



# Members' Review 2020



**Bath Building Society**

We're different because you are

# Chairman's Report

For the year ended  
31 December 2020

Despite having to cope with significant operational challenges arising from the Covid-19 pandemic, the Society has delivered a remarkable set of financial results. Business highlights:



**Society reserves** up by 4.7% to

**£40.3m**

(2019: £38.5m);



**Record mortgage lending of**

**£60.6m**

(2019: £43.3m)

which increased the Society's mortgage book by 7.9% to a level of **£267.4m** (2019: £247.7m);

**Shares and borrowings** net inflow of

**£18.6m**

(2019: £4.9m)

which increased the Society's savings book by 6.4% to a record level of **£310.3m** (2019: £291.8m);

**Total assets** of the Society increased by

**6.5%**

to **£353.4m** (2019: £331.9m);

**Liquid assets ratio of**

**26.4%**

of shares and borrowings (2019: 27.4%);

**Society profit** on ordinary activities before taxation reported at

**£2.3m** (2019: £2.7m);

**Cases with arrears** more than 2 months reduced to

**11** (2019: 15).

## The UK property market

The strict conditions of the first national lockdown pushed the UK economy into recession, however, the UK property market remained robust throughout the year. Housing transaction numbers and property values were greatly boosted by the UK Government's temporary cut to Stamp Duty rates. Many of the larger lenders were absent from the market in 2020. This gave the Society a significant commercial opportunity and through successful sales and marketing initiatives, applications for the Society's mortgages rose to record levels over the summer and autumn months. In order to protect its standards of service, the Society prudently restricted its mortgage product range in the fourth quarter of the year to slow the growth of new business.

## The Society's response to the Covid-19 pandemic

The Society's regulator, the Prudential Regulation Authority (PRA), requires the Society to have contingency plans in place to cope with business disruption scenarios and it also requires it to regularly test these plans. As part of the Society's continuity planning, the Society did foresee the possibility that Covid-19 might spread to the UK and cause severe business interruption.

Early in the first quarter of 2020, the Society considered how it might react if the virus reached pandemic proportions. As a precautionary move it expanded its inventory of laptops and other mobile devices to facilitate a greater degree of home working if this were ever required. This was a fortuitous move as the March lockdown resulted in over three quarters of the Society's staff having to move quickly to home working. With the assistance of new equipment and technology, the Society proved to be very resilient to the rapid change in its working patterns and it quickly settled into a new locked down 'business as usual' over the second quarter of the year.

The services offered by building societies were deemed to be key/critical services by the government. As such, the Society remained open for business throughout 2020 albeit its operations had to be performed primarily by staff working from their kitchen tables, spare bedrooms etc. The Society did not have any need to make anyone redundant, it did not make any cuts to staff salaries and neither did it revert to using the government's furlough scheme to cover any staff costs. The Society's Branch network had to move to restricted opening hours when the first lockdown was initiated but Branch offices returned to normal



**Holly Lakeman**  
Customer Service Officer

“I work as a Customer Service Officer in the Savings team and have done for seven years. My team is the first point of call for customers choosing to contact us by direct channels including telephone, Bath Online, email, web chat and post. You may also see me in Branch on Saturdays. I enjoy working for a small local company as I have lived in Bath all my life.”

working hours once improved personal protective equipment was in place and national restrictions were eased. The majority of our Agency offices initially did have to close their doors to Society customers but most reopened soon afterwards on a prior appointments basis. Our helpline for processing savings enquiries and payments was continuously operated by staff working from home and they supported a significant increase in customer requests for the Bath Online service. Despite a significant increase in commercial and operational challenges, mortgage services were maintained throughout the year through a combination of staff working at the Society's Head Office in Bath and from their own homes.

### **Supporting the Membership in a difficult year**

The Society had budgeted to make less profit in 2020 than it had in 2019, not least because of the increased level of investment in the Society's core systems and processes which will benefit Members in the longer term. Having an exceptionally strong capital base, the Society is in the fortunate position of being able to accept lower profitability than it has delivered in recent years. The Society's profit on ordinary activity before taxation of £2.3m (2019: £2.7m)

remains very respectable compared with its peers in the sector.

Where possible, the Society aims to reward the loyalty of its Members. In 2020, the Society introduced a savings bond that offered a higher interest rate to longstanding Members compared with the rate offered to new Members. Similarly, when mortgage products come to the end of their initial discount periods, the Society offers its lowest interest rates to those loyal borrowers who choose to keep their mortgages with the Society. The Society's policy of rewarding customer loyalty stands in sharp contrast with other parts of the financial services industry where customer inertia is heavily penalised.

When the first national lockdown was introduced in March 2020, the Society quickly moved to support its customers by offering penalty free early access to their savings accounts. The Society also permitted larger cash withdrawals to be made from savings accounts. Despite the introduction of these measures, the Society's savings balances continued to grow during the lockdown periods and throughout the remainder of the year. In some instances, the Society has gone 'above and beyond' to support its Members. A good example is a home cash



delivery initiative that resulted in Society staff delivering cash to the homes of vulnerable Members in order for them to pay their bills.

The economic fallout from Covid-19 has resulted in a big increase in unemployment and millions of workers continue to be supported by furlough arrangements. Over 2020, borrowers throughout the country were concerned that their incomes might not be sufficient to cover their mortgage repayments. In common with all other mortgage lenders, a significant number of the Society's borrowers contacted our mortgage team to enquire about obtaining a payment deferral arrangement. Approximately 370 requests for payment deferrals were granted in 2020 but by year-end the number remaining had reduced to less than 30. By 31 December 2020, only three matured payment deferral cases had resulted in ongoing forbearance measures being necessary which is an excellent outcome.

### **Strength through capital**

In October 2020, the PRA conducted its annual interviews with Executive and Non-Executive Directors. A particular focus of this annual review was capital adequacy i.e. whether the Society is holding enough capital to act as a

buffer against potential losses in the event of a severe economic stress. After a successful visit, the Society was informed by the PRA that the minimum level of capital that it is required to hold was being reduced. The Society now has capital resources that are more than three times its regulatory requirement which puts it in a strong position to weather any worsening of the national economic situation.

### **The Society's Board of Directors**

After almost seven years of service to the Society, Denzil Stirk will step down from the Board at the forthcoming Annual General Meeting that, due to ongoing uncertainties about social distancing regulations, is planned to be held in a virtual format on 26 April 2021. On behalf of his Board colleagues, I would like to thank him for his contribution as a Non-Executive Director and wish him every success for the future. As part of Board succession planning, Joanne Evans joined the Board as a Non-Executive Director on 1 January 2021.

I would like to thank the Members, our Agents, mortgage intermediaries and suppliers for their steadfast support during what was an exceptional year. Finally, I would like to acknowledge the hard work and professionalism

of the Society's staff. They not only managed to keep the Society 'show on the road' during an unprecedented period, but they have also delivered excellent financial results whilst keeping the disruption to our customers to

a minimum. They are a credit to the Society and to themselves.

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**Robert Derry-Evans**

Chairman

5 March 2021





**Teresa Maslin**  
Executive PA

*“My role, as Executive Assistant, is to support the Board and Senior Leadership Team in matters of governance which includes the organisation of the Board and Subcommittee meetings. I act as Secretary for the IT & Operational Resilience Committee and the Business Change Forum. I support the Compliance Team in liaising with our regulators the PRA and FCA and have oversight of the facilities management of the Society. I am based in Reception at our Head Office where I enjoy welcoming our visitors.”*





**Jason Wilmot**  
Head of IT & Business Change

“My role from the IT perspective is diverse. On the one hand it is ensuring the system availability and security at all times and to provide operational resilience to cope with adverse situations. Goodness knows that has been important this year of all years with an almost overnight move to our staff to working remotely! On a different theme, my job is to facilitate the development of software systems to create robust and efficient processes whilst always looking to enhance customer functionality and service levels.

When it comes to Business Change, my role is to bring together the many parts of a transformation, ensuring all stakeholders are accommodated at each stage of the change lifecycle.

All of these aspects of what I do have to fit within a governance framework and be aligned to the strategic goals of the Society.”

# Chief Executive's Report

For the year ended  
31 December 2020

## Mortgages

The introduction of the first national lockdown in March 2020 was quickly followed by a sharp fall in productive employment and a collapse in consumer spending which drove the economy swiftly into recession in the second quarter of the year. Operational constraints forced many of the Society's competitors to temporarily exit the market for new business in order to focus their available resources towards servicing the needs of their current customers, and in particular, requests from their many borrowers to have their mortgage payments deferred. The number of housing transactions was undoubtedly boosted by the introduction of lower rates of Stamp Duty Land Tax in July 2020 and despite the significant economic damage inflicted on the UK economy by the Covid-19 virus, the threat to property values has not yet materialised.

Average property prices grew steadily throughout every quarter of 2020, ending the year approximately 6.5% up on 2019.

The decisive result of the December 2019 General Election brought an end to the political uncertainty that had been plaguing the UK ever since the 2016 referendum on Brexit. This had a negative impact on the national sentiment and held back economic growth as a result. In the first quarter of 2020, individuals did demonstrate more confidence to move ahead with large lifestyle transactions, such as buying homes. As a result, the demand for mortgages grew strongly in the early months of 2020. The Society was able to take advantage of these favourable market conditions to the extent that it entered the initial lockdown in late March with a historically high pipeline of mortgage applications and mortgage offers.

In March 2020, the Bank of England sharply reduced its base rate by 0.65% to a new record low of 0.1%. On 1 May 2020 the Society responded by reducing its Standard Variable Rate (SVR) by 0.54% to 4.9%. The reduction in SVR was the maximum that could be funded by corresponding reductions in rates to savers whilst still keeping the Society's mortgage and savings products competitive.

Processing the reduction in the Society's SVR during the early days of the initial lockdown posed a particular operational challenge due to the need to work with limited numbers of staff at Head Office and with social distancing measures being in place.

In the second quarter of 2020, banks and building societies responded to the increasing threats to property values and borrower affordability by tightening their lending criteria. The Society prudently reviewed the appropriateness of its range of mortgage products given the rapidly deteriorating economic conditions. Mortgage products that were susceptible to reductions in property values or that were at risk from a weakened rental market were temporarily withdrawn from the market. These included the Society's 'Rent a Room' mortgage, its mortgages on buy-to-let properties that rely on high occupancy levels, and low deposit mortgages that rely on mortgage indemnity guarantees. The absence of students in campus towns also resulted in the Society strengthening its affordability requirements for its 'Buy for Uni' product.

Despite introducing a restricted product range, the strength of market demand for mortgages combined with the Society's own sales efforts increased

total mortgage applications received to a record level of £87m (2019: £79m). The majority of applications continued to originate from mortgage intermediaries but a particular highlight of 2020 was the growth in direct applications which constituted approximately 28% of the annual total. Unlike in 2019, the Society did not experience a material number of property transactions falling through due to the breaking of sales chains. This resulted in the level of the Society's gross lending increasing sharply to £60.6m (2019: £43.3m). The Society successfully applied to its regulator to have its capacity to undertake fixed rate lending extended although the level of new business that was advanced on fixed rate terms did reduce in 2020 to 44% of gross lending (2019: 67%).

Over 2020, the Society experienced only a very slight increase in the level of its mortgage redemptions and capital repayments which, when combined with the significantly higher levels of gross lending achieved in the year, resulted in record net growth in the mortgage book of approximately £18.5m (2019: £2.0m).

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



**Katie Lake**  
Customer Service Adviser

*“My role as part of the cashier team is to be the face of the Society and to help customers with their many requests big or small, and we are always there to listen to them whenever they may need us. Safe to say I didn’t have a normal start to my job as I joined the day that lockdown was announced back in March 2020. I still haven’t met everyone from Head Office as they are mainly working from home but I’m sure I will meet them one day. I have now settled in and I really enjoy the jobs I am doing although it’s been a bit crazy with account openings, phone calls and footfall in Branches, it’s been a very good experience for me to get thrown in at the deep end! A year later and I feel like I have fully settled into the workplace and I am operating as a full cashier in the Branches which is nice.”*



Society to build up the number of, and depth of, relationships with brokers and the mortgage clubs that they use for assistance. Social distancing measures and lockdowns prevented the Society's intermediary team from personally visiting business contacts. Furthermore, the major broker seminars that were planned for 2020 were all cancelled. Despite these issues, in 2020 the Society was successful in getting onto the lending panel of a major mortgage club.

The restrictions placed on the business in 2020 by Covid-19 delayed the development of new mortgage products. Despite these delays, the Society remains committed to progressing its project to enhance its Parent Assisted Mortgage. This will introduce new features such as acceptance of cash as collateral for loans and the offsetting of savings account balances to reduce loan repayments. The Society will also seek to develop a new niche product aimed at assisting first-time-buyers to overcome the dual obstacles of high loan deposits and strict loan affordability rules that can often crush dreams of home ownership. The development and launch of a new software tool aimed at improving the Society's sales process was delayed but the system 'go live' date has

been rescheduled to take place early in 2021.

In March 2020, UK banks and building societies agreed to adopt the Financial Conduct Authority's newly issued guidance on granting payment deferrals to borrowers who requested temporary postponement of their mortgage monthly payments. Interest on loans with payment deferrals was still charged but was in most cases rolled up at the end of the deferral periods into borrowers' loan capital balances. The Society did offer payment deferrals to a materially significant proportion of its borrowers. Initial concerns that payment deferrals would eventually lead to a large spike in arrears cases thankfully proved to be unfounded as almost all borrowers returned to making their full repayments at the end of their deferral periods.

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 decreased to 11 by year-end (2019: 15). The number of cases requiring individual impairment charges remained constant at two (2019: 2). As at the end of 2020, the Society again had no properties in possession (2019: nil).

## Savings and Funding

The strong growth in the Society's mortgage book over 2020 required higher than expected levels of shares and deposits to fund that growth. As such, the Society grew its base of funding by 6.4% in 2020 compared with only 1.7% growth in the previous year. The rationalisation of the Society's range of savings accounts that took place in 2019 has proved to be a success. In 2020, the Society reduced the administrative effort required to manage its product offerings whilst it retained the ability to compete in the market-place for new funding.

The Society has a strategic ambition to grow its Membership, and in particular, the Society aims to grow the number of its Members coming from the 16-35 demographic group. 2020 was a very successful year in this respect as the total number of saving Members grew to over 20,000 and the Society also launched several initiatives to encourage younger savers to the Society. These included the '16-25 Regular Saver' and the 'Homestart Regular Saver' which both aim to encourage saving towards a future mortgage deposit. These accounts offer competitive interest rates for maintaining regular monthly saving and they are available to young people who

live, work or study in and around Bath. Furthermore, to encourage the savings habit amongst all Members, irrespective of their ages, the Society launched the new 'Regular Saver' product which has proved to be very popular. Promoting saving as a means of building financial security is part of the Society's social purpose and regular saving is a good way that Members can build a meaningful nest egg over time. The Covid-19 restrictions delayed the launch of the Society's intended Lifetime ISA in 2020, but this project will be completed in 2021.

The national lockdowns have significantly reduced the number of people visiting High Streets across the nation. Even though the Society's two Branches remained open throughout the lockdown, it is not surprising that the number of customer transactions in the Society's Branches fell by approximately one third during 2020 compared with 2019. At the same time, the number of savings Members who enrolled to use the Society's Bath Online service grew very rapidly over the year. It is too early to ascertain whether the pattern of customers moving away from using the Branches towards transacting online will continue or whether customers will revert to their previous practices once people are confident about visiting shops and Branches again.

## **Marketing and Member communication**

The Society has invested to ensure that potential customers who are using online search engines to look for savings and mortgages are quickly directed to the Society's website.

The Society updated its website in 2020 in order to improve the ability of enquirers to quickly navigate through the site to get to the information that they really want to read. Analysis of data indicates a big increase in the number of people visiting the Society's website and then clicking on product information contained within the site. Data also demonstrates a big increase in telephone enquiries from customers using telephone numbers that are only quoted on the Society's website. The Society has high hopes that its website has the potential to generate significant volumes of future business.

The Society has introduced online surveys via a survey organisation called Smart Money People to ascertain the experience of those who are making enquiries of the Society. Online survey results are combined with customer feedback from the Society's Branches and Agencies. Results indicate that the Society's customers highly rate the service that they are getting. A project to develop a

completely new website began in 2020 and this is due to go live in early 2021.

Each calendar quarter, the Society now sends out an engagement communication via email to over 6,000 Members that it holds email addresses for. This initiative is more cost effective and drives a better response than traditional postal communications and it has been well received by Members. The Society will therefore look to expand its customer email database over time.

## **Finance and risk management**

The Bank of England (BOE) offers liquidity support to banks and building societies as part of their 'business as usual' activities and their emergency liquidity facilities. Although it is not in the Society's current plans to access any of the BOE's liquidity schemes, the rapid availability of material levels of liquidity from BOE schemes provides the Society with a strong liquidity insurance policy. As such, the Society has for many years prepositioned pools of mortgage assets with the BOE to act as collateral for borrowing should it ever be needed. In 2020, the Society successfully prepositioned a third pool of mortgages with the BOE which has helped to further strengthen its ability to withstand any major liquidity shocks.



**Natasha Coulthard**  
Mortgage Administrator

*“The purpose of my role is to provide administrative support as part of the mortgage administration team. As a mortgage administrator I assist Mortgage Brokers and new customers throughout the mortgage application process, and answer queries from existing customers. Every day is varied as I liaise with the sales and underwriting teams, process applications, completions and redemptions and talk to our customers by telephone, email or webchat.”*



In line with regulatory requirements, in 2021 the Society will be switching all of its interest rate swap contracts that remain tied to the London Interbank Offer Rate (LIBOR) towards the new preferred index called the Sterling Overnight Index Average (SONIA).

In 2020 the Society developed and improved the management information that is used by its Credit Committee and Assets and Liabilities Committee.

The new reports provide management with an improved ability to estimate forward balance sheet positions and they provide sufficiently granular data to allow a better assessment of the Society's growing niche lending positions. The Society also invested in a new risk management system that improves the recording and assessment of risk within the business and the strength of management controls, the link to second line review and the connection to work undertaken by internal auditors.

### **Future investment in the business**

Although the Society achieved great successes in 2020, working under difficult conditions did make it apparent that the Society's internal processes and systems could be improved.

The Society's strategy for the next five years has recognised the

importance of investing in the business in order to improve productivity and the service that we offer to our customers. The Society will shortly be embarking on a major programme of process improvement and automation which, when completed, will hopefully allow staff to be freed up from doing time consuming administrative work to allow them to do what they actually do best i.e. talking to customers about their needs.

### **Community involvement**

The Covid-19 virus was a significant disruptor of the Society's normal programme of support to local good causes. It was not possible to hold the Society's Charity Award Scheme in 2020 but the monies that were budgeted to support that scheme were reallocated to two Bath based charities. VOICES, an organisation that supports victims of domestic abuse, was again appointed as the Society's charity of the year. The Society also supported 3SG, an organisation that provided emergency volunteers to support local residents that were struggling to access food and medicines during lockdown. The Society's financial support allowed 3SG to employ a co-ordinator. The Society continued to support the provision of financial education to young adults in Bath state schools in partnership with WizeUp, a small

charity that specialises in this work. With the virus forcing school closures, it was not possible to provide face to face education to pupils and so the training was provided online for the majority of 2020. The Society is piloting weekly financial education sessions with one school and if this is successful the Society may in future expand this initiative to cover more schools.

In what would have been the Society's 45th year of sponsoring the Firework Safety Poster Competition, the competition and the associated fireworks display had to be cancelled due to Covid-19 restrictions. This event helps to reduce the incidents of fireworks accidents in Bath and it is hoped that the Society's association with this event will continue once better times return. In association with The Open Christmas Charity, the Society sponsored the sending of Christmas cards to isolated elderly citizens.

As my third 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 very challenging year. The Society's staff have been nothing short of magnificent in the way they have kept the Society's operations running efficiently during a year when the majority of them have had to work from home. The Bath Building Society

team successfully tackled a significant extra workload that arose as a direct result of Covid-19 whilst delivering an excellent set of financial results in what was a record year for mortgages and savings. I am proud of them all and what they have achieved for our Members.

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**Kevin Gray**

Chief Executive

5 March 2021



**Matt Gough**  
Compliance Officer

*“I work in the Compliance Department, which means I have the job of making sure the Society is following relevant rules and regulations.*

*My focus is mortgage compliance, which involves performing a variety of checks on the Mortgage Department’s day-to-day activities, but also involvement in big projects, such as helping test that new software meets our compliance requirements.*

*I also work in the area of data protection for the Society, which includes updating our privacy notices and handling customer data access or erasure requests.”*

# Our Charity of the Year

Our charity of the year was VOICES for a second year as we were unable to hold our Charity Awards in 2020. VOICES runs a women-only safe space in Bath, providing individual and group support for approximately 160 women and their families, as well as advice and signposting for male and LGBTQI victims and survivors.

The Covid-19 pandemic has disproportionately affected victims of violence and abuse, often already facing the impacts of trauma, post-separation abuse and coercive control, financial abuse and a lack of safe housing. The mental health burdens faced by adult and children who are victims of domestic abuse have been exacerbated by the prolonged lockdowns, uncertainty and economic hardship.

Despite the difficulties presented by the pandemic, VOICES has continued to provide community-based programmes, services and advice, including the Freedom Programme, a vital step to identifying unhealthy and abusive behaviours, and the Recovery Toolkit, to rebuild after trauma and develop resilience as people and parents. The free Legal Clinic VOICES developed

for domestic abuse survivors in partnership with the University of the West of England has also continued to operate remotely through lockdown.

VOICES has continued to support their clients with 1-2-1 advice and specialist counselling, benefits appeals and remote court hearings, as well as supplying essential items such as fresh food parcels for people unable to shop, personal care items and school clothing, but also tech equipment to enable children to be home-schooled through the pandemic.

VOICES operates a unique Hardship Fund to ensure timely emergency grants help victims at critical moments in their own recovery, or that of their children. The Fund has enabled local people who have no access to other funds to attend job interviews, apply for university or skills training, and obtain essential items including carpets and cooking equipment.

VOICES has also been able to expand their partnership working through the pandemic, sharing survivor insights through local collaboration and training opportunities.



# Report of the Directors on Remuneration

For the year ended  
31 December 2020

## *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 2018 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 set by the Committee 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 collective 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 receives 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 2 on page 24.



**Luis Jauregui**  
Financial Accountant

“My role, as Financial Accountant, is to produce the Society’s monthly management accounts as well as some of the regulatory returns. My role also requires processing the credit card transactions, staff expenses and to support the Finance Department in any way needed such as providing information to our auditors. What I enjoy the most about working for the Society is the camaraderie that exists within the Society but mostly the sense of family that we have in our Finance Department.”

## **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. In recognition of the relatively larger responsibilities of the Chairs of the Audit and Risk Committees, an additional award is paid to those Non-Executive Directors. 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 3 on page 24.

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 workload of Non-Executive Directors, the Committee approved a 1.5% rise in fees for 2021.

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.

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On behalf of the  
Remuneration Committee

**Robert Derry-Evans**  
Chairman  
5 March 2021

Table 2: Executive Directors' Emoluments

2020	Basic salary	Annual bonus	Benefits	Pension contributions	Total 2020
	£	£	£	£	£
Kevin Gray	162,541	16,300	10,978	19,505	209,324
Tonia Lovell	92,750	9,300	6,890	11,130	120,070
Tom Leach	126,625	12,700	6,630	15,195	161,150
<b>TOTAL 2020</b>	<b>381,916</b>	<b>38,300</b>	<b>24,498</b>	<b>45,830</b>	<b>490,544</b>

  

2019	Basic salary	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
<b>TOTAL 2019</b>	<b>367,916</b>	<b>28,976</b>	<b>27,440</b>	<b>44,150</b>	<b>468,482</b>

Table 3: Non-Executive Directors' Emoluments (comprising fees only)

	2020	2019
	£	£
Robert Derry-Evans (Society Chairman)	37,136	35,999
Chris Smyth (Society Vice-Chairman)	29,275	25,713
Angela Cha	26,524	25,713
Fionnuala Earley	26,524	25,713
Denzil Stirk	26,524	25,713
David Smith	29,275	25,713
<b>TOTAL</b>	<b>175,258</b>	<b>164,564</b>

Note: Joanne Evans was appointed on 1 January 2021 and as such did not receive any remuneration in 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 9 April 2021.

## Summary Directors' Report

The information required to be presented within the summary Directors' Report is given in the Chief Executive's Report on pages 10 to 18.

## Summary income statement

Results for the year ended 31 December 2020

	<b>2020</b>	2019
	<b>£000</b>	£000
Net interest receivable	<b>7,510</b>	7,774
Other income and charges	<b>(350)</b>	(312)
Administrative expenses	<b>(4,871)</b>	(4,792)
Operating profit before provisions	<b>2,289</b>	2,670
Impairment (loss)/release on loans and advances to customers	<b>(9)</b>	149
Provision for other liabilities and charges	<b>(10)</b>	(78)
Loss on sale of investment property	<b>(1)</b>	-
Operating profit and profit on ordinary activities before tax	<b>2,269</b>	2,741
Tax on profit on ordinary activities	<b>(445)</b>	(526)
Profit for the year	<b>1,824</b>	2,215

## Summary balance sheet

Results for the year ended 31 December 2020

	2020	2019
	£000	£000
<b>Assets</b>		
Liquid assets	81,823	79,868
Mortgages	267,432	247,729
Fixed and other assets	4,135	4,320
<b>Total assets</b>	<b>353,390</b>	<b>331,917</b>
<b>Liabilities</b>		
Shares	247,474	224,710
Borrowings	62,865	67,040
Other liabilities	2,785	1,725
General reserve	39,358	37,534
Revaluation reserve	908	908
<b>Total liabilities</b>	<b>353,390</b>	<b>331,917</b>

## Key financial ratios

	2020	2019
	%	%
Gross capital as a percentage of shares and borrowings	13.0	13.2
Liquid assets as a percentage of shares and borrowings	26.4	27.4
Profit for the year as a percentage of mean total assets	0.53	0.68
Management expenses as a percentage of mean total assets	1.42	1.46

Approved by the Board of Directors on 5 March 2021 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 2020 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 25 to 26, which comprises the summary income statement, the summary balance sheet as at 31 December 2020 and a 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 Summary Annual Report 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 2020 and complies with the applicable requirements of Section 76 of the Building Societies Act 1986, and the regulations made under it.

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**PricewaterhouseCoopers  
LLP Chartered Accountants  
and Statutory Auditors**  
Cardiff  
5 March 2021



**Ian Birch**  
Mortgage Consultant

*“My role is to help our customers who require advice on any of our mortgages whether they are new or existing customers. This can range from a brand new Buy for University mortgage, to simply extending a mortgage term. Once applied for I will be on hand for the customer throughout the process to help it run as smooth as possible.”*



# Notice of Annual General Meeting

The 117th Annual General Meeting (AGM) of the Members of Bath Investment & Building Society will be held virtually on Monday 26 April at 12 noon for the following purposes:

1. To consider a Special Resolution to change the Society Rules.
2. To receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 December 2020.
3. 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.
4. To consider an Ordinary Resolution to approve the Directors' Remuneration Report.
5. To elect Joanne Evans
6. To re-elect Angela Cha
7. To re-elect Robert Derry-Evans
8. To re-elect Fionnuala Earley
9. To re-elect Kevin Gray
10. To re-elect Tom Leach
11. To re-elect Tonia Lovell
12. To re-elect David Smith
13. To re-elect Chris Smyth
14. To transact any other business permitted by the Rules of the Society.

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By Order of the Board

**Tonia Lovell**  
Society Secretary  
5 March 2021

# Notes

These notes form part of the Notice of the Meeting.

1. On this occasion there will not be voting on the day but non-Member proxy voting can take place before the AGM. Your proxy, if other than the Chairman, may not speak at the meeting. You may instruct your proxy how to vote prior to the meeting. Please read the instructions on the proxy form. Your votes must be received by Monday 19 April 2021. In order to attend the meeting, 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 2020 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 2020 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 4 in the Notice of Meeting relates to a Resolution for Members to vote on the Directors' Remuneration Report for 2020. 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 5 to 13 in the Notice of the Meeting relate to Resolutions for election and 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. If you wish to appoint a proxy other than the Chairman please contact us at [AGM@bibs.co.uk](mailto:AGM@bibs.co.uk)

# 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 is a co-opted member of the Audit and Risk Committee.



## 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 including industry trade associations and regulators. 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.



## 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.





## 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!





This is the profile of the Director to be elected to the Board.



## Joanne Evans

Joanne joined the Board as a Non-Executive Director in 2021 and is also a member of the Risk Committee. Joanne's career started as a management trainee at a Building Society and has since focussed on risk management in financial services having worked at the UK financial services regulator, a number of banks and in the life and pension sector. Joanne is also a Non-Executive Director at a UK life assurance company.



# We're different because you are

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## Mortgage enquiries

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[mortgages@bibs.co.uk](mailto:mortgages@bibs.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.

