fees for Non-Executive Directors are not pensionable and Non-Executive Directors do not take part in any incentive scheme or receive any other benefits. Non-Executive Directors do not have service contracts with the Society.

Executive Directors

The remuneration of Executive Directors reflects their responsibilities and roles within the Society. This year it comprised basic salary, a three-year performance related pay scheme and various benefits. The Society has no share option scheme and none of the Executive Directors has any beneficial interest in, or any rights to subscribe for shares in or debentures of, any connected undertaking of the Society.

Basic salary

Salaries are reviewed by reference to jobs carrying similar responsibilities and from external salary benchmarking data from the building society sector and financial services sector as well as other UK and regional salary data. This encompasses the responsibility and complexity of the role. Those Executive Directors who hold outside Directorships do not receive remuneration from those organisations.

Three year performance related pay scheme

A three year performance related pay (PRP) scheme operated during the year for Executive Directors; this was designed to encourage the achievement of targets central to the long term sustainability of the Society. The PRP currently allows a maximum of 20% of salary earned for achievement of all targets set which are based on financial performance and effective risk management criteria. One third of this payment is deferred until the end of the three year period to ensure consistent performance is delivered over the longer term. As part of the process the Remuneration Committee sets targets and assesses whether any payment should be made. In 2015 the override objective of profit and one specific target were met. This resulted in a partial payment under the PRP scheme.

The Remuneration Committee also has the facility to provide an additional discretionary payment for exceptional performance.

Pensions

The Society makes a contribution of between 17.5% and 20% of salary to Executive Directors' private pension arrangements. Mr Winter is a deferred Member of the Ipswich Building Society Pension and Life Assurance Scheme, a defined benefit pension which became paid up on 31 March 2006.

Benefits

Executive Directors receive other taxable benefits including a car allowance, and a private health care scheme, which covers the Directors and their families. The Society does not provide concessionary home loans to Directors.

Contractual terms

The Executive Directors are employed on open-ended service contracts; they require 12 months notice to be given by the Society and six months notice by the individual.

The procedure for determining remuneration

D.2. There should be a formal and transparent procedure for developing policy on Executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his or her own remuneration.

The Remuneration Committee consists of three Non-Executive Directors under the Chairmanship of Derek Bowden. The Chief Executive attends by invitation only but takes no part in the discussion of his own salary. The Committee is responsible for the remuneration policy of all Executive Directors and it makes recommendations to the Board regarding remuneration and contractual arrangements. The Committee meets at least twice a year and reviews supporting evidence, including external professional advice, if appropriate, on comparative remuneration packages.

Reports and minutes of the Committee's meetings are circulated to all members of the Board and the Chairman of the Committee reports at the Board meeting following a Committee meeting.

Annually the Executive team together with the Chairman are responsible for setting the Non-Executive Directors' fees. The Board, with the exception of the Chairman, agree the Chairman's fee on an annual basis.

Derek Bowden
Chairman of the Remuneration Committee
28 January 2016

Statement of Directors' Responsibilities

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 ("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).

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 these 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 a 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 Services 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 Ipswich Building Society

We have audited the Annual Accounts of Ipswich Building Society for the year ended 30 November 2015 set out on pages 24 to 45. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 22, the Directors are responsible for the preparation of Annual Accounts which give a true and fair view. Our responsibility is to audit, and express an opinion on, the Annual Accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the Audit of the Annual Accounts

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on Annual Accounts

In our opinion the Annual Accounts:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Society as at 30 November 2015 and of the income and expenditure of the Society for the year then ended; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986 and regulations made under it.

Opinion on other matters prescribed by the Building Societies Act 1986

In our opinion:

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

Matters on which we are required to report by exception

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

- proper accounting records have not been kept by the Society; or
- the 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.

Simon Clark (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Cambridge
28 January 2016

Income & expenditure account

for the year ended 30 November 2015

	Notes	2015 £000 (Continuing operations)	2014 £000 (Continuing operations)
Interest receivable and similar income	2	18,655	20,992
Interest payable and similar charges	3	(8,817)	(10,984)
Net interest receivable		9,838	10,008
Pension finance income	8	86	43
Fees and commissions receivable		898	1,157
Fees and commissions payable		(705)	(530)
Net profit on financial operations	7	10,117	10,678
Profit on repurchase of Subordinated Liabilities	24	-	855
Other operating income		18	30
Total income		10,135	11,563
Administrative expenses	4	(7,502)	(6,962)
Depreciation and amortisation	15	(460)	(317)
Other operating charges		(15)	(44)
Operating profit before provisions		2,158	4,240
Provisions for bad and doubtful debts	14	39	(41)
Provisions for contingent liabilities & commitments	23	(22)	(4)
Provision for FSCS levy	23, 26	(271)	(429)
Operating profit and profit before tax		1,904	3,766
Tax on profit on ordinary activities	9	(389)	(850)
Profit for the financial year		1,515	2,916

Statement of total recognised gains and losses

for the year ended 30 November 2015

	Notes	2015 £000	2014 £000
Profit for the financial year		1,515	2,916
Actuarial loss recognised in the pension scheme	8	(66)	(669)
Movement in deferred tax relating to pension scheme		13	142
Total recognised gains	25	1,462	2,389

The notes to these Accounts are contained on pages 27 to 45.

Balance Sheet

as at 30 November 2015

	Notes	2015 £000	2014 £000
Assets			
Liquid assets			
Cash in hand and balances with Bank of England		47,736	51,877
Loans and advances to credit institutions	11	5,053	5,412
Debt securities	12	54,443	64,945
Total liquid assets		107,232	122,234
Loans and advances to customers			
Loans fully secured on residential property		449,895	471,077
Loans fully secured on land		3,054	3,146
Total loans and advances to customers	13, 14	452,949	474,223
Tangible fixed assets	15	4,328	4,593
Other assets	16	449	101
Prepayments and accrued income	17	164	87
Total assets		565,122	601,238
Liabilities			
Shares	18	465,657	472,625
Amounts owed to credit institutions	19	9	20,962
Amounts owed to other customers	20	60,853	69,272
Other liabilities	21	689	1,328
Accruals and deferred income	22	917	1,222
Provisions for liabilities	23, 26	438	536
Net pension liability	8	804	1,067
Subordinated liabilities	24	8,034	7,967
		537,401	574,979
Reserves			
General reserves	25	27,721	26,259
Total liabilities		565,122	601,238

The accounting policies and notes on pages 27 to 45 form part of these Accounts.

Approved by the Board of Directors on 28 January 2016.

E. Sarah Evans, Chairman

Paul Winter, Chief Executive

Kieron Blackburn, Finance Director

Cash flow statement

for the year ended 30 November 2015

	Notes	2015 £000	2014 £000
Net cash inflow from operating activities	27	(13,258)	10,576
Returns on investment & servicing of finance			
Interest paid on subordinated liabilities		(988)	(894)
Taxation	7	(700)	(413)
Capital expenditure & financial investment			
Purchase of tangible fixed assets	15	(195)	(1,070)
Disposal of tangible fixed assets		3	-
Purchase of debt securities	12	(24,497)	(30,003)
Sale and maturity of debt securities	12	35,080	15,265
Financing costs on issue of subordinated liabilities	24	69	(184)
Financing			
Issue of subordinated liabilities		-	3,500
Repurchase of subordinated liabilities		-	(4,145)
(Decrease) in cash	27	(4,486)	(7,368)

The notes to these Accounts are contained on pages 27 to 45.

Notes to the Accounts

for the year ended 30 November 2015

1. Statement of accounting policies

(a) Accounting convention
The accounts are drawn up under the historical cost convention. The accounts have been prepared in accordance with the Building Societies (Accounts and Related Provisions) Regulations 1998, applicable UK accounting standards and the Building Societies Act 1986.

(b) Tangible fixed assets and depreciation
The cost of all additions and major improvements to office premises, plant, fixtures and fittings and vehicles is capitalised where appropriate.

Depreciation is provided by the Society as follows:

- Freehold buildings over the estimated useful economic life, not exceeding 50 years. The cost of additions to freehold buildings is depreciated on a similar basis, with branch fitting-out costs written off in equal instalments over a term not exceeding 10 years. No depreciation is charged on land.
- Short leasehold properties over the term of the lease, or estimated useful economic life where shorter, in equal annual instalments.
- Plant and machinery and other office equipment, motor vehicles, computer systems and other tangible fixed assets on a straight line basis over the estimated useful economic lives not exceeding 20 years. Where this equipment has been supplied as part of a supply contract it will be amortised over the shorter of useful economic life or remaining term of the supply contract.
- IT systems are amortised over the remaining life of the IT supply contract, or over a shorter period where it is felt the Society will not draw value from the systems over the life of the contract.
- Assets under construction are not depreciated

Estimated economic lives are reviewed regularly to ensure that they remain appropriate in the light of changes in technology, usage and other relevant factors.

(c) Taxation
The charge for taxation is based on the profit for the year and takes into account deferred taxation arising as a consequence of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax at anticipated tax rates on a non-discounted basis. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered.

(d) Liquid assets
Liquid assets are stated at cost to the Society adjusted for accrued interest to the balance sheet date.

Marketable instruments are stated at cost, adjusted to exclude accrued interest at the date of purchase; a similar adjustment is made on realisation. Premiums or discounts, representing the difference between purchase price, as adjusted, and par value are amortised over the residual term of the instrument, or a shorter term where considered appropriate. Where there is an impairment of a financial asset a provision is made so as to write down the cost of the asset to its recoverable amount.

(e) Pension costs
The Society operates both a defined benefit pension scheme and a defined contribution pension scheme, which are funded by contributions from the Society and its employees.

The defined benefit scheme was closed to new members with effect from 1 January 2001 and was made paid-up at 31 March 2006.

For the defined benefit scheme assets are measured at market value at the balance sheet date and scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. The resulting pension scheme surplus (where considered recoverable) or deficit is recognised immediately on the balance sheet, net of deferred tax, and any resulting actuarial gains or losses are recognised immediately in the statement of total gains and losses.

For the defined contribution scheme, contributions are charged to the income and expenditure account as they become payable in accordance with the rules of the scheme.

(f) Leases
Where the Society enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. All other leases are accounted for as 'operating leases' and the rental charges are charged to the income and expenditure account on a straight line basis over the term of the lease contract.

(g) Repairs and renewals
All repairs and renewals are expensed as incurred, with the exception of major improvements to office premises where the cost is capitalised and written off in accordance with the relevant depreciation policy.

(h) Incentives to borrowers
The initial cost of interest rate discounts associated with new mortgage products is charged to the income and expenditure account within interest receivable as incurred. Cashback payments to borrowers and other incentives not having the characteristics of interest are charged within other operating charges.

(i) Other fees and commissions
Application and completion fees charged to mortgage customers relating to the cost of processing the application are recognised in the period in which they are charged.

Where a fee is regarded as including an element of interest rate substitution, that element of the fee is spread over the period to which the discounted rate applies.

Valuation and other fees receivable from mortgage applicants and fees payable to third parties are included in the accounts in the period to which they relate within fees and commissions receivable and fees and commissions payable respectively.

Notes to the Accounts continued

(j) Provisions for bad and doubtful debts

Provisions are made to reduce the value of loans and advances to the amount that is considered to be likely to be ultimately recoverable in the event of the relevant property held as security being sold in possession by the Society.

Throughout the year and at the year end individual assessments are made of all loans and advances which are in possession or are significantly in arrears and a specific provision is made against those cases which are considered to be impaired. In considering the specific provision for impaired loans, account is taken of any discount which may be needed against the value of the property at the balance sheet date to agree a sale within three months of that date. Where a property in possession is subject to an acceptable offer from a potential purchaser and the Directors are satisfied that visible commitment to completion of the transaction exists, the specific provision has been made on the basis of the agreed selling price. On the basis of the Society's previous experience it is recognised that not all serious arrears cases will ultimately result in possession, and the amounts provided on individual cases not in possession reflect the estimated propensity for a loss to be realised.

A specific provision is also made in the case of accounts, which may not currently be in arrears, where the Society has exercised forbearance in the conduct of the account. The provision is based on the propensity of the account to realise a loss, had forbearance not been shown. In all cases account is taken of any amounts recoverable under contracts of indemnity insurance and of anticipated disposal costs. No provision is made against the future carrying costs of impaired loans.

A general provision is made against those advances for which the Society's experience and the general economic climate would indicate that impairment events have occurred but have yet to be notified and as such will ultimately result in a loss.

Interest in respect of all loans is credited to the income and expenditure account as it becomes receivable, except in respect of cases where the property has been taken into possession and other cases where recoverability of the interest is subject to material doubt.

Loans and advances to customers in the balance sheet are stated net of both specific and general provisions. The effect on the income and expenditure account comprises the movement in the provisions including losses written off or recovered in the year.

(k) Mortgage indemnity insurance

The Society has entered into external indemnity insurance contracts to cover a proportion of anticipated future losses on certain residential secured loans with high loan to value ratios.

Excess advance fees received from borrowers and the associated premiums paid to the insurance company in respect of such lending activity are included within fees and commissions receivable and fees and commissions payable respectively on a cashflow basis.

(l) Subordinated liabilities

The carrying value of subordinated liabilities is stated net of unamortised issuance costs. The finance costs are allocated to accounting periods at a constant rate based on the net carrying value. The amount attributed to the debt instrument is the initial net issue proceeds, to which is added the financing costs and from which is deducted interest paid to the holder; the net carrying value of the instrument at the date of redemption will therefore equate to the nominal par value.

(m) Wholesale funding

Commissions arising in connection with the raising of short-term wholesale funds are charged as incurred. Commissions arising in respect of medium and long-term loans and facilities are amortised over the period to maturity on a straight line basis where material. All such costs are included within fees and commissions payable.

(n) Hedging instruments

The Society has entered into prescribed contracts specifically and exclusively for the purpose of reducing the risk of loss arising from changes in interest rates, which may adversely affect non-administered rate business. Receipts and payments arising under interest rate swap agreements are included in the accounts within interest receivable or interest payable as appropriate, on an accruals basis.

Receipts and payments arising under other interest rate agreements are included in the accounts within interest receivable or interest payable as appropriate, on an accruals basis. Where the upfront cost of a contract is amortised over the duration of the contract and is similar in nature to interest, the cost is included in the accounts within interest receivable or interest payable, under net expense on financial instruments. Other upfront costs are included in the accounts within other operating charges.

(o) Repurchase agreements

Securities that are sold under agreements to repurchase continue to be recognised in the balance sheet and are measured in accordance with the accounting policy of the category that they have been classified and are presented as investments. The proceeds from the sale of the securities are reported as liabilities to banks. The difference between the sale price and the repurchase price is recognised as interest on an accrual basis.

(p) Funding for Lending (FLS) Scheme

In order for the Society to access funding from the FLS, mortgage assets are required to be pledged as collateral. Where the risk and reward of ownership of the mortgage assets remains with the Society they are retained on the balance sheet. The interest receivable on these assets continues to be the Society's and is accounted for as earned on an accruals basis.

Treasury bills borrowed under FLS are not recognised on the balance sheet when substantially all the risks and rewards of ownership remain with the lender. The interest cost of borrowing the treasury bills is accrued in the accounts on a straight line basis over the drawdown period.

If treasury bills are lent or sold subject to a commitment to repurchase, the net proceeds received are recognised as cash on the balance sheet together with a corresponding liability. Interest is accrued over the life of the agreement on a straight line basis.

02 Interest receivable and similar income

	2015 £000	2014 £000
On loans fully secured on residential property	18,171	20,760
On other loans	138	138
On debt securities		
Interest and other income	534	539
Net gain arising on realisation	-	1
On other liquid assets		
Interest and other income	326	253
Net expense on financial instruments	(514)	(699)
	18,655	20,992

03 Interest payable and similar charges

	2015 £000	2014 £000
On shares held by individuals	7,404	9,622
On deposits and other borrowings		
Subordinated liabilities (aggregate financing costs)	986	937
Other	681	1,191
Net income on financial instruments	(254)	(766)
	8,817	10,984

04 Administrative expenses

	2015 £000	2014 £000
Staff costs		
Wages and salaries	2,855	2,795
Social security costs	266	280
Other pension costs	271	253
	3,392	3,328
Other administrative expenses	4,110	3,634
	7,502	6,962

Amounts receivable by the Society's Auditor and their associates are included within other administrative expenses and comprise fees in respect of:

	2015 £000	2014 £000
Audit of these financial statements	61	64
Other services	-	22
Other services relating to taxation	5	4
	66	90

These fees are shown net of VAT

05 Remuneration of Directors

Table 1 Non-Executive Directors	2015 fees £000	2014 fees £000
D W Bowden (Deputy Chairman)	24.0	23.0
V Dias (Appointed 26.03.15)	17.2	-
P Elcock (Appointed 1.06.15)	11.0	-
Ms E S Evans (Chairman)	40.0	39.0
A Harris	25.2	22.8
Mrs M A Tennens	24.0	21.0
C B Tilley (Retired 25.03.15)	8.6	24.7
A L Wilson (Retired 1.06.15)	12.8	21.0
Total	162.8	151.5

05 Remuneration of Directors (continued)

		Performance related pay		Discretionary bonus					
	Salary	Payable now	Deferred	Payable now	Deferred	Benefits	Sub Total	Pension Contributions	Total
Table 2 Executive Directors	£000	£000	£000	£000	£000	£000	£000	£000	£000
2015									
P Winter (Chief Executive)	154	3	1	0	0	17	175	31	206
K F Blackburn (Finance Director)	107	2	1	0	0	12	122	19	141
Total	261	5	2	0	0	29	297	50	347
2014									
P Winter (Chief Executive)	152	0	0	28	10	17	207	30	237
K F Blackburn (Finance Director)	128	0	0	20	7	12	167	19	186
Total	280	0	0	48	17	29	374	49	423

Total Directors' remuneration amounted to £510,034 (2014: £575,539).
Included in Mr Blackburn's salary is a one-off payment in relation to relocation of £Nil (2014: £21,812)

06 Employees

	2015 Full time	2015 Part time	2014 Full time	2014 Part time
The average number of persons, including Executive Directors, employed during the year was as follows:				
Head Office	46	23	46	18
Branch offices	23	29	18	30
	69	52	64	48

07 Country by Country Reporting

The Capital Requirements (Country-by-Country Reporting) Regulations 2013 came into effect on 1 January 2014 and places certain reporting obligations on financial institutions that are within the scope of the EU Capital Requirements Directive IV (CRD IV).

The objective of the country-by-country reporting requirements is to provide increased transparency regarding the source of the financial institution's income and the locations of its operations. Ipswich Building Society is a UK registered entity.

	2015 £000	2014 £000
Name, nature of activities and geographical location: Ipswich Building Society is not part of a group and operates only in the United Kingdom.		
Turnover	10,117	10,678
Profit before tax	1,904	3,766
Corporation Tax paid	700	413
Number of Employees on a full time equivalent basis	Disclosed in note 6 to the accounts.	

The Society's turnover, for the purpose of this note is defined as net interest receivable, fees and commission receivable and payable and other operating income.

08 Pension arrangements

(a) Defined benefit scheme

The Society sponsors the Ipswich Building Society Pension and Life Assurance Scheme which is a funded defined benefit pension scheme for the Executive and Senior Managers. This is a separate Trustee administered fund holding the pension scheme assets to meet long term pension liabilities for past scheme members. The level of retirement benefit is principally based on the pension accrued by these members as active members of the scheme.

This scheme was closed to new members with effect from 1 January 2001 and was made paid-up at 31 March 2006, with the consequence that no defined benefits accrue to members in respect of service beyond this date.

The Trustees of the scheme are required to act in the best interest of the scheme's beneficiaries. The appointment of the trustees is determined by the scheme's trust documentation.

A full actuarial valuation was carried out as at 30 November 2012 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the scheme is agreed between the Society and the Trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent, as opposed to best estimate actuarial assumptions.

This actuarial valuation showed a deficit of £2,778,000. The Society has agreed with the Trustees that it will aim to eliminate the deficit over a period of 7 years from 1 December 2013 by the payment of annual contributions of £350,000 in respect of the deficit. In addition and in accordance with the actuarial valuation, the Society has agreed with the Trustees that it will meet the expenses of the scheme and the levies to the Pension Protection Fund.

The next valuation is due as at 30 November 2015.

For the purposes of FRS17 the actuarial valuation as at 30 November 2012, which was carried out by a qualified independent actuary, has been updated on an approximate basis to 30 November 2015.

	2015 £000	2014 £000
Present values of scheme liabilities, fair value of assets and surplus (deficit)		
Fair value of scheme assets	7,773	7,337
Present value of scheme liabilities	(8,754)	(8,688)
Deficit in scheme	(981)	(1,351)
Liability to be recognised	(981)	(1,351)
Deferred tax	177	284
Net liability to be recognised	(804)	(1,067)

The present value of scheme liabilities is measured by discounting the best estimate of future cash flows to be paid out by the scheme. This is known as the accumulated benefit obligation, as benefits under the scheme have ceased to accrue. In assessing the figure for the purpose of these disclosures, allowance has been made for future statutory revaluation of benefits up to retirement.

A further measure of the scheme liabilities is the solvency basis, often taken as an estimate of the cost of buying out the benefits at the balance sheet date with a suitable insurer. This amount represents the amount that would be required to settle the scheme liabilities rather than the Society continuing to fund the ongoing liabilities of the scheme. The estimated value of liabilities at the date of the last full actuarial valuation prepared for the trustees of the pension scheme as at 30 November 2012 was £12,742,000 compared with assets at the same date of £6,216,000.

	2015 £000	2014 £000
Reconciliation of opening and closing balances of the present value of the scheme liabilities		
Scheme liabilities at start of period	8,688	7,565
Interest cost	314	341
Actuarial (gains)/losses	(87)	939
Benefits paid	(161)	(157)
Scheme liabilities at end of period	8,754	8,688

08 Pension arrangements (continued)

	2015 £000	2014 £000
Reconciliation of opening and closing balances of the fair value of the scheme assets		
Fair value of scheme assets at start of period	7,337	6,490
Expected return on scheme assets	400	384
Actuarial (losses)/gains	(153)	270
Contributions by the Society	350	350
Benefits paid	(161)	(157)
Fair value of scheme assets at end of period	7,773	7,337

The actual return on the scheme assets over the period ending 30 November 2015 was £247,000.

	2015 £000	2014 £000
Total income recognised in income and expenditure account		
Interest cost	314	341
Expected return on scheme assets	(400)	(384)
Total (income) recognised in income and expenditure account	(86)	(43)

Statement of total recognised gains and losses	2015 £000	2014 £000
Difference between expected and actual return on scheme assets: (loss)/gain	(153)	270
Experience gains and losses arising on scheme liabilities: gain	-	7
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: gain/(loss)	87	(946)
Total amount recognised in statement of total recognised gains and losses: (loss)	(66)	(669)

The cumulative amount of actuarial gains and losses recognised in the statement of total recognised gains and losses since adoption of FRS17 is (£4,981,000) (a loss).

Assets	2015 £000	2014 £000	2013 £000
Equities	5,451	3,219	2,280
Bonds	2,301	2,746	2,806
Property	-	1,177	1,093
Cash	21	195	311
Total assets	7,773	7,337	6,490

None of the fair values of the assets shown above include any of the Society's own financial instruments or any property occupied by, or other assets used by, the Society.

It is the policy of the Trustees and the Society to review the investment strategy at the time of each funding valuation. The Trustees' investment objectives and the processes undertaken to measure and manage the risk inherent in the scheme investment strategy are documented in the scheme's Statement of Investment Principles.

08 Pension arrangements (continued)

Assumptions	2015 % per annum	2014 % per annum	2013 % per annum
Rate of discount	3.70	3.65	4.55
Inflation (RPI)	3.20	3.10	3.50
Allowance for revaluation of deferred benefits			
service to 30 November 2003	5.00	5.00	5.00
service from 1 December 2003	3.20	3.10	3.50
Allowance for pension in payment increases			
service to 5 April 2005	3.10	3.00	3.45
service from 6 April 2005	2.10	2.10	2.50
Allowance for commutation of pension for cash at retirement	90% of Post A day	90% of Post A day	90% of Post A Day

The mortality assumptions adopted at 30 November 2015 are 100% of the standard tables S1PxA, year of birth, no age rating for males and females, projected using CMI_2015 converging to 1.00% p.a. These imply the following life expectancies:

Male retiring in 2015	21.85
Female retiring in 2015	23.80
Male retiring in 2040	23.50
Female retiring in 2040	25.68

Expected long term rates of return

The expected rate of return on cash reflects the expected long-term prospects of this investment. The expected return on bonds is determined by reference to UK long dated gilt and bond yields at the valuation date. The expected rate of return on equities and property have been determined by setting an appropriate risk premium above gilt/bond yields having regard to market conditions.

The expected long term rates of return applicable at the start of each period are as follows:

	Period commencing	
	01/12/14 % per annum	01/12/13 % per annum
Equities	6.60	7.20
Bonds	3.55	4.35
Property	6.60	7.20
Cash	3.55	4.35
Overall for the scheme	5.38	5.83

Analysis of the sensitivity to the principal assumptions of the value of the scheme liabilities

Assumption	Change in assumption	Change in liabilities
Discount rate	Increase / decrease of 0.5% p.a.	Decrease / increase by 9.0%
Rate of inflation	Increase / decrease of 0.5% p.a.	Increase / decrease by 5.0%
Rate of mortality	1 year increase in life expectancy	Increase by 3.0%

Duration of the liabilities and expected benefits

It is estimated that the average duration of the scheme liabilities is 17 years.

Amounts for the current and previous four years	2015 £000	2014 £000	2013 £000	2012 £000	2011 £000
Fair value of scheme assets	7,773	7,337	6,490	6,215	5,717
Present value of scheme liabilities	8,754	8,688	7,565	7,295	6,496
Deficit in scheme	(981)	(1,351)	(1,075)	(1,080)	(779)
Experience adjustment on scheme assets	(153)	270	(166)	63	(203)
Experience adjustment on scheme liabilities	-	7	(60)	(48)	(29)

The best estimate of contributions to be paid by the Society to the scheme for the year commencing 1 December 2015 is £350,000.

08 Pension arrangements (continued)

(b) Defined contribution scheme

For staff previously not eligible to join the defined benefit pension scheme and for all qualifying staff from 1 April 2006 the Society operates a defined contribution scheme. The Society additionally funds the cost of life assurance cover for its staff.

(c) Summary of employer's contributions:

Employer's contributions included within the Accounts were as follows:	2015 £000	2014 £000
Defined contribution scheme	271	253

Payments into Executive Directors' personal pension plans after 1 April 2006 are included within employer's contributions paid in respect of the deferred contribution scheme as stated above and are disclosed in Note 5 of these Financial Statements.

As at 30 November 2015 there were employer's contributions totalling £nil (2014: £nil) accrued under the defined contribution scheme and included within the figure of £271,000 (2014: £253,000) as stated above.

09 Tax on profit on ordinary activities

	2015 £000	2014 £000
The taxation charge for the year comprises:		
UK corporation tax at 20.33% (2014: 21.66%)	291	660
Adjustment for previous periods	-	-
Current tax charge for the year	291	660
Deferred tax		
Origination/reversal of timing differences	114	195
Change in rate	(6)	(8)
Adjustments in respect of previous years	(10)	3
Total deferred tax	98	190
Tax on profit on ordinary activities	389	850

The actual current tax charge for the year differs from that calculated using the standard rate of corporation tax in the United Kingdom. The differences are explained as follows:

	2015	2014
Profit before tax	1,904	3,766
Theoretical tax charge at the standard rate of 20.33% (2014: 21.66%)	387	814
Effects of:		
Accelerated capital allowances	4	(124)
Other timing differences	(89)	(85)
Expenses not deductible for tax purposes	(11)	55
Current tax charge for the year	291	660

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. This will reduce the Society's future current tax charge accordingly. The deferred tax liability at 30 November 2015 has been calculated based on these rates.

10 Deferred taxation

	2015 £000	2014 £000
Deferred taxation at 18% (2014: 20%)		
Net liability at 1 December	(266)	(159)
Origination/reversal of timing differences - current period	(114)	(195)
Origination/reversal of timing differences - prior period	10	(3)
Transferred to net pension liability	121	83
Effect of change in rate	6	8
Net liability at 30 November (Note 23)	(243)	(266)

The amounts provided in respect of deferred taxation are as follows:

	2015 £000	2014 £000
Differences between accumulated depreciation and capital allowances	(318)	(347)
General provision for bad and doubtful debts	69	77
General provision for liabilities and charges	6	4
	(243)	(266)

No provision has been made for deferred tax on gains recognised in 2004 on the sale of freehold properties where potentially taxable gains have been rolled over into replacement property assets. Such tax would become payable only if the replacement property were sold without it being possible to claim rollover relief. The total amount of deferred tax unprovided for is £52,000; at present it is not envisaged that any of this liability will become payable in the foreseeable future.

11 Loans and advances to credit institutions

	2015 £000	2014 £000
Accrued interest	8	22
Repayable on demand	3,045	3,390
Other loans and advances by residual maturity repayable from the balance sheet date:		
In not more than three months	-	-
In more than three months but not more than one year	2,000	2,000
	5,053	5,412

12 Debt securities

	2015 £000	2014 £000
Issued by public bodies	-	-
Issued by other borrowers	54,443	64,945

Debt securities have remaining maturities from the Balance Sheet date as follows:

	2015 £000	2014 £000
Accrued interest	214	176
In not more than one year	49,226	35,001
In more than one year	5,003	29,768
	54,443	64,945

Transferable debt securities as stated above comprise:

	2015 £000	2014 £000
Listed securities	-	-
Unlisted securities	54,443	64,945
	54,443	64,945
Market value of listed transferable debt securities	-	-
Included within debt securities are:		
Unamortised premiums	29	70
Unamortised discounts	-	-

12 Debt securities (continued)

The Directors of the Society consider that the primary purpose of holding securities is prudential. All transferable securities held as liquid assets are held with the intention of use on a continuing basis in the Society's activities and are therefore classified as financial fixed assets, rather than current assets.

Movements during the year of transferable securities held as financial fixed assets are analysed as follows:

Adjusted cost and net book value (excluding accrued interest)	£000
At 1 December 2014	64,769
Additions	24,497
Disposals	(35,080)
Other movements	43
At 30 November 2015	54,229

13 Loans and advances to customers

	2015 £000	2014 £000
The maturity of loans and advances to customers from the Balance Sheet date is as follows:		
In not more than three months	3,572	5,076
In more than three months but not more than one year	8,444	16,099
In more than one year but not more than five years	62,947	92,652
In more than five years	378,595	361,128
	453,558	474,955
Less: provisions for bad & doubtful debts (Note 14)	(609)	(732)
	452,949	474,223

Repayments of interest and principal due to the Society where the borrower is in arrears under the terms of the loan contract have been included in the above table on the assumption that the arrears are cleared over a thirty-six month period from the balance sheet date. It is the Society's experience, in common with most mortgage lenders, that many loans will be repaid earlier than the contractual maturity date.

14 Provisions for bad and doubtful debts

	Specific £000	General £000	Total £000
Provisions for losses on loans and advances fully secured on residential property have been made as follows and deducted from the appropriate asset values shown in the Balance Sheet:			
At 1 December 2014	348	384	732
Amounts written off	(84)	-	(84)
Recoveries of amounts previously written off	-	-	-
Charge for the year	(39)	-	(39)
At 30 November 2015	225	384	609

15 Tangible fixed assets

	Freehold buildings £000	Short leasehold buildings £000	Equipment, fixtures, vehicles £000	Computer equipment £000	Total £000
Cost					
At 1 December 2014	3,169	1,076	1,201	2,370	7,816
Additions during year	-	-	21	174	195
Disposals during year	-	(213)	(17)	-	(230)
At 30 November 2015	3,169	863	1,205	2,544	7,781
Depreciation					
At 1 December 2014	944	892	983	404	3,223
Charged in year	105	44	59	252	460
Disposals during year	-	(213)	(17)	-	(230)
At 30 November 2015	1,049	723	1,025	656	3,453
Net book value					
At 30 November 2015	2,120	140	180	1,888	4,328
At 30 November 2014	2,225	184	218	1,966	4,593

Additions of £Nil (2014: £1,070,194) in Equipment, fixtures and vehicles relate to replacement of the Society's core IT system.

	2015 £000	2014 £000
The net book value of land and buildings occupied by the Society for its own activities comprises:		
Freehold	1,837	1,942
Short leasehold	140	184
	1,977	2,126

16 Other assets

	2015 £000	2014 £000
Other assets	449	101
	449	101

17 Prepayments and accrued income

	2015 £000	2014 £000
Income accruals relating to off-balance sheet instruments	26	26
Other	138	61
	164	87

18 Shares

	2015 £000	2014 £000
Held by individuals	465,611	472,579
Other shares	46	46
	465,657	472,625

Shares are repayable from the Balance Sheet date in the ordinary course of business as follows:

	2015 £000	2014 £000
Accrued interest	1,918	2,400
Repayable on demand	461,846	468,349
In not more than three months	14	-
In more than three months but not more than one year	1,778	1,749
In more than one year but not more than five years	101	127
In more than five years	-	-
	465,657	472,625

19 Amounts owed to credit institutions

Amounts owed to credit institutions are repayable from the balance sheet date in the ordinary course of business as follows:

	2015 £000	2014 £000
Accrued interest	9	1
In not more than three months	-	20,961
In more than three months but not more than one year	-	-
In more than one year but not more than five years	-	-
	9	20,962

Included in amounts owed to credit institutions is £Nil (2014 : £20,961,000) relating to the sale and repurchase agreement of treasury bills borrowed from the Bank of England under the Funding for Lending Scheme.

All sale and repurchase transactions are conducted in line with market standard terms and conditions as defined in ISMA PSA Global Master Repurchase Agreements.

20 Amounts owed to other customers

Amounts owed to other customers are repayable from the balance sheet date in the ordinary course of business as follows:

	2015 £000	2014 £000
Accrued interest	249	361
On demand	60,604	68,911
In not more than three months	-	-
In more than three months but not more than one year	-	-
In more than one year but not more than five years	-	-
	60,853	69,272

21 Other liabilities

	2015 £000	2014 £000
Income tax	405	622
Corporation tax	-	353
Other taxation and social security costs	83	83
Other creditors	201	270
	689	1,328

22 Accruals and deferred income

	2015 £000	2014 £000
Accruals relating to off-balance sheet instruments	15	46
Other	902	1,176
	917	1,222

23 Provisions for liabilities

	Deferred tax (note 9)	FSCS levy	Customer redress	Total
At 1 December 2014	266	260	10	536
Settlements made in the year		(356)	(12)	(368)
Charge for the year	(23)	271	22	270
At 30 November 2015	243	175	20	438

These provisions have been made in respect of the costs of customer redress attributable to claims and potential claims on endowment policies and the Financial Services Compensation Scheme compensation levy as described in Note 26.

24 Subordinated liabilities

	2015 £000	2014 £000
Floating rate subordinated loan repayable 6 November 2019	500	500
Floating rate subordinated loan repayable 16 March 2020	500	500
Floating rate subordinated loan repayable 1 December 2019	50	50
Fixed rate 14.81% subordinated loan repayable 21 December 2020	3,500*	3,500
Fixed rate 10.25% subordinated loan repayable 17 October 2024	3,500	3,500
	8,050	8,050
Unamortised issuance costs	(153)	(222)
Net carrying value	7,897	7,828
Accrued interest	137	139
	8,034	7,967

The Society's subordinated loans are unsecured and denominated in Sterling.

The rights of repayment of the holders of subordinated debt, which rank pari passu with each other, are subordinated to the claims of all depositors, creditors and investing members of the Society.

Interest payments are made on the floating rate loans at a rate set with reference to an external market rate.

Interest accrued but unpaid on the loans is subject to subordination.

The Society may, with the prior consent of the Prudential Regulation Authority, prepay each loan at the fifth anniversary date prior to the scheduled maturity date.

Capital Requirement Regulations issued by European Parliament and Council allow subordinated debt to be included within the Society's capital, subject to meeting eligibility requirements. Of the subordinated liabilities held by the Society £7,861,919 (2014:£7,821,567) is eligible to be included as regulatory capital at 30 November 2015.

* The option to redeem £3,500,000 of subordinated debt was taken on 21 January 2016.

25 General reserves

	2015 £000	2014 £000
At 1 December	26,259	23,870
Total recognised gains relating to the financial year	1,462	2,389
At 30 November	27,721	26,259
Reserves excluding pension liability	28,525	27,326
Net pension liability (Note 7)	(804)	(1,067)
	27,721	26,259

26 Commitments

	2015 £000	2014 £000
Capital commitments		
Capital expenditure contracted for at 30 November but not provided for in these accounts	36	81

Leasing commitments

At the Balance Sheet date, annual commitments under operating leases relating to land, buildings and equipment were as follows:

	2015 Equipment £000	2015 Land and buildings £000	2014 Equipment £000	2014 Land and buildings £000
Leases which expire:				
In not more than one year	-	-	-	76
In more than one but not more than five years	3	90	4	-
After five years	-	87	-	100
	3	177	4	176

Financial commitments

Financial Services Compensation Scheme

In common with all regulated UK deposit takers, the Society pays levies to the FSCS to enable the FSCS to meet claims against it. The FSCS levy consists of two parts - a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and 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. During 2008 and 2009 claims were triggered against the FSCS in relation to Bradford and Bingley plc, Kaupthing Singer and Friedlander, Heritable Bank plc, Landsbanki Islands hf, London Scottish Bank plc and Dunfermline Building Society. The FSCS meets these current claims by way of loans received from HM Treasury. The terms of these loans were interest only for the first three years and the FSCS seeks to recover the interest cost, together with ongoing management expenses, by way of annual management levies on members, including Ipswich Building Society, over this period. In addition to the management levies, the FSCS commenced charging for compensation levies over a number of scheme years commencing 1 April 2012. The provision at 30 November 2015 includes an estimate of the management expenses levy which will be paid in 2016. This amount is paid with reference to the Society's protected deposits as at 31 December 2014. The compensation levy that will be paid during 2016 is paid with reference to the Society's protected deposits as at 31 December 2015 and therefore no provision has been made for this or any subsequent scheme years.

Customer redress claims

Ipswich Building Society, like many other distributors of insurance and investment products to retail customers, has experienced customer concerns regarding whether the products were completely appropriate for the customer. A number of these concerns convert to formal complaints on the grounds that the customer has been sold an inappropriate investment or insurance product or has otherwise been misadvised. The Society reviews all such complaints on a case-by-case basis in accordance with its published procedures. Where it is established that a valid claim exists corrective action is taken, which may include the payment of compensation to the customer. The provision included in the Accounts is based on the Society's experience to date and the anticipated profile of future claims.

27 Notes to the cash flow statement

Reconciliation of operating profit to net cash flow from operating activities

	2015 £000	2014 £000
Profit before tax	1,904	3,766
(Increase) in prepayments and accrued income	(101)	(42)
Decrease in accruals and deferred income	(891)	(1,095)
Provisions for bad and doubtful debts	(39)	41
Loans and advances written off, net of recoveries	(84)	(18)
Depreciation and amortisation	460	355
Interest on subordinated liabilities	986	937
Pension contributions	(350)	(350)
Profit on the sale of fixed assets	(3)	-
(Decrease)/increase in provisions for liabilities and charges	(98)	131
Profit on the sale of subordinated liabilities	-	(855)
Other non-cash movements	(130)	(104)
Net cash inflow from trading activities	1,654	2,766
Net decrease in loans and advances to customers	21,397	10,410
Net (decrease) in shares	(6,486)	(7,549)
Net (decrease) in amounts owed to credit institutions and other customers	(29,268)	7,237
Net (increase) in loans and advances to credit institutions	-	(2,000)
Net (increase) in other assets	(292)	(71)
Net (decrease) in other liabilities	(263)	(217)
Net cash (outflow)/inflow from operating activities	(13,258)	10,576

Analysis of the balances of cash as shown in the Balance Sheet:

	2014 £000	Flows £000	2015 £000
Cash in hand	51,877	(4,141)	47,736
Loans and advances to credit institutions repayable on demand	3,390	(345)	3,045
	55,267	(4,486)	50,781

28 Directors' loans and related party transactions

There were no loans or similar arrangements between Directors and the Society falling due to be reported in the financial statements at either 30 November 2015 or 30 November 2014.

A register is maintained at the Society's Head Office containing details of loans, transactions and arrangements made between the Society and Directors of the Society or persons connected with Directors of the Society. The register will be available for inspection by members at the Head Office for a period of 15 days up to and including the Annual General Meeting.

There are no qualifying disclosures falling to be reported under FRS 8 Related Party Transactions.

29 Financial instruments

A financial instrument is a contract which creates a financial asset and a corresponding liability. Ipswich Building Society is a retailer of financial instruments, where these are primarily in the form of mortgage loans to customers and deposits taken from customers. The Society uses wholesale financial instruments when investing liquid assets and borrowing funds from the London money markets and other corporate sources, and to manage interest rate and other risks arising from its business operations.

Types of derivative instruments

The principal derivatives used to manage interest rate risk within the Society's Balance Sheet are interest rate swaps, interest rate guarantee contracts, interest rate options and forward rate agreements. Interest rate risk arises from a mismatch between the interest rate characteristics or maturity profiles of assets and liabilities, primarily in respect of fixed rate mortgage and savings products and funding and liquidity management activities.

The following table describes the significant activities undertaken by the Society, the related risks associated with such activities and the types of derivatives which are typically used in managing such risks. These risks may alternatively be managed on Balance Sheet on a matched asset/liability basis, as part of an integrated approach to risk management.

Activity	Risk	Type of hedging contract
Fixed rate retail and wholesale funding	Sensitivity to falls in the general level of interest rates	Receive fixed interest rate swaps Receive fixed rate under forward rate agreements Purchase interest rate floor contracts
Fixed rate retail mortgage products and fixed rate liquid assets	Sensitivity to increases in the general level of interest rates	Receive floating interest rate swaps Purchase interest rate cap contracts

Control of derivatives

The Society has a formal structure for managing risk. Exposure limits have been established, accompanied by reporting lines, mandates and control procedures. Control of both exposures and the use of derivatives is subject to a Board-adopted policy statement covering Balance Sheet structural risk management. Under this policy statement, the use of derivative instruments is monitored by the Assets and Liabilities Committee (ALCO), an Executive Committee formally reporting to the main Board.

The Board is satisfied that the use of derivatives by the Society is consistent with Section 9(A) of the Building Societies Act 1986 and that all contracts entered into are for the purpose of managing financial risk.

The following table details derivative instruments by contract type and maturity and shows the nominal principal amounts, credit risk weighted amounts, and replacement costs. The nominal principal amount is the amount of business outstanding at the Balance Sheet date, and does not relate to the actual underlying exposures carried. The risk weighted values of these contracts has been calculated in accordance with the EU Solvency Ratio Directive. The replacement costs have been obtained by marking contracts to market and aggregating those with a positive value.

	2015			2014		
Unmatured interest rate contracts	Nominal principal amount £000	Credit risk weighted amount £000	Replacement cost £000	Nominal principal amount £000	Credit risk weighted amount £000	Replacement cost £000
Interest rate swaps	104,050	291	198	163,050	377	409
	104,050	291	198	163,050	377	409
These contracts mature from the Balance Sheet date as follows:						
In not more than one year	66,750	198	198	94,000	-	-
In more than one but not more than five years	37,300	93	-	69,050	377	409
	104,050	291	198	163,050	377	409

29 Financial instruments (continued)

All the Society's derivatives activities are contracted with OECD financial institutions.

Fair value disclosures under FRS13 are provided in a following section of this note.

Credit risk
Retail loan applications are assessed within a framework consistent with that set out in the Board approved Lending Policy statement. In common with most major lending organisations, the Society uses a hierarchical system of individual decision-making authority mandates.

Exposures to treasury counterparties are taken in accordance with the Board approved Treasury Management Policy statement. The ALCO is responsible for approving credit lines to individual institutions and monitoring actual exposures.

Liquidity risk
It is the Society's policy to maintain sufficient funds in an appropriately liquid form to ensure that maturing obligations can be discharged in full as they fall due. The over-riding objective of liquidity management operations is to smooth out mismatches between maturing assets and liabilities.

Interest rate risk
The Society is exposed to changes in net earnings and market value of assets and liabilities arising from movements in interest rates occurring in the economic environment in which it operates. These exposures derive principally from the interest rates applying to assets and liabilities having differing repricing characteristics. The Society manages exposures by the use of on- and off-balance sheet financial instruments.

The table below summarises interest rate repricing mismatches on settled positions at the year end date. Items are allocated to specific timebuckets by reference to the earlier of the next repricing date or maturity date:

	2015						
	3 months or less £000	More than 3 months less than 6 months £000	More than 6 months less than 1 year £000	More than 1 year less than 5 years £000	More than 5 years £000	Non-interest bearing £000	Total £000
Assets							
Liquid assets	99,993	5,000	2,000	-	-	239	107,232
Loans and advances to customers	269,804	49,169	69,435	65,150	-	(609)	452,949
Tangible fixed assets	-	-	-	-	-	4,328	4,328
Other assets	-	-	-	-	-	449	449
Prepayments and accrued income	-	-	-	-	-	164	164
Total assets	369,797	54,169	71,435	65,150	-	4,571	565,122
Liabilities							
Shares	310,436	42,778	67,575	42,950	-	1,918	465,657
Amounts owed to credit institutions and other customers	58,960	-	1,653	-	-	249	60,862
Other liabilities	-	-	-	-	-	689	689
Accruals and deferred income	-	-	-	-	-	917	917
Provisions for liabilities	-	-	-	-	-	438	438
Net pension liability	-	-	-	-	-	804	804
Subordinated liabilities	3,500	-	-	4,550	-	(16)	8,034
Reserves	-	-	-	-	-	27,721	27,721
Total liabilities	372,896	42,778	69,228	47,500	-	32,720	565,122
Off-balance sheet items	78,050	(10,000)	(30,750)	(37,300)	-	-	-
Interest rate sensitivity gap	74,951	1,391	(28,543)	(19,650)	-	(28,149)	-
Cumulative gap	74,951	76,342	47,799	28,149	28,149	-	-

29 Financial instruments (continued)

Interest rate risk (continued)

	2014						
	3 months or less £000	More than 3 months less than 6 months £000	More than 6 months less than 1 year £000	More than 1 year less than 5 years £000	More than 5 years £000	Non-interest bearing £000	Total £000
Assets							
Liquid assets	110,023	10,000	2,000	-	-	211	122,234
Loans and advances to customers	265,895	21,152	64,452	123,456	-	(732)	474,223
Tangible fixed assets	-	-	-	-	-	4,593	4,593
Other assets	-	-	-	-	-	101	101
Prepayments and accrued income	-	-	-	-	-	87	87
Total assets	375,918	31,152	66,452	123,456	-	4,260	601,238
Liabilities							
Shares	304,529	18,007	50,696	96,993	-	2,400	472,625
Amounts owed to credit institutions and other customers	88,278	-	-	1,594	-	362	90,234
Other liabilities	-	-	-	-	-	1,365	1,365
Accruals and deferred income	-	-	-	-	-	1,222	1,222
Provisions for liabilities	-	-	-	-	-	601	601
Net pension liability	-	-	-	-	-	1,067	1,067
Subordinated liabilities	50	500	500	7,000	-	(83)	7,967
Reserves	-	-	-	-	-	26,157	26,157
Total liabilities	392,857	18,507	51,196	105,587	-	33,091	601,238
Off-balance sheet items	88,050	-	(60,000)	(28,750)	700	-	-
Interest rate sensitivity gap	71,111	12,645	(44,744)	(10,881)	700	(28,831)	-
Cumulative gap	71,111	83,756	39,012	28,131	28,831	-	-

These tables do not take into account the effect of interest rate options used by the Society to manage interest rate risk.

A negative rate sensitivity gap exists where more liabilities than assets reprice in a specific time period. In general, a negative gap will enhance earnings in a falling interest rate environment, although the extent of any improvement in operating margins is highly dependent on a number of external and internal factors.

The ALCO monitors the exposure to repricing risk on a routine basis. The Society has implemented a proprietary risk management software application to enable it to undertake modelling and simulation testing of both existing and forecast positions under static and dynamic scenarios.

29 Financial instruments (continued)

Fair values of financial instruments

Set out below is a comparison of carrying values of certain of the Society's financial assets and financial liabilities as at 30 November 2015. The Society does not undertake transactions for trading or speculative purposes. The table excludes certain financial assets and financial liabilities which are not listed on a recognised exchange, or are publicly traded, or for which a liquid and active market does not exist. The table therefore excludes items such as retail loan and savings products and non-negotiable wholesale financial instruments:

	2015		2014	
	Book value £000	Fair value £000	Book value £000	Fair value £000
Financial assets and liabilities for which an active market exists:				
Debt securities	54,443	54,670	64,866	65,107
Interest rate swaps	(12)	(393)	20	(295)

Market values have been used to determine the fair value of interest rate swaps and debt securities held. The fair value of interest rate caps and interest rate floors have been calculated using option-pricing models.

Gains and losses on hedges

Gains or losses on hedges of financial instruments are recognised in the income and expenditure account over the residual life of the underlying instruments. A gain or loss is otherwise recognised only in the event of the underlying exposure itself being unwound. The following table sets out the movements in recognised and unrecognised gains and losses in the year to 30 November 2015:

	Gains £000	Losses £000	Total net gains/ (losses) £000
Unrecognised gains and losses on hedges at 1 December 2014	383	(658)	(275)
Gains and losses arising in previous years that were recognised in 2015	4	259	263
Gains and losses arising before 1 December 2014 that were not recognised in 2015	387	(399)	(12)
Gains and losses arising in 2015 that were not recognised in 2015	(215)	(178)	(393)
Unrecognised gains and losses on hedges at 30 November 2015	172	(577)	(405)
Of which:			
Gains and losses expected to be recognised in the year to 30 November 2016	172	(377)	(205)
Gains and losses expected to be recognised in the year to 30 November 2017 or later	-	(200)	(200)
	172	(577)	(405)

Gains and losses are expected to be matched by similar opposite movements on the value of products they are hedging.

Annual Business Statement

for the year ended 30 November 2015

01 Statutory percentages	2015 %	Statutory limit %
Lending limit	**0.8**	25.0
Funding limit	**11.6**	50.0

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

The statutory limits are as laid down under the Building Societies Act 1986 and ensure that the principal purpose of a building society is that of making loans which are secured on residential property and are funded substantially by its shareholding members.

The lending limit represents 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 bad debt provisions less liquid assets and tangible fixed assets.

The funding limit represents the proportion of shares and borrowings not in the form of shares held by individuals. Shares and borrowings represent the total of shares, amounts owed to credit institutions and amounts owed to other customers.

02 Other percentages	2015 %	2014 %
As a percentage of shares and borrowings:		
- Gross capital	**6.76**	6.05
- Free capital	**6.01**	5.30
- Liquid assets	**20.37**	21.72
As a percentage of mean total assets:		
- Profit after tax for the financial year	**0.26**	0.48
- Management expenses	**1.37**	1.21

"Shares and borrowings" represent the total of shares, amounts owed to credit institutions, and amounts owed to other customers.

"Gross capital" represents the aggregate of general reserves and subordinated liabilities

"Free capital" represents the aggregate of gross capital and general loss provisions for bad and doubtful debts, less tangible fixed assets.

"Mean total assets" represent the average of total assets as stated in the balance sheet at 30 November 2014 and 30 November 2015.

"Liquid assets" represent the aggregate of cash in hand, loans and advances to credit institutions, debt securities, treasury bills and other liquid assets.

"Management expenses" represent the aggregate of administrative expenses and depreciation and amortisation.

The notes to these Accounts are contained on pages 27 to 45.

03 Information relating to Directors at 30 November 2015

Name	Occupation	Date of birth	Date of appointment	Other Directorships
K F Blackburn, TD, BSc (Hons), ACA, ACIB	Building Society Executive	11/05/62	30/11/08	-
D W Bowden	Chief Executive of Essex Cricket	30/09/56	30/11/06	Essex Cricket & Community Trust Essex County Cricket Board Ltd
V Dias FCCA, CCMI	Chief Risk & Compliance Officer Visa Europe	18/10/59	26/03/15	Member of the Board of Trustees of the Chartered Management Institute
P Elcock ACIB, DipFS, MBA	Executive Director and Chief Risk Officer, Charter Court Financial Services Group Limited	28/08/63	01/06/15	Exact Mortgage Experts Limited Charter Mortgages Limited Charter Court Financial Services Limited Broadlands Finance Limited
E S Evans BSc (Hons) Sp, ACA	Non-Executive Director	26/11/63	30/11/08	Non-Executive Chairman of The International Exhibition Co-operative Wine Society
A Harris MBA, FCII	Non-Executive Director	22/08/56	01/07/11	Aegon Direct Marketing Services Europe Ltd Stonebridge International Insurance Ltd Cornerstone International Holdings Ltd The Prince Henry's High School Academy Trust PHHS Trading Company Ltd
M A Tennens FCIM, DipM, DipTh	Company Director	14/03/67	30/11/06	redPepper Marketing Ltd
P Winter MBE BA, FCIB	Building Society Executive	20/10/50	01/12/90	BSA Pension Trustees Ltd University Campus Suffolk Ltd

Directors' service contracts

At 30 November 2015 the Executive Directors are employed on open ended service contracts under which notice periods of one year and six months are required to be given by the Society and Director respectively in circumstances in which the contract is to be terminated. The contract for P Winter was entered into on 15 November 2007 and for K F Blackburn on 30 November 2008.

Correspondence and documents

Correspondence to Directors, jointly or individually, should be addressed "Private and Confidential" and c/o KPMG LLP, Botanic House, 100 Hills Road, Cambridge, CB2 1AR.

04 Information relating to other Officers at 30 November 2015

Name	Occupation	Other Directorships
I A Brighton CeMAP, CeRGI, CeRCC, CeRCH, AdvCeMAP	General Manager (Business Services)	-
J Leah MCIM	General Manager (Sales)	-
R J Newman LLB (Hons) Law	Society Secretary	-

IPSWICH
BUILDING SOCIETY

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INVL21 (01/16)