



Members' Review 2019



Bath Building Society

We're different because you are



“A few years ago, when we were looking to open a new account, we were drawn to Bath Building Society by their attractive rates and ethical stance. Since then we have enjoyed wonderful support from them. It is great to go into the Branch and meet staff who greet you warmly and are genuinely interested in our business. We are a community owned pub and music venue, and supporting and interacting with our community is important to us; Bath Building Society is part of our community.”

Arron Whan, The Bell

Chairman's report

For the year ended 31 December 2019

The Society has yet again delivered a very satisfactory set of financial results. Its mortgage book, funding balances and reserves of capital have all grown over 2019 and it has managed to maintain strong margins despite a fiercely competitive mortgage market.

Business highlights:

Society reserves up by 6% to

£38.4m (2018: £36.2m);

Gross mortgage lending of £43.3m (2018: £42.2m) which increases the Society's mortgage book by 0.8% to a record level of

£247.7m (2018: £245.7m);

Liquid assets ratio of 27.4% of shares and borrowings (2018: 25.7%);

Society profit on ordinary activities before taxation reported at

£2.7m (2018: £3.2m);

Total assets of the Society increased by 2.4% to

£331.9m (2018: £324.1m);

Cases with arrears more than 2 months

15 (2018: 11);

Customer satisfaction: 97% of customers surveyed would recommend the Society to family and friends (2018: 97%).

Remaining economic uncertainties and risks arising from Brexit

The Society's solid financial performance in 2019 has to be set against the context of the political impasse over Brexit that existed in the United Kingdom throughout much of the year. The Parliamentary stalemate that ensued increased economic uncertainty and this resulted in both a lack of confidence amongst businesses to invest and also a lack of confidence by individuals to engage in moving home. Property prices and transaction levels remaining subdued for much of 2019 as a result. Whatever our individual views on Brexit, the General Election undoubtedly delivered a government with a strong majority and a clear mandate to get on with exiting the European Union. The greater clarity about our political future appears to have improved business confidence, at least temporarily. Investment and economic growth are slowly improving and the housing market is also showing some signs of recovery. The impact of the Coronavirus is likely however to put a dampener on economic performance in 2020.

Negotiations about our future trading relationship with our European neighbours will continue over 2020. There remains a significant risk that no agreement will be achieved before the transition period ends on 31 December 2020 and the economic consequences of this outcome are uncertain. The Society will not be directly impacted from any failure of the government to arrive at a comprehensive trade deal with the EU as all of its business is undertaken in the UK. However, the Society would not be immune from the outcomes of a downturn

caused by a 'no deal' scenario. As part of its standard procedures, the Society prudently conducts a series of stress tests to ascertain the likely impacts on its assets from falling property values, higher unemployment etc. By maintaining strong profitability over many years, your Society has, relative to its size, built one of the strongest reserves of capital of any society or bank with its holdings being significantly in excess of its regulatory Total Capital Requirement. The Society's capital strength acts as a significant buffer against the most extreme of possible economic shocks and it is particularly well placed to weather any economic storm caused by a disruptive Brexit scenario or otherwise.

Competitive and regulatory pressures

The Society is facing an ever-growing number of competitors in the mortgage market and the Bank of England has indicated that it intends to authorise further new banks in the future. In recent years the large high street banks have also refocused their businesses away from investment banking back towards traditional retail banking as a result of the 'ring fencing' rules that were introduced after the last financial crash to protect retail banking operations in the event of another crisis. The presence of many more financial institutions competing over a relatively flat market for mortgages has pushed yields on mortgages to near unsustainably low levels. The Society has avoided the temptation to chase volume business which it might otherwise have done through slashing interest rates on its mortgage products. It is particularly pleasing that over 2019 the Society has managed to both grow its mortgage book and maintain its margin.



“As a commercial property company, it is essential that our rent deposits are looked after professionally and annual interest is distributed to the respective tenants. We have been with Bath Building Society for well over ten years. They offered a product we could not find elsewhere, and their deposit rates are competitive which means our tenants get best value from their deposits. We have always found the service to be professional, efficient and friendly and it is even better that the Society is local.”

Lindsay Holdoway, HPH Commercial Property

Inevitably over time there is a risk that the mortgage price war will push the Society's margins lower and potentially increase the level of redemptions from its mortgage book. The Society will redouble its efforts to counter this growing competitive threat.

The special liquidity schemes that were offered by the Bank of England over the last ten years are now being wound down and those financial institutions that took funding are now having to repay. Although the Society has no liabilities to these schemes, competitor businesses are sourcing replacement funds by acquiring them from the same retail funding market that the Society uses. The Society was budgeting for its funding costs to increase over 2019 but in reality it did not experience any upwards pressure on savings rates. There remains a risk that funding costs may rise in 2020 due to further competition for retail funds. The Society has never resorted to the dubious practice of offering high introductory 'teaser' rates followed by sharp reductions in rates to low levels after funding targets have been achieved. Instead, the Society's savings strategy will remain one of offering its Members rates of interest that can be deemed as being competitive and fair over the medium term. The Society will continue to source the vast majority of its funding requirements from its traditional heartland of the Bath locality and the wider South West region.

The emergence of financial technology (Fintech) companies into the Financial Services sector has created competitor organisations that have access to new and innovative products and services that are driven by technology. It is unlikely that the Society will ever be able to compete with

these organisations on technological terms and so it will not try to do so. Instead, the Society will stick with its strategy of being a traditional savings and mortgage institution. Where it can, it will employ technology to keep the Society credible as a 21st Century financial institution but it will not try to drive real competitive advantage through use of technology alone. I am delighted to report that over 2019 the Society's targeted investments in technology started to bear fruit. To mention but a few successes, a record number of saving Members signed up to use the Bath Online service and the majority of our mortgage intermediaries have now chosen to communicate with us via Broker Online, the Society's web-based portal.

Change in the regulatory world is a virtual constant and the Society is having continuously to adapt to meet the needs of both its prudential and conduct regulators. Sometimes the changes driven by regulatory requirements have unforeseen consequences which result in negative impacts on the services that we offer to our Members. In 2019, for example, well intentioned changes to the protection given to customers who experience payment fraud resulted in the Society, along with others in the sector, having to end all electronic payments over £250 to third party accounts. It was immensely frustrating for the Society to have to implement this restriction on electronic payments but our hand had been forced. I apologise to all Members who were negatively impacted by this change but proposed regulatory changes to the definition of 'payment accounts' may yet result in the Society having to impose further restrictions on electronic payments other than those to bank accounts designated in customers' own names.

Risk and governance

The Society is currently investing in a new system that will improve the production of management information by automatically integrating data from a multitude of sources. This will allow for the production of more accurate and timely management information thereby giving senior managers and directors a better means of assessing risk and thereby bolstering their abilities to take informed decisions.

In 2019 the Society contracted external consultants to bolster the Society's internal governance resources and facilitate a transfer of skills. Key technical documents covering liquidity and capital management were reviewed and all recommendations were implemented.

Mutual status and business purpose

Your Board is fiercely committed to the Society remaining a mutual organisation, owned by its Members for the benefit of its Members. We strive to keep our Members' best interests at the heart of everything we do. Considering the old adage that the proof of a pudding is in its eating, it is heartening that as at 31 December 2019 our Members had entrusted the Society with looking after a record level of their savings and had chosen the Society to finance a record level of their mortgage balances.

Part of the Society's business purpose is to change peoples' lives by facilitating home ownership. I am proud to say that in 2019 over 35% of the Society's gross lending was to first time buyers. Your Society continues to develop innovative ways of improving access to home ownership through new intergenerational mechanisms.

A combination of high property prices and a regulatory requirement to test the ability of borrowers to afford their mortgage payments when interest rates rise, has made affording a mortgage one of the biggest hurdles for prospective homeowners to overcome. In 2019 the Society launched its 'joint borrower/sole proprietor' feature which allows a parent to raise a mortgage jointly with a daughter or son but where legal ownership of the mortgaged property remains solely with the daughter or son. The Society has also developed a Family Assisted Mortgage which is due to launch in 2020. This will allow family members who are willing to help another family member get a mortgage to both offer cash as collateral for loans and be able to reduce ongoing mortgage payments by offsetting their own savings balances.

The Society's Board

In 2019 the Board commissioned its internal auditors, RSM Risk Assurance Services LLP (RSM), to conduct an in-depth review of the effectiveness of the Board and its committees. I am pleased to report that the findings of that review were very positive. RSM stated that, in their opinion, the Board and its committees are operating very effectively and suggested the implementation of only small improvements to further aid overall performance. These changes have been introduced.

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

Robert Derry-Evans

Chairman
5 March 2020



“Before finding Bath Building Society it felt like I was laughed out of all the big banks. The mortgage team at the Society were understanding and supportive, even with my many questions and unusual circumstances from the very first enquiry phone call and they have continued to be amazing ever since. A huge thank you to Kevin, Ian and all at Bath Building Society for making what might have seemed an impossible process, possible!”

Emma Baker, Mortgage Customer

Chief Executive's Report

For the year ended 31 December 2019

Mortgages

The UK property market was weak throughout most of 2019 with average house prices growing at a slower pace than recent years. Competition for mortgage business was intense, forcing mortgage pricing lower and increased activity in the re-mortgage market. Fixed rate mortgages continued to be favoured by the majority of borrowers with demand continuing to grow for initial 5-year fixed rate terms. Borrowers continued the medium-term trend of seeking out the advice of mortgage intermediaries whilst mortgage brokers themselves continued their shift to using mortgage clubs for advice on lender products. The recent changes to the tax treatment of rental income continued to encourage buy-to-let landlords to incorporate their letting businesses using limited company structures.

In 2019 the Society increased the level of its gross lending to £43.3m (2018: £42.2m). Although any level of growth is welcome, the increase in gross lending was somewhat disappointing given the success the Society has had in growing the level of mortgage applications. For much of 2019 the Society operated with a record pipeline of mortgage applications and offers but this pipeline

failed to translate into actual advances due to a combination of increased competition, property chains falling through and potential borrowers putting off their plans due to the increased economic uncertainty. The level of fixed rate advances reached a record level for the Society being 67% of total gross advances.

Due to competitive pressures in 2019 the Society set slightly lower yield targets to reflect this challenging market, however the yield achieved on new lending was in excess of target. This was driven by a favourable mix of new business. The Society exceeded its targets in several residential lending niches where high yields can be achieved. Particular success was achieved in growing its Buy for University, Rent A Room and Self-Build products. Despite robust demand, the Society had to restrict the level of residential investment business it was prepared to do with limited companies due to market-wide regulatory constraints on this type of lending. The Society is hopeful of re-entering this marketplace in 2020.

Over 2019 the Society experienced an increase in the level of mortgage redemptions and capital repayments over which the Society has limited control. Net growth in the mortgage book was £2.0m (2018: £3.2m).

One of the key pillars of the Society's mortgage strategy is to increase the distribution of its mortgage products via intermediaries. This requires the Society to build up the number of, and depth of, relationships with brokers and mortgage clubs. In 2019 the Society was successful in getting onto the lending panels of two major mortgage clubs and it significantly increased the level of applications that it received from all the clubs that it does business with. The Society also increased its attendance at major broker seminars that are held throughout the country in order to spread the good news of what the Society can offer the customers of intermediaries. Historically, the Society has only lent in England and Wales. It had never undertaken lending in Scotland due to the different legal and conveyancing systems. With the two great university cities of Glasgow and Edinburgh offering opportunities for the Society's Buy For University product and more general opportunities existing for Self-Build and Holiday Home mortgages, the Society has undertaken substantial legal work over 2019 to prepare the way for a geographic expansion of its business into Scotland in 2020. The Society is determined to offer an attractive and improving service to its mortgage intermediaries. To this end, it commissioned a survey of its broker contacts in the last quarter of 2019 and will use the results to improve the Society's future service offering.

In 2019 the Society moved all of its mortgages onto a daily interest mechanism which will benefit customers who make

future capital repayments. The Society also invested in software that will assist with the administration of mortgages to borrowing Members who do not use mortgage intermediaries. The use of this software will improve the Society's ability to conduct remote interviews and will provide much enhanced paperwork to customers during the sales process.

The Society continues to develop its range of mortgages that have intergenerational support mechanisms. A 'joint borrower/sole proprietor' feature has been introduced which allows parents to raise a mortgage with their child in order to improve loan affordability, but where all equity in a property remains with the child. In 2020 the Society is planning to launch its Family Assisted Mortgage with the introduction of new features such as acceptance of cash as collateral for loans and the offsetting of savings account balances to reduce loan repayments.

The Society continues to take a firm but sympathetic approach to the management of arrears. The number of cases being two or more months in arrears increased slightly to 15 by year-end (2018: 11); however the number of cases requiring individual impairment charges remained constant at two (2018: two). As at the end of 2019 the Society again had no properties in possession (2018: nil).

Savings and funding

The fundamentals of the Society's business remain the same as in recent years.



“My wife became a savings Member of Bath Building Society from a very early age with her local Branch, and we opened a joint account and started saving for our first mortgage over 25 years ago. We now have a B&B in Bath and always like to support local, independent businesses which the Society is. It is always a pleasure to go into our local Moorland Road Branch with the friendly and helpful staff. My children have each had an account since they were babies and my oldest daughter is 17 and can now access her own money. She loves the fact that she can walk to her local Branch, she doesn’t have to remember any passwords or be hassled to buy other products by the friendly team.”

Chris & Sophia Fry, Branch Customers



“As a local independent mortgage brokerage it is great to be able to use a local Building Society. Irrelevant of location we find Bath Building Society to be extremely flexible in their approach to lending and they have a forward thinking and innovative approach with criteria and lending options, unlike most of the larger high street banks.”

Marcus Robinson, Mortgage Style

The rate of return that the Society earns on its liquid assets is 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 has to carefully manage the level of new savings that it recruits from its Members and other funding sources. If the Society cannot immediately apply new savings to fund mortgages, then it has to restrict the level of new savings that it receives. Over 2019 the Society grew its base of funding by 1.7% (2018: 3.3%).

In 2019 the Society rationalised its range of savings accounts. The old range of accounts had a significant number of products with a defined life, typically 12 months. This feature required annual intervention by the Society in order to offer Members roll over products and this process came at a significant administrative cost. The Society's aim was to simplify the range and thereby reduce ongoing administration whilst keeping overall interest costs the same. Although some Members will have been offered new products with lower interest rates, over 75% of savers have actually benefitted from the changes with a rise in their interest rates. Over 2019 the Society paid out £121,000 more in interest to its savers than it did in 2018. The new range of products will be augmented over time with priority given to local savers and to rewarding customer loyalty. The Society also reduced many of the fees charged to its saver Members for events such as stopped cheques, lost passbooks and telegraphic transfers.

The Society's social purpose includes the promotion of saving as a means of building financial security, particularly amongst young adults. It will be launching a regular saver product in 2020 aimed at 16-25 year olds who are living, working or studying in the BA post codes. Furthermore, the Society is investigating the possibility of launching a Lifetime ISA aimed at encouraging young people to save towards a mortgage deposit.

Information Technology (IT) and finance

After a detailed reassessment of the challenges that were facing the Society, a restructure of staff roles within our finance and technology teams was conducted early in 2019 with the aim of ensuring that the Society had the correct mix and balance of skills. Although the restructure did result in two redundancies, the overall headcount and investment in staff resources in these departments actually increased in 2019. Both teams successfully adapted to their new departmental structures to achieve some notable successes.

The Society completed numerous IT projects over the year including the installation of a new telephone system, the upgrading of the Society's internet connections and the selection of new management information software. The Society again successfully tested its business continuity arrangements at its emergency site located in Bristol and achieved 'Cyber Essentials' status, a government security standard aimed at keeping businesses safe from cyber-attack.

The finance team increased the level of cross skilling in the treasury and regulatory reporting functions and adapted the treasury system to allow new interest rate swap contracts to be purchased against the Sterling Over Night Indexed Average (SONIA) rate, rather than the old and somewhat discredited, London Inter-bank Offered Rate (LIBOR). The finance team also successfully implemented 'hedge accounting' which is a recognised accounting methodology that will help protect the Society's Income Statement from future fluctuations in the underlying values of its swap contracts.

Cost base and profitability

Over 2019 the reduction in the Society's margin was lower than budgetary expectations due to the success in achieving a higher yield on new mortgage lending and good control over the average cost of acquiring new funding. Although the mortgage book grew by 0.8%, this was lower than expected and as a result, the overall growth in net interest receivable was lower than the growth in the Society's cost base. As a result, profit before taxation reduced to £2.7m (2018: £3.2m) but this was still substantially ahead of budget. This profit performance will be very creditable when compared with those of the Society's peer group and the Society remains one of the most profitable societies based on asset size.

The Society is investing heavily in the business, particularly in its marketing capabilities and its IT infrastructure and support functions. It is also experiencing

rising growth in its wage and salary bill due to both an increase in staff headcount and general wage pressure within the wider economy, especially for skilled staff. The medium-term challenge for the Society is to grow its overall revenues at a pace that exceeds the likely growth in the Society's cost base. One area where the Society will not try and make savings is in the minimum hourly rate that it pays its members of staff. The Society believes that ethical businesses should all be prepared to pay the 'Real' Living Wage which is set by the Living Wage Foundation, and which currently stands at £9 per hour. Your Society can demonstrate its commitment to being a fair employer by committing to paying an hourly rate in excess of this recognised minimum standard.

Property assets

In 2019 the Society conducted a review of its freehold property assets and concluded that it was in the Society's best interests to dispose of the two residential flats located above the Society's Branch on Moorland Road in Bath. As at 31 December 2019 the flats had been sold subject to contract.

Community involvement

In 2019 the Society launched an initiative to deliver financial education to sixth form pupils with the aim of better preparing young adults for their forthcoming moves into work and college by teaching them the basics of such things as taxation, budgeting, saving and



“Getting onto the property ladder is something often seen as impossible for people in their early 20s; but this scheme has enabled me to invest in a property without the terrifying financial burden associated with it due to renting spare rooms to my friends. It was a unique opportunity to learn the processes of buying a house whilst still having the “hand-holding” that this scheme enables to introduce me to the process. I chose a house that was a realistic project and would be manageable for someone inexperienced at maintaining a property. The prospect of graduating university as a homeowner is really exciting and feels like a huge achievement – I would definitely recommend this scheme!”

Charlotte Williams, Buy For Uni Mortgage Customer



“Working with Bath Building Society is effortless. They are always welcoming when we call and help us find a way to lend, which is always a difficulty with the high street banks who are confined by a very rigid rule book. It’s companies like Bath Building Society who offer a safe guarded common-sense lending approach, which really helps us in a market with complex incomes and property types.”

Will & Ryan, Integra Financial

renting accommodation. This initiative was delivered in conjunction with WizeUp, a not for profit organisation that specialises in this work. To date, our sponsorship has benefitted over 500 pupils studying in four Bath state schools. The initial training sessions were very well received by both teachers and pupils. This success has encouraged the Society to expand the scheme in 2020 with the aim of reaching up to 1,400 pupils in seven schools. It is the intention that any extra resources that crystallise from participation in the government's Reclaim Fund initiative, which allows unclaimed savings balances to be used for local charitable work, will be used to fund more financial education for our young people.

The Society continues to support local charities. In 2019 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 Bath Hospital Radio, Moorland Road Community Library and Keynsham & District Mencap. In the first half of 2019 the Society's charity of the year was Bath City Farm.

From the middle of the year VOICES became our charity of the year for 2019-20. For the 44th year, the Society sponsored the children's Firework Safety Poster Competition and associated fireworks display organised by The Rotary Club of Bath. The increase in firework safety awareness generated by the poster competition helps to reduce the incidents of firework accidents in Bath.

The Society's staff also held a Charity Race Night in November 2019 which raised over £5,000, with the monies going to the benefit of VOICES, Focus Counselling and Wiltshire Mind.

As my second 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 busy year. I could not wish for a better team. Bath Building Society is a business that is proud of its past achievements but which believes that its best days have yet to come. The Society looks forward to the future with the confidence to tackle the challenges that lie ahead. We are, and will remain, a mutual organisation that is dedicated to meeting the needs of its Members.

Kevin Gray

Chief Executive
5 March 2020

Our Charity of the Year



Our charity of the year is a Bath-based organisation focusing on wellbeing and recovery for people affected by domestic abuse. VOICES began work in 2014 and was founded by a group of women with lived experience of domestic abuse, with the following mission: **“Placing the VOICES of lived experience at the heart of what we do; creating change and transforming lives affected by domestic abuse”.**

VOICES currently provides a women-only safe space in Bath, providing individual and group support for over 100 women and their families, advice and signposting for male and LGBTIQI victims and survivors.

VOICES runs three group programmes, including the Freedom Programme, a 12-week education programme exploring the different elements of abusive behaviour and the impact this has on partners, children, family and friends. This nationally recognised programme is a vital step towards identifying and naming abuse and taking steps to achieve safety and recovery.

The Recovery Toolkit is a group programme looking at recovering and thriving after abuse, helping to identify the longer-term impacts of abuse on mental and physical wellbeing, and providing tools and tips for rebuilding family life, maintaining

employment, overcoming social isolation and addressing long-term trauma.

MATES (Meeting And Talking Empowering Survivors) is a weekly social group, meeting to build self-confidence, connect with others and try new things, from ceramics to creative writing, yoga to walking challenges.

VOICES has a dedicated domestic abuse recovery practitioner, who can develop an individual recovery plan with clients, which may include specialist counselling, access to a monthly specialist legal clinic and debt recovery work.

True to its name, VOICES is also dedicated to ensuring the voices of those with lived experience of domestic abuse are heard by those who can make a difference, whether policy makers, practitioners, or members of the public. The charity works to turn around the stigma and lack of understanding surrounding domestic abuse and to show that, because this is an issue that can affect anyone in society, there is no “Us and Them”.

The charity does this through partnerships with local and national charities, with universities including local universities in Bath and Bristol, and through consultation with local and national government, journalists and researchers. VOICES also provides training on the lived experience of domestic abuse, and have delivered training to police and probation officers, mental health practitioners, school and university groups, as well as community organisations.



“For over three decades I have had the pleasure of trusting Bath Building Society to manage the financial affairs of my family and, in this age of faceless technology, it is reassuring to know that the Society’s friendly and cheerful staff are always on hand to help.

Over the years the Society has provided me with mortgages and savings accounts. Three generations of my family have benefited from this service and continue to do so today. The key to this financial partnership has been the Society’s investment in people which, in turn, has made its customers feel part of the greater Bath Building Society family. I would like to think that in the coming decades this partnership will also be there for my descendants, just as it has been there for me.”

Mr Hall, Branch Customer

Report of the Directors on Remuneration

For the year ended 31 December 2019

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. The Society operates no final salary pension arrangements.

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 health insurance. The aggregate amount of these benefits is included in Table 1 on page 22.

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 on page 22.

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

Angela Cha, Fionnuala Earley and Robert Derry-Evans constitute 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 3% rise in fees for 2020. In addition, in recognition of the relatively larger responsibilities of the Chairs of the Audit and Risk Committees, an additional award of £3,000 was made to those Non-Executive Directors.

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

2019	Basic salary	Salary in lieu of pension contributions	Annual bonus	Benefits	Pension contributions	TOTAL 2019
	£	£	£	£	£	£
Kevin Gray	156,458	-	11,813	14,142	18,775	201,188
Tonia Lovell	89,583	-	6,750	6,776	10,750	113,859
Tom Leach	121,875	-	10,413	6,522	14,625	153,435
TOTAL 2019	367,916	-	28,976	27,440	44,150	468,482

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

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

	2019	2018
Robert Derry-Evans (Society Chairman)	35,999	34,337
Chris Smyth (Society Vice-Chairman)	25,713	24,526
Angela Cha	25,713	24,526
Fionnuala Earley	25,713	24,526
Denzil Stirk	25,713	24,526
David Smith	25,713	24,526
TOTAL	164,564	156,967

On behalf of the Remuneration Committee

Robert Derry-Evans

Chairman

5 March 2020

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 Friday 3 April 2020.

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 17.

Summary income statement

Results for the year ended 31 December 2019

	2019 £000	2018 £000
Net interest receivable	7,774	7,537
Other income and charges	(312)	10
Administrative expenses	(4,792)	(4,303)
Operating profit before provisions	2,670	3,244
Impairment release/(loss) on loans and advances to customers	149	(88)
Provision for other liabilities and charges	(78)	(15)
Profit/(loss) on sale of subsidiary	-	71
Operating profit and profit on ordinary activities before tax	2,741	3,212
Tax on profit on ordinary activities	(526)	(586)
Profit for the year	2,215	2,626

Summary balance sheet

Results for the year ended 31 December 2019

	2019 £000	2018 £000
Assets		
Liquid assets	79,868	73,787
Mortgages	247,729	245,708
Fixed and other assets	4,320	4,559
Total assets	331,917	324,054
Liabilities		
Shares	224,710	227,846
Borrowings	67,040	58,931
Other liabilities	1,725	1,050
General reserve	37,534	35,319
Revaluation reserve	908	908
Total liabilities	331,917	324,054

Key financial ratios

	2019 %	2018 %
Gross capital as a percentage of shares and borrowings	13.2	12.6
Liquid assets as a percentage of shares and borrowings	27.4	25.7
Profit for the year as a percentage of mean total assets	0.68	0.83
Management expenses as a percentage of mean total assets	1.46	1.35

Approved by the Board of Directors on 5 March 2020 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 2019 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 23 to 24, 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 2019 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 Report, 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 2019 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
5 March 2020

Notice of Annual General Meeting

The 116th Annual General Meeting (AGM) of the Members of Bath Investment & Building Society will be held on Thursday 30 April 2020, 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 2019.
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 re-elect Angela Cha
5. To re-elect Robert Derry-Evans
6. To re-elect Fionnuala Earley
7. To re-elect Kevin Gray
8. To re-elect Tom Leach
9. To re-elect Tonia Lovell
10. To re-elect David Smith
11. To re-elect Chris Smyth
12. To re-elect Denzil Stirk
13. To transact any other business permitted by the Rules of the Society.

By Order of the Board

Tonia Lovell

Society Secretary

5 March 2020

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; Thursday 30 April 2020, if voting in person, and Thursday 23 April 2020 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 2019 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 2019 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 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 2019. 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 12 in the Notice of the Meeting relate to Resolutions for re-election of Directors. In line with the UK Corporate Governance Code 2018, all Directors will stand for re-election on an annual basis.
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 re-elected to the Board.



Angela Cha

Angela joined the Board as a Non-Executive Director in 2014. She is Chair of the Remuneration Committee and also sits on the Audit and Nominations Committees.

As a Solicitor with 30 years' experience, Angela has worked with clients to provide commercial, legal and risk management advice, particularly clients in the financial services sector. She is a former partner of Pinsent Masons where she spent the majority of her legal profession. In addition to her legal career she has served on the Fundraising Committee of the NSPCC and was Co-Chair of the Membership Committee of the City Women's Network.



Chris Smyth

Chris joined the Board in 2013 and is Vice-Chairman and Senior Independent Director. He also chairs the Risk Committee. Chris is a Solicitor who has spent most of his professional life working in financial services. After eight years in private practice he joined Cheltenham & Gloucester plc where latterly he was Company Secretary and General Counsel. After leaving C&G in 2010 he ran his own business consultancy practice advising a variety of clients. He is married with two adult children.



David Smith

A Chartered Accountant, David was appointed to the Board as a Non-Executive Director in January 2016 and re-appointed in 2019. He is Chair of the Audit Committee and also sits on the Nomination Committee. David was a financial services partner with KPMG in London from 1995 to 2006 having joined the firm in 1983. He was Head of Group Audit at Man Group plc, an alternative asset Manager for six years; and then completed a six-year term as independent member of The Health Foundation, a major charity. He is Chair of Governors of a primary school in East London.



Denzil Stirk

Denzil was appointed to the Board as a Non-Executive Director in June 2014. He is also a member of the Risk Committee and is qualified as a Chartered Accountant and Corporate Treasurer.



Fionnuala Earley

Fionnuala was appointed to the Board as a Non-Executive Director in January 2018 and is currently a member of the Audit Committee and the Remuneration Committee. Fionnuala is an economist and has spent most of her career as a specialist in housing market economics. She has experience of the industry from many perspectives having worked in both the mutual and non-mutual mortgage lending sector, and for the UK financial services regulator.

Director Profiles (Cont'd)



Kevin Gray

Kevin joined the Society in 1998 in the position of Society Secretary. He was promoted to the Board of Directors in 2002 and was appointed as Deputy Chief Executive in 2006. From 2004 to 2018, Kevin held the position of Group Finance Director and was also head of the Society's Savings Department until 2012. Kevin has been the Society's Chief Executive since April 2018. Although originally from Scotland, Kevin has lived in Wiltshire for over 30 years. He has two daughters and five dogs. His hobbies include skiing, walking, vegetable gardening, playing the guitar and watching Bath Rugby.



Robert Derry-Evans

Robert joined the Board in June 2014 and became Chairman in January 2015. He is Chairman of the Nominations Committee and also sits on the Risk and Remuneration Committees.

Robert is a Solicitor and was a partner for 23 years at the City of London firm CMS Cameron McKenna specialising in Corporate Finance and Project Finance.

He is now a director and shareholder of Omnia Legal, a solicitor's practice in Bath and is a trustee of the Bath Philharmonic.

Robert lives in Bath and is married with three adult daughters.



Tom Leach

Tom joined the Board in April 2018 with responsibility for the Society's finance, prudential risk and IT functions. 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 qualified as a chartered accountant in 2005. He subsequently joined Principality Building Society, initially as a management accountant, before moving on to the role of Group Financial Controller. Tom is married with three children, and outside of work enjoys running, watching rugby and long dog walks with his family.



Tonia Lovell

Tonia is a Chartered Secretary and Governance Professional and member of the Senior Leadership Team. She has been with the Society since May 2008 and has responsibility for risk management, the outsourced Internal Audit function, compliance and facilities. Tonia also manages the governance arrangements for the Society and is Chair of the IT & Operational Resilience Management Committee.

Tonia has lived in the Bath area all her life, she is married, has two grown up daughters and two grandchildren that keep her very busy!

We're different
because you are

Head Office:

15 Queen Square,
Bath BA1 2HN.

Savings enquiries:

Telephone:

01225 423271

Fax:

01225 446914

Email:

savings@bibs.co.uk

Mortgage enquiries:

Telephone:

01225 475719

Fax:

01225 424590

Email:

mortgages@bibs.co.uk

Web:

www.bathbuildingsociety.co.uk

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.



We're different because you are