



Members' Review 2018



Bath Building Society

We're different because you are



“What I love about Bath is the Georgian architecture that flows from the old buildings to the new. Sometimes I forget how lucky I am to work in such a beautiful City so I try not to take it for granted. I love working at the Society as everyone is approachable and will try to help. I had only recently moved to Bath when I started working at the Society so it was quite daunting but everyone made me feel welcome.”

**Lauren, Compliance Officer, at her favourite place in Bath,
Pulteney Bridge**

Chairman's Statement

For the year ended 31st December 2018

In 2018 the Society yet again improved the size and strength of its mortgage book. Its funding balances rose sharply and its reserves of capital grew to a record level.

Business highlights;

Society reserves up by 10% to

£36.2m (2017: £33m);

Gross mortgage lending of £42.2m (2017: £47.6m) which increases the Society's mortgage book by 1.3% to a record level of

£245.7m (2017: £242.5m);

Liquid assets ratio of 25.7% of shares and borrowings (2017: 23.6%);

Society profit before taxation reported at

£3.2m (2017: £4.2m);

Total assets increased by 4% to

£324.1m (2017: £311.7m);

Cases with arrears more than 2 months

11 (2017: 13);

Customer satisfaction: 97% of customers surveyed would recommend the Society to family and friends (2017: 95%).

The Society's strong financial performance in 2018 was achieved despite a weakening economic environment in the United Kingdom. A combination of softening international growth and specific worries about the UK economy arising from Brexit has resulted in slowing economic growth, falling business investment and reduced confidence about the future. The housing market in the UK also weakened over 2018, with many regions having reported flat or falling house prices. Notwithstanding these storm clouds, the Society has managed to maintain strong margins and it has delivered a very satisfactory set of financial results.

Risks and uncertainties caused by Brexit

As all of the Society's business is undertaken in the UK, the direct impact of Brexit will be limited. However, the Society would not be immune from any Brexit induced recession that caused higher unemployment and falling property values, and as such, it prudently plans for these adverse scenarios. Your Society has one of the strongest reserves of capital of any Society and this would act as a buffer against Brexit induced stresses.

Over the last few years, the Society has been working on the basis that the Bank of England base rate would be moving in an upwards trajectory over the medium term. The size, direction and timing of future interest rate changes is now very uncertain given the unknowns around Brexit. Whatever happens with regards to future rate changes, your

Society's Board will continue to do its duty to balance the overall financial needs of the Society together with the interests of the Members.

Future competitive pressures

Over the last few years, around 40 new 'Challenger Banks' have been authorised. The presence of materially more lending institutions competing in a relatively flat market is pushing mortgage yields lower. Together with the large UK Banks, these new financial institutions have significant borrowings from the Bank of England's special liquidity arrangements, such as The Funding for Lending Scheme and The Term Funding Scheme. These schemes are now un-winding and institutions are seeking replacement funding from wherever they can get it, including the retail funding market in which the Society operates. The Society is expecting the cost of retail funding to increase due to these competitive pressures.

The retail deposit market is also adapting to operational changes driven by regulatory initiatives. Furthermore, a plethora of financial technology (Fintech) companies is now operating in the market and some of their technology driven business models are likely to change consumer banking behaviour forever. Although it is unlikely that the Society will seek to create competitive advantage through the use of leading-edge technology, it will continue to invest in its IT infrastructure and it will remain alert to how new technology could improve the service offered to the Members.



“I grew up in Bath and spent many years living away but always felt it was my home. I love being part of the Society’s future as it’s a friendly and professional place to work. Equally I always feel that I can make a difference as they give you many opportunities to grow and take on new challenges. I picked this café as my particular location, as during the summer whilst my daughter was home from university, and working in Bath, we had breakfast together every morning here so it brings back happy memories.”

Kerrin, Business Development Manager, at his favourite place in Bath, Thoughtful Bakery

Risk and governance

In 2018, the Board's Audit Committee undertook competitive tendering processes to select suitable firms to meet the Society's future external and internal audit requirements. As a result, PricewaterhouseCoopers LLP and RSM Risk Assurance Services LLP were appointed to cover the external and internal audit providers respectively.

The Society continues to develop and adapt its governance structures to better manage risk within the business. It is investing heavily in creating new management information that aims to give the Board and senior managers better analysis of risk to inform decision making.

Mutuality and business purpose

I am pleased to report that the results of the Members' Survey remain very strong. In particular a very high percentage of respondents would recommend the Society to their family and friends. Your Board is fiercely committed to the Society remaining a mutual organisation, owned by its Members for the benefit of its Members. In 2019, the Society has refocused the business towards meeting its true purpose: harnessing the collective power of Members' savings to finance home ownership, particularly for first time buyers. I am proud to say that in 2018 almost 50% of the Society's gross lending was to first time buyers.

The Building Societies Association has recently published a report called 'Intergenerational Mortgages – Building on the Bank of Mum and Dad'. It is gratifying that your Society is already doing many of the things that the report suggests could be done to get young people onto the housing ladder. Nevertheless, the Society consider further innovative ways of improving access to home ownership.

The Society's Board

I can report that the Society has successfully and seamlessly managed the succession of the Chief Executive position from Dick Jenkins to Kevin Gray. Furthermore, I am pleased to welcome Tom Leach as Finance Director. Tom took up this position in April 2018. As a chartered accountant with a background in the auditing profession and with the Principality Building Society, his experience and skills are assets to the Board.

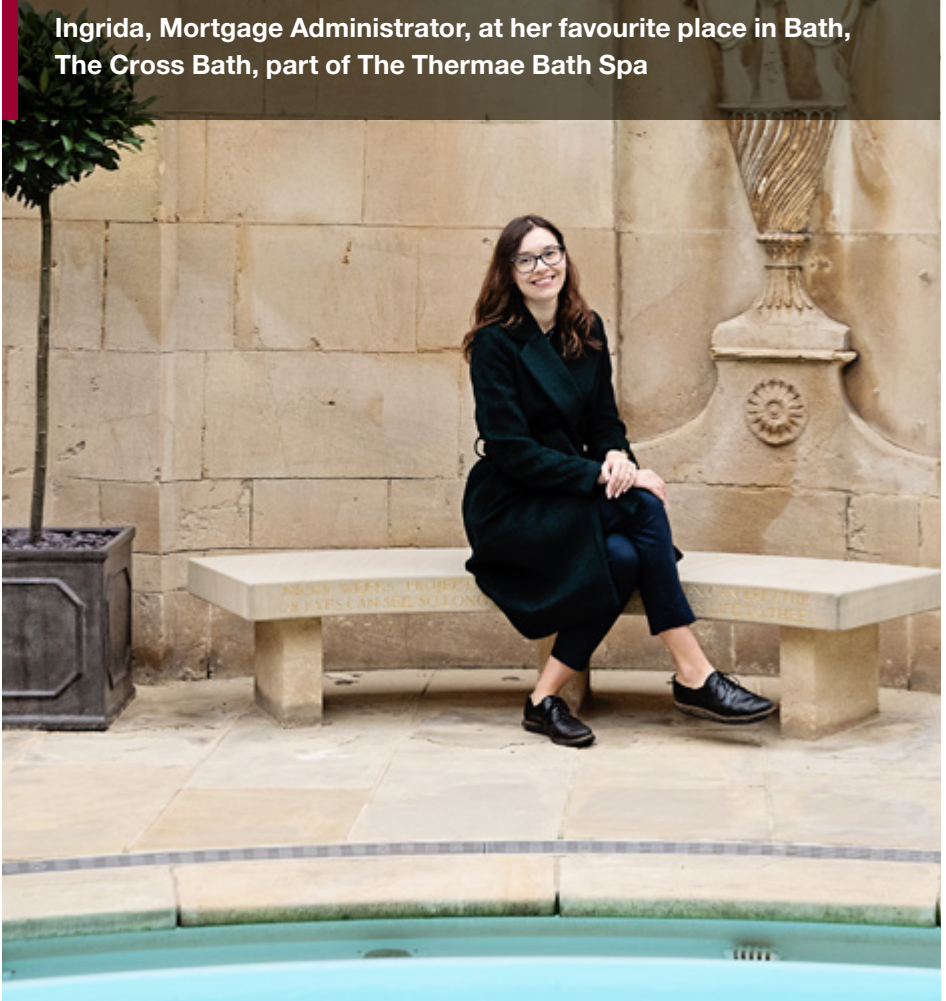
Finally, I would like to acknowledge the support that the Society has enjoyed from its staff, suppliers and, most importantly, its Members.

Robert Derry-Evans

Chairman
8 March 2019

“Ever since I moved to Bath from Aberdeen in 2015, I fell in love with this charming City and its beautiful architecture. One of my favourite buildings in Bath is the Cross Bath. For me, it’s a building which encompasses the unique features of Bath; being its history, architecture and of course the thermal springs. Bath Building Society is a great place to work as each day I get great satisfaction in helping customers move into their dream homes, by working alongside supportive colleagues in a collaborative environment.”

Ingrida, Mortgage Administrator, at her favourite place in Bath, The Cross Bath, part of The Thermae Bath Spa





“Bath is a beautiful City, well known for its Georgian architecture, independent shops and restaurants. I chose the Roman Baths as it my favourite location in the City. You are transported back to Roman times as soon as you enter the building and start the tour. The Society is a great place to work, we have good values and a culture that is committed to achieving the best for our customers and each other.”

**Jacqui, Accounts Supervisor, at her favourite place in Bath,
The Roman Baths**

Chief Executive's Report

For the year ended 31 December 2018

Mortgages

The fortunes of the UK property market were mixed over 2018 with different geographic regions delivering markedly different rates of growth. Scotland and the north of England experienced increases in property values, whereas the south of the country delivered only modest growth, and house prices in London fell back from their historic peaks. Concern over Brexit has negatively affected consumer confidence and the public is starting to put off big financial decisions like those associated with moving home. As such, property prices and housing market transaction levels are expected to be relatively flat in 2019. With demand waning and the presence of many more 'Challenger Banks' this has resulted in an effective over supply of credit which has held down mortgage yields and encouraged greater rates of re-mortgaging. Despite faltering economic growth and a ferociously competitive mortgage market in 2018, the Society achieved an overall net growth rate of 1.3% in its mortgage book.

With customers expecting future interest rates to rise, demand for fixed rate mortgages has been a substantial part of the whole mortgage market. For the first half of 2018, the Society was unable to offer fixed rate products due to a regulatory constraint on the level of fixed rate business

that the Society could undertake and this lack of capacity held back overall gross lending in 2018. A successful application to the Prudential Regulation Authority in the second half of 2018, has enabled the Society to increase the maximum level of fixed rate mortgages that it could hold. As at 31 December 2018, fixed rate mortgage applications accounted for approximately 58% of the Society's total level of new business.

Although the Society's 2018 gross lending figure of £42.2m (2017: £47.6m) was lower than that for 2017, it compares favourably with the Society's historic performance. Furthermore, the average yield achieved in 2018 on new lending was substantially in excess of the Society's budgetary expectation, although despite this success, the average yield over the whole mortgage book reduced in 2018. This was due to the Society's retention strategy that aims to be fair to loyal customers by offering the best new rates to existing borrowers when their mortgage deal matures.

In 2018, the primary focus of the Society's lending strategy was to concentrate on increasing the distribution of its current mortgage products to more intermediaries. Over the course of the year, the Society successfully increased the number of mortgage brokers and mortgage clubs that introduced mortgage business to it.

The Society also developed an online portal for brokers aimed at speeding up the introduction of business from them. By year-end, it had several hundred brokers using the system and by the last quarter of 2018 a majority of the Society's new business applications were being received via the system.

A secondary focus was to further develop the Society's range of niche mortgage products. The Society successfully introduced a Retirement Interest Only (RIO) mortgage in 2018. This product is aimed at retired borrowers who have sufficient pension income to support a mortgage and who wish to draw equity from their property.

There was a strong growth in the Society's Self Build product. Since inception in 2019, the Society has now financed the construction of over 250 homes to self-builders and this product remains a potential growth area for the future.

The Society also experienced strong demand for its Rent a Room product over the course of the year. This product permits borrowers to bring income from renting a spare room into the mortgage affordability calculation, effectively permitting more borrowers to have access to a mortgage that is sufficient to allow them to purchase their own homes. The Society continues to accept parental guarantees as another method of improving mortgage affordability, particularly amongst the young.

As well as offering mechanisms to improve the affordability of mortgages, the Society continues to recognise that the requirement to place a large initial deposit remains a big

problem for new borrowers. The Society's Mortgage Indemnity Guarantee product reduces the need for borrowers to stump up large deposits whilst protecting the Society against any increased risk. By taking collateral charges over parental homes, the Society's Buy For Uni and Parent Assisted Mortgage products achieve the same result. The Society is planning to introduce further features to its range of intergenerational support mortgages in the future in line with its strategy to promote home ownership.

The Society continues to manage mortgage arrears sympathetically but firmly. The number of cases being two or more months in arrears had fallen to 11 by year-end (2017: 13) and the Society also managed to reduce the number of cases requiring individual impairment charges to 2 (2017: 5). As at the end of 2018, the Society had no properties in possession (2017: 1).

In August 2018, the Bank of England increased its base rate by 0.25% to 0.75%. In order to protect its borrowing customers, the Society chose to increase its Standard Variable Rate by only 0.15%.

Savings and Funding

The average rate of interest that the Society receives on its liquid assets remains lower than the average rate of interest that it pays on Members' deposits. As such, holding excess liquidity impacts negatively on margins and therefore, the Society carefully manages the level of new savings that it recruits from its Members and from other funding sources. If it cannot immediately apply new savings to fund mortgages, it has to restrict the level of new savings



“What I love about Bath is the beautifully quirky hidden gems. It is a wonderful City full of character and ambience. I have lived in Bath my whole life, as have most of my family, so it is very close to my heart. What I love about working at the Society is the sense of family. We look after, care and support each other at times of need but also have fun and build friendships at work. I have worked here for eight years and still love my job and working for the Society.”

**Katherine, Facilities Officer, at her favourite place in Bath,
St Ann’s Place off New King Street**



“I love Bath’s many narrow, cobbled streets with their independent shops and restaurants. Margaret’s Buildings is probably my favourite. When I moved to Bath as a student in 1998 I lived just around the corner from here and often visited the rare book shop. I also worked in a newsagents at the other end of Margaret’s Buildings which is now an art gallery. The Society remains small enough for everyone’s contribution to be unique. There is real opportunity here to act on your own initiative and to be included in the decision-making process.”

Rory, Head of Management Information, at his favourite place in Bath, Margaret’s Buildings

that it receives. In November 2017, the Society passed on the full increase in the Bank of England base rate to its savers but the majority of competitors did not do the same. When the Bank of England moved interest rates higher by a further 0.25% in August 2018, the Society chose not to respond immediately to the increase to avoid its product range being overly attractive compared to rates offered by other financial institutions. Instead, the Society chose to selectively increase rates paid to existing savers when their current products matured. The Society's policy remains one of protecting loyal savers as best it can. Overall, the Society paid out £655,000 more in interest to its savers in 2018 than it did in 2017.

The Society successfully grew its base of funding by a net 3.3% over 2018 with all of this growth coming from share accounts held by individuals rather than from deposits owed to other customers such as limited companies.

In 2018, the Society changed the supplier of its Bath Online service and introduced the ability for Members to access their account information via smart phones and to request electronic payments from the Society back to their designated bank accounts.

Noel Broomfield retired from the Society in December 2018 and Mark Wiltshaw is also due to retire before the 2019 Annual General Meeting. They have been stalwarts of the Society's Savings Department for many years and they leave a great legacy for their successors. We wish them both a well-earned retirement and all success for their futures.

Property Letting

The Society's old subsidiary company, Bath Property Letting Limited, was sold to Leaders Romans in November 2017. The sale agreement contained a provision for future consideration to pass to the Society on the anniversary of the disposal, the scale of that consideration being dependant on the size of the portfolio of landlords remaining with the purchaser. In 2018, the Society received a final payment of £70,647.

Information Technology and Operational Resilience

Over 2018, the Society continued investing in its Information Technology infrastructure. This included introducing a major software upgrade to its core savings and mortgage system, replacing all desktop personal computers; upgrading all network systems to Windows 10; introducing a new treasury system and implementing upgrades to its regulatory reporting software. These upgrades will keep the Society compliant with new regulations and speed up customer transactions performed in Branches and Agencies.

The Society successfully planned and conducted a major test of its business continuity arrangements. It has access to a secondary site that is capable of maintaining core functionality and operations in the event of a major incident negatively impacting on the Society's Head Office at Queen Square, Bath. The Society's business continuity response team has also participated in a cyber simulation exercise held in London in

conjunction with other Societies, business advisers and the Society's trade body, the Building Societies Association.

Community Involvement

Over the years, the Society has supported Bath College in a number of different ways including providing support for their apprenticeship scheme, conducting mock recruitment interviews and providing talks to their business and accountancy trainees. In 2018, the Society also funded a team from the college to participate in the Young Enterprise Scheme and has provided a member of the Society's management team to act as a mentor to support the team's business venture.

The Society continues to investigate participation in the government's Reclaim Fund initiative which would allow unclaimed savings balances to be used for local charitable work rather than being lost into a national scheme. The Society has identified a need to expand its future involvement in the promotion of financial and business education to young people and it is the intention that any extra future funding that crystallises from the Reclaim Fund initiative will be put to use in this area.

The Society continues to support local charities. In 2018, it donated £6,500 to a diverse range of charitable organisations via its Charity Awards Scheme. This offers small sums to local community groups and charities that are working in and around Bath. This included The Community Bus, Bath FoodCycle and The Bath Area Play Project. In the first half of 2018, the Society's charity of the year was Focus Counselling. From the middle of the

year Bath City Farm became our charity of the year for 2018-19. For the 43rd year, the Society sponsored the children's Firework Safety Poster Competition and associated Fireworks Display organised by The Rotary Club of Bath. This event not only helps to reduce the incidence of fireworks accidents in Bath, but also provides a means of generating a substantial sum for the Society's charity of the year. The 2018 event led to a £4,500 donation to Bath City Farm. The Society's staff also held a Charity Race Night in November 2018 which raised over £4,000, with the monies going to Bath City Farm, Bath Young Carers and the Wiltshire Air Ambulance.

As my first year as Chief Executive comes to an end, I would like to thank all of my colleagues for their support in what has been a year of change. Bath Building Society remains in rude health and the business will move forward to meet the challenges of the future. We remain committed to keeping the Society a forward looking and confident organisation that keeps its Members' best interests at the heart of everything it does.

Kevin Gray

Chief Executive
8 March 2019



“What I love about Bath is the history, and that my family have lived in Bath since the early 1900s. My Grandfather fought in the second world war and was sunk on HMS Ark Royal. What I love about The Society is the people, I have friends here that have kept me here for 15 years.”

Darren, Systems Administrator, at his favourite place in Bath, The War Memorial

Our Charity of the Year



Set on a hillside with fantastic panoramic views of the City, Bath City Farm is a 37-acre community managed green oasis sitting within

an area of high density social housing on the south-western edge of Bath.

The Farm, started by a handful of passionate volunteers in 1990, has a mission to build a healthy and caring community by connecting local people with nature and farming. We provide education, training, therapeutic activities, volunteering opportunities and seasonal events.

As a free to visit, open access site, we seek to inspire our communities to love nature, wildlife, horticulture and farming. The Farm touches the lives of people of all ages and from all backgrounds in ways which become instrumental to their well-being and sense of purpose.

We offer 15 projects for young and old to learn about sustainable farming and food growing, acquire new skills and develop friendships. Our projects are designed to help people combat issues of mental ill-health, drug dependency, social isolation and unemployment. Our work encourages people to maximise their abilities and build the resilience and confidence to have control over their lives.

In all cases we strive to offer care for the whole person, whether their needs are practical, emotional or social.

Our projects include:

Feathered Friends – a sociable chicken cuddling project for people over 60 years, including those living with dementia.

Training at the Trough – a catering project for adults with learning disabilities, who learn to cook and serve food in our café.

Get Growing – a gardening project supporting adults living with mental health difficulties. Participants include inpatients under section from Hillview Lodge Mental Health Unit at The RUH; the remainder are referred from mental health services.

Families at the Farm – a project for families who have experienced domestic abuse, trauma and other complex issues. In partnership with Southside Family Project we provide farm-based activities to encourage family bonding and healthy eating.

Bath Bush Craft – a project for 11-16 year olds who are struggling in mainstream education. Using our woods and forest school, local young people access this free group to improve skills and confidence.

Last year we supported over 700 people to make a true difference to their lives, welcomed over 27,000 visitors to our free site and worked with over 2,000 school children to increase knowledge of the natural world and where their food comes from.



“I have lived in Bath all of my life along with my family. What I like about living in Bath is that you can be in the City enjoying the shops and restaurants but don't have to go far to enjoy the countryside for long walks. I chose to have my picture taken in the Botanical Gardens by the Roman Temple; the Autumn colours at this time of year are magnificent. I have worked for the Society for 29 years. I really enjoy working here and have seen lots of changes over the years. Bath Building Society is only a small local Society but is always striving to keep our customers at heart.”

Caroline, Customer Service Officer, at her favourite place in Bath, The Botanical Gardens in Victoria Park

Report of the Directors on Remuneration

For the year ended 31 December 2018

Unaudited information

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

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

Level and components of remuneration

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

Executive Directors' emoluments

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

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

The Executive Directors benefit from a pension scheme whereby the Society contributes 12% of basic salary per annum to a money purchase scheme. In lieu of his entitlement to pension contributions, Dick Jenkins opted to receive a cash equivalent sum at no extra gross cost to the Society. The Society operates no final salary pension arrangements.

Dick Jenkins and Kevin Gray received the benefit of a company car. Tonia Lovell and Tom Leach received the benefit of a car allowance. Kevin Gray, Tom Leach and Tonia Lovell received the benefit of paid professional subscriptions and health insurance. The aggregate amount of these benefits is included in Table 1.

Executive Directors' contractual terms

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

Non-Executive Directors

The level of fees payable to Non-Executive Directors is assessed by the Remuneration Committee using information from comparable organisations. These fees are not pensionable. Non-Executive Directors do not participate in any bonus schemes and they do not receive any other benefits. Details of Non-Executive Directors' emoluments are set out in Table 2.

The terms of appointment letter for each Non-Executive Director specifies that either party giving one month's notice may terminate the agreement.

Procedure for determining remuneration

Robert Derry-Evans, Fionnuala Earley and Angela Cha (Chair) constituted the Remuneration Committee. The Committee is responsible for setting Executive Director remuneration and Non-Executive Director fees. After a review of the responsibilities and work load of Non-Executive Directors, the Committee approved a 5% rise in fees for 2019.

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

Audited information

Table 1: Executive Directors' Emoluments

2018	Basic salary	Salary in lieu of pension contributions	Annual bonus	Benefits	Pension contributions	TOTAL 2018
	£	£	£	£	£	£
Dick Jenkins (retired 26 April 2018)	51,125	5,391	3,565	3,028	-	63,109
Kevin Gray	138,636	-	11,091	12,820	16,636	179,183
Tonia Lovell	84,167	-	5,892	6,476	10,100	106,635
Tom Leach (appointed 26 April 2018)	77,994	-	9,937	4,159	9,359	101,449
TOTAL 2018	351,922	5,391	30,485	26,483	36,095	450,376
2017	Basic salary	Salary in lieu of pension contributions	Annual bonus	Benefits	Pension contributions	TOTAL
	£	£	£	£	£	£
Dick Jenkins	149,583	15,773	12,715	9,098	-	187,169
Kevin Gray	121,875	-	10,359	11,207	14,625	158,066
Tonia Lovell (appointed 1 May 2017)	50,000	-	7,227	4,309	6,000	67,536
TOTAL 2017	321,458	15,773	30,301	24,614	20,625	412,771

Table 2: Non-Executive Directors' Emoluments (comprising fees only)

	2018	2017
Robert Derry-Evans (Society Chairman)	34,337	33,337
Chris Smyth (Society Vice-Chairman)	24,526	23,812
Ann Berresford (retired 31 December 2017)	-	23,812
Angela Cha	24,526	23,812
Fionnuala Earley (appointed 1 January 2018)	24,526	-
Denzil Stirk	24,526	23,812
David Smith	24,526	23,812
TOTAL	156,967	152,397

On behalf of the Remuneration Committee

Robert Derry-Evans

Chairman

8 March 2019

Summary Financial Statement

This Financial Statement is a summary of information in the audited Annual Accounts, the Directors' Report and the Annual Business Statement, all of which will be available to Members and depositors free of charge on demand at every office of Bath Building Society from Wednesday 3 April 2019.

Summary Directors' Report

The information required to be presented within the summary Directors' Report is given in the Chief Executive's Report on pages 9 to 14.

Summary income statement

Results for the year ended 31 December 2018

	2018	2017
	£000	£000
Net interest receivable	7,537	7,506
Other income and charges	10	654
Administrative expenses	(4,303)	(4,241)
Operating profit before provisions	3,244	3,919
Impairment (loss)/release on loans and advances to customers	(88)	162
Provision for other liabilities and charges	(15)	(7)
Profit on sale of subsidiary	71	161
Profit before taxation	3,212	4,235
Taxation expense	(586)	(702)
Profit for the year	2,626	3,533

Summary balance sheet

As at 31 December 2018

	2018	2017
	£000	£000
Assets		
Liquid assets	73,787	65,481
Mortgages	245,708	242,475
Fixed and other assets	4,559	3,753
Total assets	324,054	311,709
Liabilities		
Shares	227,846	214,583
Borrowings	58,931	62,883
Other liabilities	1,050	1,202
General reserve	35,319	32,693
Revaluation reserve	908	348
Total liabilities	324,054	311,709

Key financial ratios

	2018	2017
	%	%
Gross capital as a percentage of shares and borrowings	12.6	11.9
Liquid assets as a percentage of shares and borrowings	25.7	23.6
Profit for the year as a percentage of mean total assets	0.83	1.16
Management expenses as a percentage of mean total assets	1.35	1.39

Approved by the Board of Directors on 8 March 2019 and signed on its behalf by:

Robert Derry-Evans, Chairman

Kevin Gray, Chief Executive

Tom Leach, Finance Director

Notes to the Summary Financial Statement

1. The Summary Financial Statement is prepared on a Society only basis.
2. The gross capital ratio measures the Society's capital as a proportion of its shares and borrowings. The Society's gross capital comprises reserves, including revaluation reserve, which have been accumulated over many years and provides a relative indicator of the Society's financial stability.
3. The liquid assets ratio represents the total of cash, debt securities and short-term deposits held by the Society, as a proportion of the Society's shares and borrowings. Cash, debt securities and investments are held by the Society for prudential purposes in order to meet investor withdrawals from their accounts, make mortgage advances to borrowers and to fund general business activities.
4. Profit for the year as a percentage of mean total assets represents the Society's profit for the year (after tax) as a proportion of the average of the total assets at the start and end of the year. The Society needs to make a reasonable level of profit each year in order to maintain its gross capital ratio at a suitable level to protect investors' funds. The Directors believe the profit for the year is consistent with the aims of mutuality.
5. The management expenses ratio measures the proportion that the Society's administrative expenses bear to the average of the Society's total assets during the year and excludes the levy to the Financial Services Compensation Scheme.
6. Bath Building Society was required to prepare its Financial Statements for the year ended 31 December 2018 in accordance with Financial Reporting Standard 102 (FRS 102) as issued by the Financial Reporting Council.

Independent auditors' statement on the Summary Financial Statement to the Members of Bath Investment & Building Society

We have examined the Summary Financial Statement of Bath Investment & Building Society (the 'Society') set out on pages 20 to 21, which comprises the Summary income statement, the Summary balance sheet and the summary of key financial ratios.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Summary Financial Statement, in accordance with the Building Societies Act 1986.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement with the full Annual Accounts, the Annual Business Statement and the Directors' Report and its compliance with the relevant requirements of Section 76 of the Building Societies Act 1986 and the regulations made under it.

We also read the other information contained in the Members' Review 2018 and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises only the Chairman's statement, the Chief Executive's Report and the Report of the Directors on Remuneration.

This statement, including the opinion, has been prepared for and only for the Society's Members

as a body in accordance with Section 76 of the Building Societies Act 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Basis of opinion

Our examination involved agreeing the balances in the Summary Financial Statement to the full Annual Accounts. Our report on the Society's full Annual Accounts describes the basis of our audit opinion on those Annual Accounts, the Annual Business Statement and the Directors' Report.

Opinion

In our opinion the Summary Financial Statement is consistent with the full Annual Accounts, the Annual Business Statement and the Directors' Report of Bath Investment & Building Society for the year ended 31 December 2018 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made under it.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
Cardiff

8 March 2019

Notice of Annual General Meeting

The 115th Annual General Meeting (AGM) of the Members of Bath Investment & Building Society will be held on Tuesday 30 April 2019, in The Lansdown Suite at The Apex City of Bath Hotel at 12 noon for the following purposes:

1. To receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 December 2018.
2. To consider an Ordinary Resolution to appoint PricewaterhouseCoopers as Auditor of the Society, to hold office until the conclusion of the next AGM, at which accounts are laid before the Society and their remuneration be fixed by the Directors.
3. To consider an Ordinary Resolution to approve the Directors' Remuneration Report.
4. To elect Thomas Leach.
5. To re-elect Angela Cha.
6. To re-elect Christopher Smyth.
7. To re-elect Denzil Stirk.
8. To transact any other business permitted by the Rules of the Society.

By Order of the Board
Tonia Lovell, Society Secretary
8 March 2019

Notes

These notes form part of the Notice of the Meeting.

1. Under the Society Rules, a Member entitled to attend the meeting and vote may appoint one proxy to attend and vote on his or her behalf. You may appoint the Chairman of the meeting or anyone else as your proxy. Your proxy may vote for you at the meeting but only on a poll. Your proxy, if other than the Chairman, may not speak at the meeting except in demanding a poll. You may instruct your proxy how to vote at the meeting. Please read the instructions on the proxy form. The voting date is the date of the meeting; Tuesday 30 April 2019, if voting in person, and Tuesday 23 April 2019 if voting by proxy. In order to attend and vote at the meeting, or appoint a proxy, you must qualify to vote.
2. To qualify as a voting shareholding Member, you must be an individual of at least 18 years of age on the voting date; have held shares in the Society to the value of at least £100 at 31 December 2018 and continue to hold shares at the voting date; and be the first named on the account in our records.
3. To qualify as a voting borrowing Member you must be an individual of at least 18 years of age on the voting date; have held a mortgage in the Society to the value of at least £100 at 31 December 2018 and hold a mortgage at the voting date; and be the first named on the account in our records.
4. You can only vote once as a Member, irrespective of the number of accounts you hold, whether you hold accounts in the different capacities and whether you qualify to vote as both a shareholding and borrowing Member.
5. Item 3 in the Notice of Meeting relates to a Resolution for Members to vote on the Directors' Remuneration Report for 2018. As a Building Society we are not obliged to ask Members to vote on this but in accordance with best practice we are asking for an advisory vote and the Board will consider the result and decide what action, if any, will be appropriate.
6. Items 4 to 7 in the Notice of the Meeting relate to Resolutions for election and re-election of Directors.
7. Members attending the meeting must bring evidence of their membership (a current passbook or mortgage statement) in order to obtain admission.
8. If you appoint a proxy, other than the Chairman, to vote on your behalf at the meeting, they must attend the meeting and bring a form of identification, for your vote to count.

Director Profiles

These are the profiles of the Directors to be elected and re-elected to the Board.



To be elected

Thomas Leach

Tom joined the team in February 2018 as an Executive Director and took on the responsibilities of Finance Director from Kevin Gray on 26th April 2018 with responsibility for the Society's accounting, liquidity management and treasury functions, together with IT. Tom chairs the Society's Credit Committee and sits on its Assets and Liabilities, Conduct and Operations and IT and Operational Resilience Committees.

Tom started his career at Deloitte in 2002 and worked with a diverse range of businesses and industry sectors based in the South West and Wales. He qualified as a chartered accountant in 2005 before specialising in Financial Services in 2006. In 2010 Tom joined Principality Building Society, initially as a management accountant, before moving on to head the finance change function, leading a number of significant regulatory and systems change programmes. Latterly Tom held the role of Group Financial Controller, with responsibility for all aspects of financial and regulatory reporting.

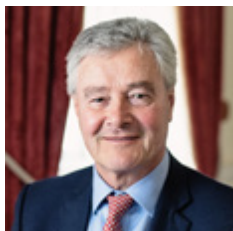


To be re-elected

Angela Cha

Angela was appointed to the Board as a Non-Executive Director in June 2014. She is Chair of the Remuneration Committee and is a member of the Audit Committee and Nominations Committee.

As a former partner of international law firm Pinsent Masons, Angela has over 25 years' experience providing commercial legal and risk management advice to major clients, particularly those in the Financial Services sector. She now works with clients in the sector on a consulting basis. Angela has also served on voluntary boards/committees including the NSPCC and City Women's Network.



To be re-elected

Christopher Smyth

Christopher joined the Board as a Non-Executive Director in January 2013. He is the Vice Chairman of the Board and Chairman of the Risk Committee.

Christopher is a Solicitor who has spent most of his professional life working in-house in Financial Services. After eight years in private practice he joined Cheltenham & Gloucester Building Society (C&G) in 1988 where, latterly, he was the Company Secretary and Head of Legal Services until he left in 2010. During that time he had responsibility for advising the C&G on a wide range of legal and commercial issues.

He now runs his own business consultancy practice advising trade associations, regulatory bodies and professional firms on a wide range of business issues. He lives in Gloucestershire, is married with two adult children and is a keen photographer and an active choral singer.



To be re-elected

Denzil Stirk

Denzil was appointed to the Board as a Non-Executive Director in June 2014. He sits on the Society's Risk Committee.

He is a Chartered Accountant with 30 years' experience in financial, treasury and risk management gained as a management consultant, principally working with retail and investment banks.





I'm Anna, a professional portrait photographer currently based in Bath and I took the photos in the Society's Members' Review this year. I have had the great pleasure of living in Asia and building a successful portrait business in Hong Kong and winning several awards in Hong Kong and the UK over the years. I have recently moved to Bath and am excited about getting involved and working with the people of Bath. So, if you like the photos then get in touch on [07445 575000](tel:07445575000) or anna@annabowkisphotography.com or you can go to my website www.annabowkisphotography.com

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

Bath Investment & Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority, Registration Number 206026.



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