



Annual Report & Accounts 2020



Bath Building Society
We're different because you are

Directors

Robert Derry-Evans	Non-Executive Director and Chairman
Chris Smyth	Non-Executive Director, Vice-Chairman and Senior Independent Director
Kevin Gray	Chief Executive
Tonia Lovell	Director of Risk Management
Tom Leach	Finance Director
Denzil Stirk	Non-Executive Director
Angela Cha	Non-Executive Director
David Smith	Non-Executive Director
Fionnuala Earley	Non-Executive Director
Joanne Evans	Non-Executive Director (Appointed 1 January 2021)

Officers

Colin McDougall	Head of Marketing and Savings
Steve Matthews	Head of Mortgages
Jason Wilmot	Head of IT and Business Change

Professional Advisers

Auditors	PricewaterhouseCoopers LLP One Kingsway Cardiff CF10 3PW
Internal Auditors	RSM Risk Assurance Services LLP 14th Floor 20 Chapel Street Liverpool L3 9AG

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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)

Chairman's report (continued) For the year ended 31 December 2020

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 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.

Chairman's report (continued) For the year ended 31 December 2020

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.



Robert Derry-Evans

Chairman

5 March 2021

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 Society to build up the number of, and depth of, relationships with brokers and the mortgage clubs that they use for assistance.

Chief Executive's report (continued) For the year ended 31 December 2020

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 2 (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.

Chief Executive's report (continued) For the year ended 31 December 2020

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. 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

Chief Executive's report (continued) For the year ended 31 December 2020

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.



Kevin Gray

Chief Executive

5 March 2021

Strategic Report

For the year ended 31 December 2020

The Directors have pleasure in presenting their Strategic Report for the year ended 31 December 2020.

Business objectives

The principal objective of the Society is to be an excellent example of a local building society, possessing a secure and trusted brand that is backed by consistently strong financial results. The Society aims to deliver steady growth in the level of its mortgage assets, primarily funding mortgage assets through retail deposits and deposits from small businesses.

Business strategy

The Society's main competitive advantage lies in its ability to apply traditional underwriting techniques to the assessment of prime mortgage cases that are complex in nature and require a high level of manual intervention, and for which higher margins are appropriate. The Society's strategy focuses on delivering strong profitability through offering a range of innovative mortgage products to customers who demand a personal and flexible mortgage service.

In 2020 the Society continued to grow its mortgage book, funding that growth by expanding its base of shares and deposits sourced through its Branch, telephone, postal and online distribution channels.

The mortgage market has seen substantial volatility in the year, with the impact of the first lockdown causing transaction levels to fall significantly from April to June. Volumes increased markedly in the second half of the year supported by the government's stamp duty holiday initiative.

The uncertain economic outlook has caused many lenders to reassess their product offerings, causing a reduction in higher loan to value products available in the market, which has in turn caused a widening of the cost differential between low loan to value and high loan to value mortgage loans.

The Society continued to generate robust levels of funding from its savings products and, with the reduction in rates from some competitors, has seen strong levels of funding inflows and high levels of liquidity in the final months

of 2020. This funding has been raised from a well-diversified range of products and sets the Society in good stead to fund its anticipated mortgage growth in 2021.

The economic outlook for 2021 remains challenging, with lockdown in all parts of the UK likely to suppress economic growth and a rise in unemployment widely anticipated as extraordinary government support (in particular the furlough scheme) is eventually withdrawn. Mortgage transaction volumes are expected to reduce once the extended stamp duty holiday ends in June 2021 with the potential for a negative adjustment to house prices as a result.

Rising unemployment could cause more of the Society's borrowers to experience difficulty in maintaining payments and, coupled with any reduction in house prices, would be likely to lead to an increase in impairment charges. The Society's financial plan for 2021 prudently assumes an increase in such charges. However, the Society enters into 2021 in a strong position with robust margins and a low level of arrears, and a range of mortgage products well suited to a challenging economic environment.

The niche nature of the Society's business model will continue to require a relatively higher investment in people and systems than is the norm in the sector, but the Society recognises the importance of driving efficiency through changes in technology and process to remain relevant to its Members and to mitigate the impact of future cost increases.

Business review and future developments

The Society's performance for the year and its future plans are reviewed by the Chairman and Chief Executive on pages 1 to 7. The Board of Directors principally monitors financial performance against seven key performance indicators as defined below.

- 'Mortgage Asset Growth' is the percentage growth in the Society's total of loans and advances to customers as measured between calendar year-ends, as stated in the Statement of Financial Position on page 36.

Strategic report (continued) For the year ended 31 December 2020

- 'Net Interest Margin' is the ratio of the Society's net interest income for the year as stated in the Income Statement to the average of the current and prior year end total asset figures as stated in the Statement of Financial Position.
- 'Management Expense Ratio' is the percentage given by dividing the sum of Administrative Expenses plus Depreciation and Amortisation, as stated in the Income Statement, by the average of the current and prior year end total asset figures as stated in the Statement of Financial Position.
- 'Profit Before Tax' is the Society profit before taxation as stated in the Income Statement on page 35.
- 'Common Equity Tier 1 Ratio' is the percentage given by dividing Common Equity Tier 1 regulatory capital of £39.9m (2019: £38.2m) by the sum of risk weighted assets.
- 'Leverage Ratio' is the percentage given by dividing Tier 1 regulatory capital of £39.9m (2019: £38.2m) by total assets as adjusted for mortgage pipeline commitments, intangible assets, allowances for impairment and financial derivatives.
- 'Liquidity Coverage Ratio' is the percentage given by dividing high quality liquid assets by total net cash outflows calculated over a 30 day stressed period.

Key Performance Indicator	2020	2019
Mortgage Asset Growth	7.5%	0.8%
Profit Before Tax	£2,269,000	£2,741,000
Net Interest Margin	2.19%	2.37%
Management Expense Ratio	1.42%	1.46%
Common Equity Tier 1 Ratio	31.6%	31.5%
Leverage Ratio	10.7%	11.1%
Liquidity Coverage Ratio	287%	264%

The Board's aims for 2020 were to achieve modest growth in the Society's mortgage portfolio whilst maintaining a strong interest margin, to continue to add to the Society's robust levels of capital, and to invest in the capabilities of the Society with particular focus on marketing, IT and operational resilience.

The Society achieved 7.5% (2019: 0.8%) growth in mortgage assets in a volatile mortgage market which saw substantial changes in product availability and operational capacity through the year. Net Interest Margin reduced from 2.37% to 2.19% in the year due to the change in the mortgage mix driven by the temporary withdrawal from the market of some of the Society's higher yielding products after the onset of the pandemic.

The Society's Profit Before Tax, whilst lower than that generated in 2019, remained robust at £2,269k (2019: £2,741k), and contributed to a Common Equity Tier 1 Ratio which was broadly in line with the prior year at 31.6%

(2019: 31.5%) despite the growth in assets. The Society's Leverage Ratio decreased to 10.7% (2019: 11.1%) driven by the increased balance sheet size associated with strong funding inflows at the end of the year. The Management Expense Ratio decreased to 1.42% (2019: 1.46%) with the investment in the Society's marketing and IT capabilities through higher staff and equipment costs offset by the larger balance sheet size. Further detail on the Liquidity Coverage Ratio is set out in the 'Liquidity risk' section below.

As at 31 December 2020 the Society held seven (2019: seven) mortgage loans that were six months or more in arrears or otherwise considered to be in default. The total balance outstanding on these loans was £2,596k (2019: £1,936k) and the total arrears outstanding were £93k (2019: £70k). The Society holds individual impairment allowances of £433k (2019: £517k) against these loans. The collective allowance for impairment at the end of the year was £60k (2019: £71k).

Strategic report (continued) For the year ended 31 December 2020

In 2020 the Society recognised a net charge for impairment of £9k (2019: £149k net credit) and utilised £113k of individual impairment allowances (2019: no utilisation) as a result of the crystallisation of losses against previously impaired loans. Total allowances for impairment decreased to £493K (2019: £588k).

The Society uses certain forbearance techniques to help borrowers whose finances are stressed. These techniques include moving loans from a 'capital and interest' basis to an 'interest-only' basis, acceptance of temporary reductions in mortgage payments, and taking an active part in managing the collection of rental income to move defaulting buy-to-let and holiday home loans out of arrears. The impact of all forbearance activity on the Society's arrears position is fully considered in determining the Society's impairment allowances.

During the year the Society provided support to borrowers impacted by the Covid-19 pandemic through participation in the government and Financial Conduct Authority's mortgage payment deferral scheme. This scheme provides borrowers with a temporary break from mortgage payments to create some flexibility where they may be experiencing financial disruption caused by Covid-19.

The following table gives further information about the number and value of mortgages which experienced a payment deferral related to Covid-19 in 2020. The Society has included both full and partial payment deferrals (such as a temporary change to interest only repayment) within the figures set out below. All mortgages which have experienced a period of payment deferral in 2020 are included irrespective of whether the payment deferral period had completed by the year end, with balances as at 31 December 2020.

Mortgages subject to a payment deferral due to Covid-19

	Balance	% of total balances by value	% of total balances by volume
Residential	£61.6m	17.3%	24.0%
Commercial	£4.5m	26.1%	47.8%
Total	£66.1m	17.5%	24.8%

The Society continues to support borrowers impacted by Covid-19. At 31 December 2020, 27 residential cases totalling £6.3m remained within a payment deferral period but are not included in the arrears statistics. There were no Commercial loans within a payment deferral period at 31 December 2020. The Society has seen no material increase in arrears for borrowers whose payment deferral periods have ended.

Profit and capital

The profit after tax for the year, which increases the Society's general reserve, was £1,824k (2019: £2,215k). Gross capital at 31 December 2020 was £40,266k (2019: £38,442k), representing the aggregate of the general and revaluation reserves. Free capital at 31 December 2020 was £36,966k (2019: £34,972k), representing the aggregate of gross capital and collective impairment on loans and advances to customers, less tangible fixed assets. At 31 December 2020 the ratios of gross capital and free capital, as a percentage of shares and borrowings, were 13.0% (2019: 13.2%) and 11.9% (2019: 12.0%) respectively. Throughout 2020, the Society fully complied with its regulatory capital requirement.

Strategic report (continued) For the year ended 31 December 2020

The following table sets out the reconciliation of capital per the statement of financial position to regulatory capital:

Unaudited	2020 £000	2019 £000
Capital available:		
General reserve	39,358	37,534
Revaluation reserve	908	908
Total capital per statement of financial position	40,266	38,442
Regulatory adjustments to obtain Common Equity Tier 1 and Tier 1 capital		
Intangible assets	(418)	(269)
Common Equity Tier 1 capital and Tier 1 capital	39,848	38,173
Tier 2 capital - collective allowance for impairment	60	71
Total regulatory capital	39,908	38,244
Total capital requirement	12,601	12,127
Surplus over Total Capital Requirement	27,307	26,117

Principal risks and uncertainties

The principal risks and uncertainties faced by the Society, together with the approach to managing these risks, are set out below.

Credit risk – residential mortgage book (See Note 29 ci)

Credit risk in the mortgage book is managed through the application of stringent lending criteria where a focus is placed on ensuring that the quality of new lending remains high. The Board monitors the level of arrears in the Society's existing loan book and how individual arrears cases are progressing. In common with all lenders, the Society's arrears levels are negatively impacted by rising unemployment and rising interest rates. The Society has generally experienced a low level of new residential arrears cases but it recognises that any deterioration in the economic outlook for the UK could increase levels of unemployment and impact adversely on house prices, and thereby increase the probability of future loan arrears and defaults. In 2020 the Society repossessed no residential properties (2019: none).

Credit risk – commercial mortgage book (See Note 29 cii)

The Society engaged in commercial lending until 31 December 2016, at which point it took a strategic decision to withdraw from the commercial lending market in order to concentrate on its residential mortgage activities. As such, the Society's commercial lending portfolio represents a declining proportion of total mortgage assets.

The Society's commercial lending operated within a framework of conservative credit criteria, principally focused on underlying income streams, debt servicing cover and property values. The Society operated stricter maximum loan-to-value rules for commercial lending than for lending on residential property and maintained a preference for lending on commercial properties that had secondary or alternative residential uses. The Society would not lend on certain categories of commercial property or fund development projects that were considered to be high risk or where it lacked the appropriate specialist commercial property knowledge.

Strategic report (continued) For the year ended 31 December 2020

Commercial lending relationships are subject to regular reviews to ensure that facilities are fully performing and to identify potential causes for concern, in order to facilitate early risk mitigation activity.

In 2020 the Society did not crystallise a loss against any commercial property (2019: none) and no specific impairment allowances were held against the commercial lending portfolio (2019: £nil). There was one commercial loan in default at the year end (2019: one).

Credit risk – treasury portfolio (See Note 29 d)

Credit risk in the treasury portfolio is primarily managed by limiting the maximum size of investments and by only investing directly with counterparties that are of a predetermined credit quality. The Society does not invest in structured investments. As part of its treasury credit risk control processes, the Society utilises the published data from international credit ratings agencies and takes professional advice from treasury market experts. The Society believes that there is a low likelihood of a loss from direct exposure to any of its counterparties; however, the Society prudently limits its exposure to most individual market counterparties to £1m but will place larger investments with the main UK clearing banks, the UK Government, the Bank of England and multilateral development banks. The Society has no exposure to foreign banks and all investments are denominated in Sterling.

Liquidity risk (See Note 29 e)

As a deposit-taking institution, the Society is mindful of the need to maintain a sufficient level of liquid assets to ensure the smooth operation of its businesses in normal and stressed economic circumstances. The Society continues to maintain a robust liquidity position, with liquid assets at year-end being 26.4% (2019: 27.4%) of shares, deposits and loans (SDL). The Society also assesses the adequacy of its liquidity through the use of the Liquidity Coverage Ratio (LCR). The LCR is a measure of the Society's ability to withstand a short-term liquidity stress and is calculated using a methodology prescribed by the Society's regulators.

The Society is required to maintain a pool of high quality liquid assets to cover 100% of its total stressed net cash outflows over a 30 day period (the LCR requirement). As at 31 December 2020, the Society's available pool of high quality liquid assets (adjusted for expected operating expenses over the 30 day period) was £69.2m (2019: £61.9m), well in excess of the total net cash outflows of £24.1m (2019: £23.4m), giving an LCR of 287% (2019: 264%). It should be noted that the high quality liquid assets are held against both the LCR requirement ('Pillar 1') and any additional liquidity that the Society is required by the PRA to hold as part of its supervisory review process to address risks not fully covered by the LCR measure ('Pillar 2'). However, the Society's high quality liquid asset holdings substantially exceed both the LCR and the combined measure, and the Board's policy is to keep its liquidity holdings significantly in excess of total regulatory requirements.

A breakdown of the Society's total liquid resources is set out in the table below:

	2020	2019
	£000	£000
Total High Quality Liquid Assets		
Cash in hand and balances with the Bank of England	69,772	62,463
Loans and advances to credit institutions	12,051	17,405
Total liquid resources	81,823	79,868

Interest rate risk (See Note 29 f)

Interest rate risk refers to the sensitivity of net interest income to the periodic re-pricing of assets and liabilities, and the potential for income and valuation volatility caused by interest on assets and liabilities being subject to movements in different interest bases. The magnitude and future re-pricing profiles of the Society's assets and liabilities are often different, and the movements in different interest bases may not be perfectly aligned. When such mismatches

are present, and market interest rates move, the Society is exposed to interest rate risk.

The biggest source of interest rate risk arises from the Society advancing fixed rate mortgage products and funding them largely from variable rate savings and deposits. The Society reduces its exposure to interest rate risk by purchasing interest rate swaps to effectively convert fixed rate mortgage assets into variable rate assets by exchanging its fixed rate interest cashflows for variable rate cashflows.

Strategic report (continued) For the year ended 31 December 2020

Conduct risk

As a regulated deposit-taker and mortgage lender, the Society risks regulatory censure, fines and remediation costs if its activities were deemed to be placing customers in situations which were to their significant detriment, unfair, or unethical. The Society regularly examines its practices, procedures and processes with the objective of maintaining a business culture that reliably delivers fair outcomes for the Society's customers.

Operational risk

The Society is vulnerable to the risk of loss through inadequate or failed internal processes or systems, human error, malicious software and hacking, fraud and other similar events. Control processes and systems are in place to minimise these risks. The Society recognises that the threat posed by cyber risk continues to evolve and, as such, the Society will continue to invest in its capabilities to mitigate this threat.

Climate change

The Society is committed to playing its part in achieving the UK net-zero carbon emissions target by 2050. In line with the Taskforce on Climate Related Financial Disclosures (TCFD) recommendations, the following provides a summary of the impact of climate change on the Society, how the associated risks and opportunities are managed and governed by the Society, and the development of metrics and targets to monitor it.

Climate change - risk identification, assessment and management

The Senior Leadership Team has primary responsibility for identifying, assessing and managing climate related risks, with oversight from the Risk Committee.

The Society recognises that climate change presents a combination of risks which need to be identified and managed. These risks can be classified as physical and transitional risks, as described below.

Physical risks

Physical risks from climate change arise from a number of factors, and relate to specific weather events (such as

heatwaves, floods, wildfires and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures).

Transitional risks

Transition risks arise from the process of adjustment towards a net-zero carbon economy. A range of factors influence this adjustment, including climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, or evolving evidence, frameworks and legal interpretations.

The Society has determined that its primary risks in relation to climate change are as follows:

Physical risks

River or surface water flooding – increased frequency and severity of storms will cause a higher level of flooding (potentially generating affordability issues for borrowers and/or collateral valuation decreases) and also a longer term increase in insurance premiums in areas prone to flooding, which again could cause both affordability and collateral valuation issues.

Storm damage – increased frequency and severity of storms will cause a higher level of idiosyncratic issues due to storm damage and also a longer term increase in insurance premiums in areas prone to storm damage, which could cause both affordability and collateral valuation issues.

Sea level rise – sea level rise could over time lead to the abandonment of some low lying areas and an increase in the frequency of storm surges impacting on coastal communities. As awareness of this issue increased over time this would lead to a reduction in the desirability of such locations, depressing collateral values.

Transitional risks

Employment in climate unfriendly roles or 'stranded industries' – Borrowers employed in high carbon or otherwise climate unfriendly occupations or industries may experience an income shock due to economic adjustments necessary to deliver a long-term sustainable economy, creating affordability problems.

Strategic report (continued) For the year ended 31 December 2020

Adaptation of property collateral – Properties which do not meet high energy efficiency standards may require substantial investment to meet future standards or norms. This increases the likelihood of affordability challenges for the borrower and/or decreasing the desirability and therefore value of the property collateral.

The Society assesses the potential impact of these risks, including through the use of scenario analysis, as part of its annual capital adequacy assessment process.

In addition, the Society has commissioned an external report from Landmark Information Group to identify and understand the climate related risks inherent in its lending portfolio in a more granular way. These include the exposure

of the collateral properties against which the Society's mortgage loans are secured to the physical risks of flood, subsidence and coastal erosion, and the transitional risk of energy inefficiency.

This information has allowed the Society to begin to quantify the impact of differing severity of climate change scenarios on its portfolio at a mortgage level, which is the first step toward making lending decisions based on the future risk characteristics of collateral security.

The Society's portfolio of mortgages secured on residential and buy to let properties had the following energy efficiency ratings as at 31 December 2020:

EPC Rating	Residential % by volume	Buy to Let % by volume	Total % by volume
A-C	30.4%	31.8%	30.9%
D-E	64.4%	63.6%	64.1%
F-G	4.6%	2.6%	3.9%
Unknown	0.6%	2.0%	1.1%

Climate change – governance

The Board has ultimate accountability for all climate change related matters. The Risk Committee is responsible for oversight of all risks, including those which are climate related. The Senior Leadership Team has responsibility for day to day management of all climate related risks and the identification of climate related opportunities. Responsibility for climate change risk rests with the Finance Director under the FCA and PRA's Senior Managers Regime.

The risks and opportunities associated with climate change are a standing agenda item at the Board's annual Strategy Day.

Climate change – quantification of carbon emissions

The Society's Scope 1 and 2 emissions in the year to 31 December 2020, together with comparatives for 2019, are set out in the table below. Scope 1 covers Society owned vehicles and Scope 2 covers emissions from electricity and gas. The Society does not directly generate energy from combustion of fuels.

	Year to 31 December 2020	Year to 31 December 2019
Carbon dioxide (CO₂e)¹ in tonnes:		
Scope 1 emissions – travel ²	1.6	3.3
Scope 2 emissions – electricity & gas ²	37.6	35.0
Total Scope 1 & 2 emissions	39.2	38.3

1. CO₂e is an abbreviation of 'carbon dioxide equivalent', the internationally recognised measure of greenhouse gas emissions.

2. The DEFRA 2020 conversion factors have been used to calculate carbon emissions based on consumption (estimated where accurate readings are not available).

Strategic report (continued) For the year ended 31 December 2020

Climate change – future developments

During 2021 the Society intends to further develop its metrics and targets in respect of climate change, particularly in respect of loan level risk factors and understanding the Society's Scope 3 emissions (those emissions from assets not owned or controlled by the Society but which the Society indirectly generates through its activities). It also plans to reduce or offset the amount of Scope 1 and 2 emissions generated through its head office building and branches.

Uncertainties

The economic outlook remains more uncertain than at any point in recent history, with the immediate adverse impact of the UK wide lockdown in early 2021 offset by the hope of a return to a more normal environment generated by the rollout of the Covid-19 vaccines. Most market commentators remain pessimistic about the pace and completeness of economic recovery in 2021, with longer term predictions ranging from a new 'roaring 20s' as pent up demand and enforced saving is released, to gloomier predictions of longer term scarring from unemployment and missed training, developmental and educational opportunities acting as a drag on growth for years to come.

It is clear that the pandemic has impacted on different sectors of the economy and different segments of the population in disproportionate ways, and as such it can be expected that the recovery may be similarly lumpy. From a mortgage lending perspective this may mean that prospective first time buyers have been impacted harder by the pandemic and may take more time to recover than established home owners with existing equity and savings. The Society stands ready with its suite of mortgage products tailored to first time buyers to deploy its capital in support of this segment of the market.

The Society also recognises the risks and challenges posed by the impact of climate change, both in terms of the transition to a low carbon economy and the physical risks associated with sea level rise and more frequent severe weather events. This has the potential to change the mortgage lending and savings markets in which the Society participates, and the regulatory environment in which the Society operates. The Society will continue to develop its approach to identifying and managing these risks and will play its part in assisting the society wide changes and adaptations that are necessary to mitigate the level and impact of climate change.

The Society is well placed to meet any challenges ahead with robust levels of capital and liquidity and a strong business model, and despite the economic uncertainties can look forward with confidence to the opportunities in 2021 and beyond.

Risk management objectives and policies

The Board has the objective of establishing a suitably robust control environment that successfully reduces the potential impact of risks that are present in the Society's business model. The control environment is designed to reduce both the probability of risks crystallising, and to reduce the impact if they do crystallise. The Board operates a Financial Risk Management Policy that sets out the procedures to manage treasury credit risk, interest rate risk and liquidity risk; and a Lending Policy that dictates the procedures to manage mortgage credit risk. The Society's committee structure is designed to monitor and control different aspects of risk on an ongoing basis. In particular, the Society's Risk Committee exists to measure and appraise risk across the whole business and to keep the potential impact from risks within parameters set out in the Board's stated risk appetite.

Approved and signed on behalf of the Board of Directors.



Robert Derry-Evans

Chairman

5 March 2021

Directors' Report

For the year ended 31 December 2020

The Directors have pleasure in presenting the Annual Report and Accounts for the year ended 31 December 2020. The Directors consider that the Report and Accounts, comprising the Annual Accounts, Chairman's Report, Chief Executive's Report, Strategic Report and Directors' Reports, taken as a whole, are fair, balanced and understandable and provide the information necessary for Members to assess the Society's performance, business model and strategy.

Staff

The Directors recognise that the ongoing strong performance of the Society is due in large part to the professionalism and skill of the Society's staff demonstrated across all aspects of the Society's operations, and place on record their sincere appreciation of the commitment and dedication shown during the year. The Board maintains the view that the future of the Society will increasingly depend on a partnership between the Board, the staff and the Members. To ensure that this is promoted, the Directors will continue the policy of employing people who possess skill and integrity in all areas of the business.

Creditors' payment policy

The Society's policy is to pay trade creditors in accordance with agreed terms once such creditors have fulfilled all aspects of the contract. At the end of 2020 trade creditors outstanding represented 30 days of purchases (2019: 53 days).

Asset encumbrance policy

The Society's policy is to permit the encumbrance of assets where this is required as a norm of standard market practices or where it is necessary to obtain central bank funding facilities or liquidity insurance. From time-to-time, the Society also provides cash collateral to Natwest Markets as a requirement of the Credit Support Annex to the International Swaps and Derivatives Association master agreement that the Society has in place with that counterparty.

Auditors

At the Annual General Meeting on 29 September 2020 the Members passed a resolution appointing PwC as auditors of the Society. A resolution to reappoint PwC will be proposed at the 2021 Annual General Meeting.

Directors' Responsibilities Statement

Preparing the Annual Accounts

The following statement, which should be read in conjunction with the statement of the auditors' responsibilities on page 33, is made by the Directors to explain their responsibilities in relation to the preparation of the Annual Accounts, Annual Business Statement and Directors' Report.

The Building Societies Act 1986 ('the Act') requires the Directors to prepare annual accounts for each financial year which give a true and fair view of the state of affairs of the Society as at the balance sheet date and of the income and expenditure of the Society for the year. In preparing those accounts, the Directors are required to:

- Select appropriate accounting policies and apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed; and
- Prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Society will continue in business.

Directors' Report (continued) For the year ended 31 December 2020

In addition to the accounts, the Act requires the Directors to prepare, for each financial year, an Annual Business Statement and a Directors' Report, each containing prescribed information relating to the business of the Society.

Accounting Records and Internal Control

The Directors are responsible for ensuring that the Society:

- Keeps accounting records in accordance with the Act or the Companies Act 2006 (as relevant); and
- Adheres to financial risk management objectives with regards to its use of financial instruments (see page 15 within the Strategic Report); and
- Takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Prudential Regulation Authority under the Financial Services and Markets Act 2000.

Disclosure of information to the auditors

Each person who is a Director at the time when the Directors' Report is approved must:

- Ensure that there is no relevant audit information of which the Society's auditors are unaware; and
- Ensure that all steps have been taken that ought to have been taken to make themselves aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

The Directors have general responsibility for safeguarding the assets of the Society and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are also responsible for the integrity of the Society's website www.bathbuildingsociety.co.uk. The work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. Information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements. Information in these financial statements is provided under the legislation of the United Kingdom.

Going concern

In the opinion of the Directors, the Society continues to deliver excellent results despite a competitive mortgage market and the turbulent economic environment. The core profitability of the Society remains very strong, due to a combination of continuing modest mortgage asset growth and successful management of margins.

In the coming year the Society expects to achieve a robust level of mortgage portfolio growth, albeit at a lower level than that which it achieved in 2020. This reduction reflects the likely reduction in transaction volumes resulting from the end of the stamp duty holiday and the challenging macroeconomic outlook. The Society will fund mortgage growth from current liquid resources and by increasing the Society's base of shares and deposits primarily through retail channels and from local businesses. It does not expect to have to seek any wholesale funding from the money markets.

The Board has conducted a recent review of going concern which has included a review of funding, liquidity and capital projections for a four year period after the balance sheet date. This review indicates that the Society can expect to generate sufficient liquidity to fund expected mortgage growth whilst maintaining strong levels of short-term liquidity throughout the period. The Society operates in an environment that includes access to Bank of England Sterling Monetary Framework funding facilities, and the Board has established a target of maintaining the Society's overall level of liquid resources above 110% of its Liquidity Coverage Ratio requirement. The Board has stress-tested its planned liquidity and capital positions over a four year period to 31 December 2024 to demonstrate that adequate capital and liquidity will be available throughout this strategic period even in severe but plausible stressed scenarios. Despite the challenging economic outlook the Board expects the Society to continue to deliver profits that will remain robust, and for the Society to maintain a substantial surplus of capital over its regulatory requirements.

The Directors are satisfied that the Society has adequate resources to continue in business for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

Directors' Report (continued) For the year ended 31 December 2020

Directors

The following persons served as Directors during the year:

Angela Cha, Robert Derry-Evans, Fionnuala Earley, Kevin Gray, Tom Leach, Tonia Lovell, David Smith, Chris Smyth and Denzil Stirk. Joanne Evans was appointed as a Non-Executive Director on 1 January 2021. In accordance with the principles of the UK Corporate Governance Code 2018, all Directors will retire from the Board at the Annual General Meeting and, being eligible, they offer themselves for re-election.

None of the Directors holds any shares in, or debentures of, any connected undertaking of the Society.

On behalf of the Board



Robert Derry-Evans

Chairman

5 March 2021

Report of the Directors on Corporate Governance

For the year ended 31 December 2020

The Directors are committed to best practice in Corporate Governance. Although the UK Corporate Governance Code issued by the Financial Reporting Council in 2018 does not apply directly to Mutual organisations, the Board, whilst not directly applying the Code, pays due regard to the Code principles.

The principal functions of the Board are to provide leadership and challenge; set the Society's strategy, policy and internal limits; ensure appropriate resources are available to meet objectives; ensure there are robust systems and controls in place to manage risk; ensure the Society operates within its constitution, regulation and legislation; consider and, if appropriate, approve any proposed new initiatives; and review business performance against objectives. The Society's Board Manual describes how decisions relating to these matters are reserved for the Board. The Board meets as often as necessary for the proper conduct of business (usually monthly). The attendance record is detailed on Table 1 on page 23. The Board holds a minuted meeting at least once a year without the Executive Directors being present. The Board takes an interest in all aspects of the business but delegates certain decisions and responsibilities to the following committees:

Audit Committee

Constituted by three Non-Executive Directors – David Smith (Chairman), Angela Cha and Fionnuala Earley. The purpose of Audit Committee is to assist the Board in exercising its governance and oversight responsibilities in relation to financial reporting, systems of internal control, and the internal and external audit functions. Meetings are held at least four times per year and it is normal for executives and representatives from the Society's external and internal auditors to attend by invitation. The Audit Committee has terms of reference that include all aspects of audit, compliance, systems and controls, and the review of changes to accounting standards that may affect the Society. The committee approves internal and external audit plans, reviews the reports provided by internal and external auditors

and assesses the adequacy of audit and compliance arrangements, including reviewing the external auditor's independence. The committee reports to the Risk Committee in respect of matters relevant to the management of risk, and to the Board on all matters considered by the committee.

In 2020 the areas of particular focus for the committee included the control framework for preventing financial crime, mortgage arrears and collections, liquidity and funding risk management, balance sheet structural risk management, treasury operational and credit risk management, mortgage product pricing and margin management, savings product lifecycle and customer journey, mortgage underwriting and processing and IT and operational resilience (including secure remote working and information security).

It also considered the adequacy of the Society's allowances for the impairment of mortgages (including the approach to impairment assessment in respect of borrowers requesting payment deferrals as a result of being affected by Covid-19), the appropriateness of its accounting under the effective interest method, and its application of hedge accounting.

In each of these areas the committee was provided with papers discussing key assumptions and issues, and any impact on the financial statements. These were reviewed in detail and discussed with the relevant Society staff and the results of this work were considered, together with the results of testing by the external auditors. The committee also considered whether the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for Members to assess the Society's performance, business model and strategy. The committee resolved to commend the Annual Report to the Board for approval.

Report of the Directors on Corporate Governance (continued)

For the year ended 31 December 2020

Risk Committee

Constituted by three Non-Executive Directors – Chris Smyth (Chairman), Denzil Stirk and Robert Derry-Evans. Meetings are held at least four times per year and it is normal for executives to attend by invitation. The committee reviews and approves all relevant policy documents as considered by its management subcommittees, and receives reports from the Audit Committee in respect of matters relevant to the management of risk. In 2020, the committee examined the Society's Risk Management Framework including reviewing the Society's risk register and its risk appetite statements, and monitored the performance of the Society against risk limits and triggers. The committee also reviews and approves the Society's Internal Capital Adequacy Assessment Process (ICAAP), Internal Liquidity Adequacy Assessment Process (ILAAP) and Recovery Plan (RP) and reports to the Board on all matters considered by the committee.

Remuneration Committee

Constituted by three Non-Executive Directors – Angela Cha (Chairman), Robert Derry-Evans and Fionnuala Earley. The Remuneration Committee has terms of reference that include setting Directors' fees and remuneration, Directors' contractual terms and review of the performance of the Executive Directors. The Executive Directors attend meetings by invitation but none that relate to their remuneration.

Nominations Committee

Constituted by three Non-Executive Directors – Robert Derry-Evans (Chairman), Angela Cha and David Smith. The Nominations Committee has terms of reference that include executive appointments, Board succession planning, review of Board skill requirements and appointments of new Non-Executive Directors. The Executive Directors attend meetings by invitation.

In addition to the main Board Committees above, the business operates with management subcommittees of the Risk Committee that assist in managing business risks. These are:

Credit Committee

This committee consists of Chief Executive – Kevin Gray, Head of Mortgages – Steve Matthews, Director of Risk

Management – Tonia Lovell, Head of Marketing and Savings – Colin McDougall, Head of IT and Business Change – Jason Wilmot and Head of Underwriting – Craig Brown, together with departmental operational managers.

The committee is chaired by Finance Director – Tom Leach. The Credit Committee has terms of reference that include maintaining the quality of the Society's mortgage book, and oversight of the Society's lending policy and underwriting. The committee reviews quarterly reports from the Head of Mortgages covering mortgage arrears and the volume and nature of exceptions to the lending policy. The committee also approves new underwriting mandates and gives approval for certain loans as specified in the Society's lending policy. The committee reports to the Risk Committee.

Assets and Liabilities Committee (ALCO)

This committee consists of Finance Director – Tom Leach, Head of Mortgages – Steve Matthews, Director of Risk Management – Tonia Lovell, Head of Marketing and Savings – Colin McDougall, Head of IT and Business Change – Jason Wilmot, Head of Finance and Prudential Risk – Gemma Stock, Portfolio Analysis and Solvency Manager – Rory Cooper and Treasury Reporting Accountant – Deborah Ware. The committee is chaired by Chief Executive – Kevin Gray. The Assets and Liabilities Committee has terms of reference that include all aspects of financial risk management, treasury matters and liquidity. The committee reviews reports from the Treasury Reporting Accountant covering the ongoing management of interest rates, treasury investment strategy, asset encumbrance levels, liquidity arrangements and hedging. The committee reports to the Risk Committee.

Conduct and Operations Committee

This committee consists of Chief Executive – Kevin Gray, Finance Director – Tom Leach, Director of Risk Management – Tonia Lovell, Head of Mortgages – Steve Matthews and Head of IT and Business Change – Jason Wilmot, together with departmental operational managers. The committee is chaired by Head of Marketing and Savings – Colin McDougall. The committee has responsibility for reviewing the Society's processes and practices with a view to ensuring that customers are treated fairly. The committee reviews feedback from customers and customer complaints and recommends process changes to the Senior Leadership Team where appropriate. The committee reports to the Risk Committee.

Report of the Directors on Corporate Governance (continued)

For the year ended 31 December 2020

Information Technology and Operational Resilience Committee

This committee consists of the Chief Executive – Kevin Gray, Finance Director – Tom Leach and Head of Information Technology and Business Change – Jason Wilmot. The committee is chaired by Director of Risk Management – Tonia Lovell. The committee has the responsibility for monitoring risks associated with operating the Society's information technology systems and for ensuring that the Society has adequate business continuity processes and procedures in place to protect it in the event of any incident involving damage to the Society's physical infrastructure or data security. The committee reports to the Risk Committee.

Directors' responsibilities

The offices of Chairman and Chief Executive are distinct and are held by different people. The role of each is set out in their terms of appointment and service contract respectively. The Chairman is responsible for leading the Board, communication with Members and ensuring that Directors receive accurate, timely and clear information. The Chairman is independent. The Chief Executive is responsible for managing the Society's business within the parameters set by the Board.

The Chairman sets the Board agenda with the Chief Executive and ensures that adequate time is available for all discussions. The Chairman promotes debate and challenge and ensures that there is contribution from all members of the Board.

The Senior Independent Director provides an alternative channel of communication for Directors, staff and Members and has responsibility for ensuring that the Society Chairman's performance is appraised on an annual basis. The role is performed by Chris Smyth. The Society maintains liability insurance for all Board members who also have access to independent legal advice.

Non-Executive Directors review all strategic proposals and propose amendments where this is considered necessary. They regularly monitor management's progress in delivering the annual operating plan. Through the Remuneration Committee the Non-Executive Directors consider the performance of the Executive Directors, remuneration and succession planning.

At the year end the Board comprised three Executive Directors and six Non-Executive Directors (including the Chairman). The Board is of an appropriate size, with the necessary balance of skills and experience to meet the needs of the business.

The Nominations Committee considers the balance of skills and experience on the Board and the requirements of the Society. Board composition and succession planning are regularly reviewed. Appointments are made on merit objectively against defined criteria, but with due regard to the benefits of diversity within the Board. As at 31 December 2020, the Board consisted of nine Directors (2019: nine) of which three were female (2019: three). All Directors meet the tests of fitness and propriety laid down by the regulators and all Directors are registered with the regulators, with the three Executive Directors and four of the six Non-Executive Directors at the end of the year holding Senior Manager Functions under the regulators' Senior Managers Regime. The remaining two Non-Executive Directors are 'notified Non-Executive Directors' under the regime rules. Letters of appointment relating to Non-Executive Directors are available for inspection on request.

The Chairman's job specification outlines the main role of the Chairman with regard to meetings and commitment. The commitment of Non-Executive Directors is assessed through annual appraisal with the Chairman.

New Directors receive induction training including: the nature of building societies, responsibilities and duties, interpretation of management information, the Society's business and local market, overview of regulatory requirements and significant issues for the sector and industry. Training is provided to the Board both by management and by attendance on external courses. Training and development needs are identified during appraisals.

The Chairman ensures that the Board receives information in a timely way which is sufficient to enable it to fulfil its responsibilities.

The Chairman follows a formal annual appraisal process for all Directors. The Senior Independent Director evaluates the Chairman, taking into account the views of other Directors. The Board formally considers its overall performance and that of the committees on an annual basis and performance is also discussed at an annual meeting of the Non-Executive Directors.

Report of the Directors on Corporate Governance (continued) For the year ended 31 December 2020

All Directors are submitted for election at the Annual General Meeting (AGM) following their first appointment to the Board. Following the principles set out in the UK Corporate Governance Code 2018, from the 2020 AGM onwards all Directors retire and are subject to re-election at the AGM on an annual basis. Directors are only submitted for re-election if the appraisal process confirms their ongoing contribution and the specialist knowledge, skills, experience and independence.

The responsibilities of the Directors in relation to the preparation of the Society's accounts and the statement that the Society's business is a going concern are contained in the Directors' Report on pages 16-18.

The Board is responsible for determining appropriate strategies for risk management and control. The Board recognises compliance as a key part of the business and the Internal Auditor provides independent and objective challenge as to whether management controls are appropriate and are being applied as stated. The Director of Risk Management is responsible for providing guidance to the Board on risk control matters.

The Board reviews key documents as required but at least annually. These include the Lending Policy; Financial Risk Management Policy; the Risk Management Framework (reflecting the Board's risk appetite); Corporate Strategy; Annual Operating Plan; Annual Budgets; the Internal Capital Adequacy Assessment Process (ICAAP); the Internal Liquidity Adequacy Assessment Process (ILAAP); and the Board Manual.

Management has responsibility for operating within the prescribed control framework. The categories within the risk register reflect the key risk types to which the Society is exposed. For example, credit risk (risk that a customer or counterparty will fail to meet their obligations to the Society as they fall due); operational risk (risk of a loss arising from inadequate or failed internal processes or systems, human error or external events); business risk (risk that the Society fails to meet the demands of its Members as a whole); and liquidity risk (risk that the Society is not able to meet its financial obligations as they fall due, or can do so only at excessive cost). Key controls include segregation of duties and monitoring and reporting against Board approved limits.

The Board is satisfied that the Audit Committee includes members who have adequate, recent and relevant financial experience. The Society Chairman is not a member

of the Audit Committee. The Audit Committee meets with the auditors, without the Executives present, after each meeting. Minutes of Committee meetings are distributed to all Board members and the Chairman of the Audit Committee reports to the Board. The Audit Committee's main responsibilities are described on page 19.

The Audit Committee conducts a formal annual review of the level and nature of total fees paid to the internal and external auditors (RSM Risk Assurance Services LLP ('RSM') and PricewaterhouseCoopers LLP ('PwC') respectively) and it assesses whether auditor independence is being maintained. Following the latest annual review, noting that PwC did not carry out any non-audit engagements during 2020, the Audit Committee considered that independence, effectiveness and objectivity were not being compromised. In addition, PwC as external auditor confirms to the Committee that it considers itself to be independent as defined by the Financial Reporting Council.

The Audit Committee reviews the effectiveness of the audit arrangements, the performance of the external auditors, and the performance of the internal audit function after completion of each annual cycle. The Audit Committee Chairman also liaises with the Chief Executive, Finance Director and the Director of Risk Management to assess relationships and operational working practices. The ongoing effectiveness of the internal audit process is considered by the Audit Committee by way of a formal review of the Annual Audit Plan and by review of interim reports to the Committee. The Audit Committee assesses its own effectiveness by formally assessing the results from an annual Audit Effectiveness Questionnaire that is completed by all Committee members.

As a mutual organisation, the Society has a membership composed of individual customers. The Society proactively seeks the views of customers using questionnaires and requests for Member feedback. All such feedback is considered at the Conduct and Operations Committee and contributes to the Society's drive to improve outcomes for its customers. The Society continues to seek ways to increase this dialogue in the future.

Each year the Society sends details of the AGM, including the election of the Directors, to all Members eligible to vote. Members are encouraged to exercise their right to vote and are sent forms enabling them to appoint a proxy to vote for them if they cannot attend the AGM. At the AGM a presentation is given by the Society Chairman and Chief

Report of the Directors on Corporate Governance (continued) For the year ended 31 December 2020

Executive covering the Society's performance and current issues. A poll is called in relation to each resolution at the AGM, enabling all proxy votes to count. A scrutineer oversees the counting of votes at the AGM. Members of the Board are present at the AGM and are available to answer questions from the Membership.

During 2020, the usual arrangements for the AGM were impacted by the Covid-19 pandemic. The AGM was

adjourned until 29 September 2020 and, due to the continuing impacts of the pandemic at that point, was held virtually with a minimum quorum made up of staff and Board Members. Due to the continuing impact of Covid-19 the 2021 AGM will be virtual. Members will be able to attend but there will not be the ability to vote on the day. Members will be encouraged in the AGM documentation to vote either online or via the post before the 19 April 2021.

Table 1: Directors' Attendance Record

Director	Board	Risk	Audit	Nominations	Remuneration
Robert Derry-Evans	10/10	4/4		2/2	2/2
Chris Smyth	10/10	4/4			
Fionnuala Earley	9/10		5/5		1/2
Denzil Stirk	10/10	4/4			
Angela Cha	9/10		5/5	2/2	2/2
David Smith	10/10		5/5	2/2	
Tonia Lovell	10/10				
Kevin Gray	10/10				
Tom Leach	10/10				

(Number of meeting commitments actually attended/number of meeting commitments)

Note: Joanne Evans was appointed on 1 January 2021 and as such did not attend any meetings in 2020.

On behalf of the Board



Robert Derry-Evans

Chairman

5 March 2021

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.

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.

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.

Report of the Directors on Remuneration (continued)

For the year ended 31 December 2020

Audited information

Table 2: Executive Directors' Emoluments

	Basic salary £	Annual bonus £	Benefits £	Pension contributions £	TOTAL 2020 £
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
TOTAL 2020	381,916	38,300	24,498	45,830	490,544
	Basic salary £	Annual bonus £	Benefits £	Pension contributions £	TOTAL 2019 £
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

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
TOTAL	175,258	164,564

Note: Joanne Evans was appointed on 1 January 2021 and as such did not receive any remuneration in 2020.

On behalf of the Remuneration Committee



Robert Derry-Evans

Chairman

5 March 2021

Independent auditors' report to the members of Bath Investment & Building Society

Report on the audit of the annual accounts

Opinion

In our opinion:

- Bath Investment & Building Society's annual accounts (the "annual accounts") give a true and fair view of the state of the Society's affairs as at 31 December 2020 and of the Society's income and expenditure and cash flows for the year then ended;
- the annual accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the annual accounts have been prepared in accordance with the requirements of the Building Societies Act 1986.

We have audited the annual accounts, included within the Annual Report and Accounts 2020 (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2020; the Income Statement, the Cash flow Statement and the Statement of Changes in equity for the year then ended; and the notes to the accounts, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Society in accordance with the ethical requirements that are relevant to our audit of the annual accounts in the UK, which includes the FRC's Ethical Standard applicable to public interest entities and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Society.

We have provided no non-audit services to the Society in the period from 1 January 2020 to 31 December 2020.

Independent auditors' report to the members of Bath Investment & Building Society (continued)

Our audit approach

Overview

Materiality	<ul style="list-style-type: none">• £402,000 (2019: £384,000)• Based on 1% of Society net assets
Scoping	<ul style="list-style-type: none">• The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment of the operations of the Society
Key audit matters	<ul style="list-style-type: none">• Impairment losses on loans and advances to customers• Effective interest rate ("EIR") Accounting• Impact of Covid-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the annual accounts. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Society, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority and the Prudential Regulation Authority, and we considered the extent to which non-compliance might have a material effect on the annual accounts. We also considered those laws and regulations that have a direct impact on the annual accounts such as the Building Societies Act 1986 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the annual accounts (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journals to increase interest income and loan assets or record inappropriate expenditure, and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management and internal audit to enquire of any known instances of non-compliance with Laws and Regulations and Fraud;
- Reading correspondence with the Society's regulators The Financial Conduct Authority and the Prudential Regulation Authority in relation to compliance with Financial Services Regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment losses on loans and advances to customers and effective interest rate ("EIR") accounting (see the related key audit matters below); and
- Identifying and testing a sample of journal entries, in particular, journal entries posted with account combinations that would increase interest income or record inappropriate expenditure.

Independent auditors' report to the members of Bath Investment & Building Society (continued)

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the annual accounts of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Impact of Covid-19 is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter

How our audit addressed the key audit matter

Impairment losses on loans and advances to customers

See notes 1 and 2 to the annual accounts for the directors' disclosures of the related accounting policies, judgements and estimates and note 10 for detailed disclosures. The Society has recognised an impairment charge on loans and advances to customers ("loans") of £9,000 (2019: credit of £149,000) in the year. An individually identified provision of £433,000 (2019: £517,000) and a collective provision of £60,000 (2019: £71,000) are included in the statement of financial position at 31 December 2020. The individually identified provision covers loans and advances where the customer is in arrears or is subject to some form of forbearance. Such loans are included on the Watchlist. Loans that do not display an individual indicator of impairment are assessed for recoverability within the collectively assessed impairment calculation.

Significant judgement needs to be applied by the directors to identify loans where an impairment event has occurred and, once identified, in determining the estimate of loss on a loan. Such a loss is calculated by models to discount the future cash flows expected to be received on a loan. The calculation is impacted by a number of assumptions which we focused on, including

- The value of the underlying security, adjusted for house price indexation and an estimated forced sale discount, at the forecast disposal date once a loss event has occurred;

We tested the significant inputs into the models that determine the specific and collective provisions to supporting evidence from loan documentation.

We tested the completeness of the Watchlist for the Specific Provision by extracting from the loan listing all loans which would require provision using the Society's impairment methodology and testing to confirm that those loans were on the Watchlist.

We obtained a list of all accounts where the borrower applied for a payment deferral as a result of the Covid-19 pandemic in the period, identifying those that had subsequently entered into arrears or where the arrears balance had increased following the end of the deferral period. We tested to confirm that those loans were on the Watchlist.

We tested the assumptions used to determine the specific provision, including those related to security value and the cost of realising the security by:

- Agreeing a sample of property valuations to latest valuations prepared by external valuers and recalculating indexation to the period end date where appropriate;
- Undertaking sensitivity analysis to assess the degree of change required in those assumptions to result in material movements in the specific provision; and

Independent auditors' report to the members of Bath Investment & Building Society (continued)

Key audit matter (Continued)

- The propensity to default; and
- The period in which the expected cash flows will arise.

The collectively assessed impairment calculation is impacted by:

- The propensity to default;
- The loss given default; and
- The exposure at default.

The probability of default and the loss given default are calculated with reference to historical loss data.

The above are subject to estimation uncertainty and, as a result of the Society's limited recent experience of default, there is an increased risk that actual losses may be materially different to the impairment allowances. There is also a risk of unobserved impairments relating to the Covid-19 pandemic.

Key audit matter

Effective interest rate ("EIR") Accounting

See notes 1 and 2 to the annual accounts for the directors' disclosures of the related accounting policies, judgements and estimates.

Loans and advances to customers ("loans") are held at amortised cost and interest receivable is recognised using the EIR method. The recognition of interest receivable using the EIR method requires assumptions to be made by management regarding the expected life of loans. This is because accounting standards require that interest and related fee income is recognised using a constant yield over the estimated life of loans. The method also requires assumptions to be made regarding the likelihood of a borrower to redeem within the product term, such that an estimate can be made of the future cash flows expected to arise from early repayment charges.

How our audit addressed the key audit matter (Continued)

- Assessing the reasonableness of the propensity to default estimates by comparing with historic experience. We also compared the assumptions used to those of peer organisations in order to challenge the assumptions.

In order to test the collective provision, we tested the estimates of propensity to default and loss given default by reference to the Society's underlying historical loss data and we tested exposure at default by reference to the Society's loan book data.

We undertook sensitivity analysis to assess the degree of change required in those estimates to result in material movements in the collective provision. This analysis included stresses to the assumptions in relation to customer behaviour due to the Covid-19 pandemic.

Overall, based on the procedures performed and the evidence obtained, we found management's judgements and estimates used in the determination of the impairment provision to be reasonable.

How our audit addressed the key audit matter

We understood the basis of management's process for recognising interest income using the effective interest rate method, and identified the key data inputs and assumptions within management's calculation.

We tested the approach to management's interest income recognition to determine whether it is consistent with the accounting standards. This included assessing whether the fees and expenses included within management's model should be included within the effective interest rate calculation.

We tested a sample of input data included in management's calculations for the EIR balances to the loan book standing data. We tested the accuracy of the calculations used to spread the net income amount.

We confirmed that the calculations used to estimate future receipts of early repayment charges were mathematically accurate.

Independent auditors' report to the members of Bath Investment & Building Society (continued)

Key audit matter (Continued)

How our audit addressed the key audit matter (Continued)

We compared the Society's estimate of the likelihood of redemption to its historical experience.

We compared the Society's estimate of expected lives of mortgages to its historical experience. In order to consider the impact of any changes to future redemption levels on the expected life of loans we undertook sensitivity analysis on this assumption to assess the degree of change required to result in a material movement in the interest recognised.

We concluded that the EIR accounting has been based on appropriate methodology and reasonable estimates.

Key audit matter

How our audit addressed the key audit matter

Impact of Covid-19

The Covid-19 pandemic has disrupted financial markets and normal patterns of human behaviour during the year. This is translating into adverse impacts on the UK economy and uncertainty in the UK housing market. In response, the UK Government and the financial services regulators have announced measures to support business and people.

The Covid-19 pandemic has also changed the way that companies operate their businesses, with one of the most substantial impacts being the transition to remote working. A proportion of the Society's employees have been working remotely during 2020. Our audit team has also been working remotely for most of 2020.

The directors have specifically considered the impact on the annual accounts as it gives rise to greater levels of uncertainty in the following areas:

- The going concern assessment of the Society, and the Society's longer-term financial sustainability
- Impairment provision for loans and advances to customers.

We considered the impact of Covid-19 to be an area of increased risk due to the potential for it to have pervasive implications for the Society.

We have discussed the impact of Covid-19 on the Society's annual accounts and operations with the Audit Committee. We also explained how we planned to execute our audit with all of our audit team working remotely.

In assessing the Directors' consideration of the impact of Covid-19 on the Annual Accounts, we have undertaken the following audit procedures:

Going concern

- We evaluated and challenged management's assessment of the impact of Covid-19 on its business plans, liquidity and capital position
- We reviewed the impact of management's stress test scenarios and considered the likelihood of successful implementation of management actions to mitigate the impacts
- We challenged the reasonableness of the scenarios used by the directors in their going concern assessment and checked the appropriateness of the assumptions used within their forecasting

Impairment losses on loans and advances to customers
Refer to separate *Impairment losses on loans and advances to customers* Key Audit Matter.

Independent auditors' report to the members of Bath Investment & Building Society (continued)

Key audit matter (Continued)

The directors' disclosures demonstrating how the pandemic gives rise to a principal risk for the Society are given on page 15. Disclosures relating to the appropriateness of the use of the going concern basis of preparation and the considerations made by the directors when drawing this conclusion are given on page 17.

How our audit addressed the key audit matter (Continued)

Based on our procedures performed and the information arising at the time of the directors' approval of the annual accounts, we have not identified any matters to report with respect to the impact of Covid-19 on the Society.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the annual accounts as a whole, taking into account the structure of the Society, the accounting processes and controls, and the sector in which it operates.

All of the Society's activities are in the United Kingdom and all its activities are undertaken through the Society. The Society has no active subsidiaries. Its activities are the provision of mortgage finance primarily for the purchase and improvement of residential property and savings products for private individuals and local businesses.

The accounting records of the Society are located at its principal office in Bath, our audit procedures provided us with sufficient audit evidence as a basis for our opinion on the Annual accounts.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the annual accounts as a whole.

Based on our professional judgement, we determined materiality for the annual accounts as a whole as follows:

Overall materiality	<ul style="list-style-type: none">£402,000 (2019: £384,000)
How we determined it	<ul style="list-style-type: none">1% of Net assets.
Rationale for benchmark applied	<ul style="list-style-type: none">Net assets is considered to be the most appropriate benchmark for the Society given that its strategy is not one purely of profit maximisation but instead to provide a secure place for customer investments in a mutual environment. Regulatory capital is the key benchmark for management and regulators but it is not a statutory accounts measure. Hence the materiality calculation is based on net assets as this approximates to regulatory capital given the simple funding structure of the Society.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £302,000.

Independent auditors' report to the members of Bath Investment & Building Society (continued)

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £20,000 (2019: £19,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Critically assessing the directors' conclusions on their going concern assessment, including consideration of the impact of Covid-19 on the annual accounts.
- Reviewing the impact of management's stress test scenarios and considering the likelihood of successful implementation of management actions to mitigate the impacts. We considered whether the Society would continue to operate above required regulatory capital and liquidity minima during times of stress.
- Challenging the reasonableness of the scenarios used by the directors in their going concern assessment and checking the appropriateness of the assumptions used within their forecasting.
- Evaluating management's disclosures in the Annual Report and checking the consistency of the disclosures with our knowledge of the Society based on our audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from the date on which the annual accounts are authorised for issue.

In auditing the annual accounts, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the annual accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Society's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the annual accounts and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Independent auditors' report to the members of Bath Investment & Building Society (continued)

In connection with our audit of the annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Annual Business Statement and Directors' Report we also considered whether the disclosures required by the Building Societies Act 1986 have been included.

Building Societies Act 1986 – Opinion on Annual Business Statement and Directors' Report

In our opinion, based on our work undertaken in the course of the audit:

- the Annual Business Statement and the Directors' Report have been prepared in accordance with the requirements of the Building Societies Act 1986;
- the information given in the Directors' Report for the year ended 31 December 2020 is consistent with the accounting records and the annual accounts; and
- the information given in the Annual Business Statement (other than the information upon which we are not required to report) gives a true representation of the matters in respect of which it is given.

Responsibilities for the annual accounts and the audit

Responsibilities of the directors for the annual accounts

As explained more fully in the Statement of Directors' Responsibilities set out on page 16, the directors are responsible for the preparation of the annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

Independent auditors' report to the members of Bath Investment & Building Society (continued)

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the annual accounts is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Society's members as a body in accordance with Section 78 of the Building Societies Act 1986 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Building Societies Act 1986 exception reporting

Under the Building Societies Act 1986 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Society; or
- the Society annual accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations and access to documents we require for our audit.

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the Board of Directors in 2018 to audit the annual accounts for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement is 3 years, covering the years ended 2018 to 2020.

Kevin Williams (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Cardiff
5 March 2021

Income statement

For the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Interest receivable and similar income	3	9,278	10,617
Interest payable and similar charges	4	(1,768)	(2,843)
Net interest income		7,510	7,774
Fees and commissions receivable	5	226	216
Fees and commissions payable	6	(377)	(333)
Net fee and commission expense		(151)	(117)
Other operating income		9	16
Net (losses) from derivatives and hedge accounting	7	(208)	(231)
Investment property - change in fair value	20	-	20
Loss on sale of investment property		(1)	-
Net operating income		7,159	7,462
Administrative expenses	8	(4,601)	(4,494)
Depreciation, amortisation and profit on disposal of fixed asset		(270)	(298)
Operating expenses		(4,871)	(4,792)
Impairment (charge)/release on loans and advances to customers	12	(9)	149
Provision for other liabilities and charges	25	(10)	(78)
Profit before taxation		2,269	2,741
Taxation expense	11	(445)	(526)
Profit for the year		1,824	2,215

The notes on pages 39 to 59 form part of these accounts.

Statement of financial position

For the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Assets			
Liquid Assets:			
Cash in hand and balances with the Bank of England		69,772	62,463
Loans and advances to credit institutions	13	12,051	17,405
		81,823	79,868
Derivative financial instruments	14	-	71
Loans and advances to customers:			
Loans fully secured on residential property	15	258,055	236,065
Other loans fully secured on land	16	9,377	11,664
	17	267,432	247,729
Intangible fixed assets	18	418	269
Property, plant and equipment	19	3,088	3,121
Investment properties	20	272	420
Prepayments and accrued income		357	439
Total Assets		353,390	331,917
Liabilities			
Shares	22	247,474	224,710
Deposits owed to other customers	23	62,865	67,040
Derivative financial instruments	14	1,679	539
Other liabilities	24	439	601
Deferred tax liability	21	221	186
Accruals and deferred income		293	256
Provisions for liabilities and charges	25	153	143
Total liabilities		313,124	293,475
Total equity attributable to Members		40,266	38,442
Total equity and liabilities		353,390	331,917

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

The notes on pages 39 to 59 form part of these accounts.

Statement of changes in equity

For the year ended 31 December 2020

	General Reserve £000	Revaluation reserve £000	Total equity attributable to Members £000
As at 31 December 2020			
As at 1 January 2020	37,534	908	38,442
Total comprehensive income for the year	1,824	-	1,824
As at 31 December 2020	39,358	908	40,266

	General Reserve £000	Revaluation reserve £000	Total equity attributable to Members £000
As at 31 December 2019			
As at 1 January 2019	35,319	908	36,227
Total comprehensive income for the year	2,215	-	2,215
As at 31 December 2019	37,534	908	38,442

Cash flow statement

For the year ended 31 December 2020

	Notes	2020 £000	2019 £000
Profit on ordinary activities before tax		2,269	2,741
Adjusted for:			
Impairment loss/(release) on loans and advances to customers	12	9	(149)
Depreciation and amortisation		279	285
Change in value of investment property	20	-	(20)
Profit on disposal of fixed assets		(9)	13
Loss on disposal of investment properties		1	-
Cash generated from operations		2,549	2,870
Changes in operating assets and liabilities			
Decrease/(Increase) in prepayments and accrued income		95	(36)
Increase in loans and advances to customers		(19,712)	(1,872)
Increase in accruals and deferred income		37	27
Net increase/(decrease) in shares		22,764	(3,136)
Change in derivative financial instruments	14	1,211	570
Net (decrease)/increase in deposits owed to other customers		(4,175)	8,109
Net decrease/(increase) in loans and advances to credit institutions		7,500	(2,000)
Net (decrease)/increase in other liabilities		(119)	215
Increase in provisions for liabilities and charges	25	10	78
Taxation paid		(453)	(582)
Net cash inflow from operating activities		9,707	4,243
Purchase of intangible assets and property, plant and equipment		(403)	(162)
Sale of property, plant and equipment		17	-
Sale of Investment Properties		147	-
Net cash flows from investing activities		(239)	(162)
Net increase in cash and cash equivalents		9,468	4,081
Cash and cash equivalents at beginning of the year		69,325	65,244
Cash and cash equivalents at the end of the year		78,793	69,325
Represented by:			
Cash and balances with the Bank of England	29	69,772	62,463
Loans and advances to credit institutions repayable on demand	13	9,021	6,862
		78,793	69,325

Notes to the accounts

For the year ended 31 December 2020

1. Accounting policies

The principal accounting policies are summarised below. All accounting policies have been applied consistently throughout the year and the preceding year.

General information and basis of accounting

The registered office of Bath Building Society is 15 Queen Square, Bath, BA1 2HN. The nature of the Society's operations and its principal activities are set out in the Strategic Report on pages 8-15.

The financial statements have been prepared on the going concern basis as outlined in the Directors' Report.

The functional currency of Bath Building Society is pounds Sterling. The financial statements have been prepared in accordance with the Building Societies (Accounts and Related Provisions) Regulations 1998.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

Intangible assets – computer software

Website and computer software development costs, installation costs and licence fees are capitalised where the assets created will generate future economic benefits. Where relevant costs are capitalised, they are amortised using the straight line method over their estimated useful lives which are 3 to 6 years. The amortisation periods are reviewed annually. Costs associated with establishing technical feasibility or to maintain software and existing levels of performance are expensed as they are incurred.

Property, plant and equipment

Property, plant and equipment is stated at cost or valuation, less accumulated depreciation and less any impairment. Additions and subsequent expenditure are included in an asset's carrying value or are recognised as a separate asset only when they improve the expected future economic benefits to be derived from the asset. Land is not depreciated. Depreciation on other assets is provided using the straight line method to allocate costs less residual values over estimated useful lives, as follows:

Freehold premises	1% per annum
Leasehold premises	term of lease
Fixtures and fittings	10% – 25% per annum
Computer equipment	25% per annum
Vehicles	25% per annum

All repairs and maintenance costs are charged to the income statement in the period in which they are incurred.

Investment properties

Investment properties are held for long-term rental yields and capital appreciation. Investment properties for which fair values can be measured reliably without undue cost or effort on an ongoing basis are measured at fair value annually with any changes being recognised in the income statement relating to the period in which they arise. Depreciation is not charged on investment properties.

Revaluation of properties

Individual freehold properties that are used in the Society's business are revalued to fair value every five years with an interim revaluation carried out in the third year after the full revaluation. The surplus or deficit on revaluation is transferred to the revaluation reserve, except where a deficit is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, when the amount is charged (or credited) to the income statement.

Measurement of financial instruments

The Society has adopted in full Sections 11 and 12 of FRS 102 with regards to accounting for financial instruments. These sections classify financial instruments as being either 'basic financial instruments' or 'other financial instruments'.

Basic financial instruments

This category includes non-derivative financial assets and liabilities. It applies to cash in hand and balances with the Bank of England, loans and advances to credit institutions, debt securities issued by other borrowers, loans and advances to customers, shares, and deposits owed to other customers. Basic financial instruments are initially recognised at transaction price, including transaction costs. Assets and liabilities are subsequently measured at amortised cost which is the present value of a financial instrument's future cash flows discounted at its effective interest rate. The interest income or expense in a period equals the carrying amount at the beginning of a period multiplied by the effective interest rate.

Financial assets in this category that are measured at cost or amortised cost are assessed annually for evidence of impairment. Impairments are determined using an incurred loss model. For assets measured at amortised cost, an impairment loss is calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. For assets measured at cost, impairment is calculated as the difference between the carrying amount and the best estimate of the amount that would be received if the asset was sold at the reporting date.

Where the qualifying criteria of FRS102 are satisfied, the Society applies hedge accounting to those mortgage assets in economic hedging relationships with derivative financial instruments, as described in the 'Hedge accounting' section below.

1. Accounting policies (continued)

Other financial instruments

This category covers derivative financial assets and liabilities. The Society utilises derivative financial instruments to reduce interest rate risk arising from offering fixed rate mortgage products. The Society uses derivative financial instruments for economic hedging purposes only. Derivatives are initially recognised at fair value at the date of inception of the contract. They are subsequently re-measured at fair value and are carried as assets when their fair values are positive and liabilities when their fair values are negative. Changes in values are reflected in the income statement under 'Net gains/losses from derivatives and hedge accounting' in the period in which the movement occurs. The initial transaction costs associated with derivatives are taken directly to the income statement. Fair value is determined in the manner described in Note 29.

The Society adopted the amendments to FRS 102 published in December 2019 related to interest rate benchmark reform. There were no updates or amendments required to the Societies existing hedge accounting relationships or documentation and it is expected that there will be minimal impact from interest rate benchmark reform on the existing hedge relationships, with all LIBOR linked interest rate swap contracts being expected to be closed out prior to the end of 2021.

Hedge accounting

Hedge accounting is applied when the specific eligibility criteria set out in FRS102 are fulfilled. The Society designates its derivatives into fair value hedges in order to reduce volatility in the income statement associated with the difference in the accounting measurement bases for interest rate swap derivatives (the hedging instruments) and fixed rate mortgages (the hedged items) which would otherwise exist.

The Society undertakes individual (known as 'micro') fair value hedge accounting, with interest rate risk being the hedged risk. The Society's fair value hedge relationships involve the designation of a number of fixed rate mortgages into hedge relationships with a single interest rate swap.

The change in fair value of the hedged item that is attributable to the hedged risk is accounted for as an adjustment to the carrying value of loans and advances to customers in the Statement of Financial Position and is recorded in the Income Statement under 'Net gains/losses from derivatives and hedge accounting' in the period in which the movement occurs, thereby offsetting the effect of the related movements in the fair value of the derivative.

Where the hedge no longer meets the criteria for hedge accounting, or is terminated for any other reason, the adjustment to the hedged item is recognised in the Income Statement over the remaining period of the hedge relationship.

Impairment losses on loans and advances to customers

The Society assesses at the date of each statement of financial position whether, as a result of one or more events that occurred after initial recognition, there is objective evidence that loans and

advances to customers are impaired. Evidence of impairment may include indication that borrowers are experiencing significant financial difficulties, default or delinquency in interest or principal payments and loans being restructured to reduce the burden on borrowers.

The Society considers a loan to be in default if it is six or more months in arrears or if another event has occurred that results in a very high likelihood of a loan moving into this arrears position. An individual impairment test is undertaken for all loans that are categorised as being in default. The impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The resultant allowances for impairment have been deducted from the appropriate asset values in the statement of financial position.

Loans that are not in default are considered for collective impairment. An estimate of the probability of loans moving into default and the likelihood of losses crystallising given default is calculated each year-end. For loans that are not past due, a historical assessment of the probability of loans moving into arrears is considered over an emergence period of 12 months in order to capture loss events that have been incurred at balance sheet date but where arrears have not yet been reported.

Taxation

The tax expense represents the sum of current and deferred tax. Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences. In contrast, deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Both current and deferred tax balances are calculated using tax rates applicable at the date of the statement of financial position.

Pension costs

The Society operates an externally managed defined contribution personal pension scheme for staff, under which the costs of the Society's contributions are charged to the income statement in the year in which the pensionable salary is earned.

Leasing

All rental payments under operating lease contracts are charged to the income statement on a straight-line basis over the period of the lease.

Interest receivable and similar income

The Society uses the Effective Interest Rate (EIR) method to recognise interest receivable from all basic financial instruments

1. Accounting policies (continued)

including loans and advances to credit institutions, debt securities issued by other borrowers and loans and advances to customers. The net expense on derivative financial instruments is recognised on an accruals basis.

Interest payable and similar charges

The Society uses the EIR method to recognise interest payable from all basic financial instruments including shares and deposits owed to other customers.

Fees and commissions receivable

Fees receivable from the Society's mortgage business that are integral to the yield on mortgage loans are included within interest receivable and are recognised using the asset's EIR at inception. Other mortgage fees receivable are recognised within fees and commissions receivable in the same period as their related expenses, or otherwise they are recognised on a receipts basis. Commissions received by the Society relating to a transferred back book of homes and contents insurance policies are recognised on a receipts basis.

Fees and commissions payable

Mortgage fees payable that are integral to the yield on mortgage loans are included within the EIR calculation for revenue recognition. Other mortgage fees payable are recognised within fees and commissions payable in the same period as any related fee income. Commissions paid to investment introducers and branch agents are not considered to form part of the effective interest cost of shares and deposits and are therefore included within fees and commissions payable on an accruals basis. Other fees and commissions payable are recognised on an accruals basis.

Other operating income

Other operating income comprises rent receivable from the letting of investment property. Income is included in the accounts on an accruals basis.

2. Judgements in applying accounting policies and critical accounting estimates

In preparing the Society's financial statements in accordance with FRS 102, it is necessary to make judgements and estimates which affect the reported amounts of assets, liabilities, income and expense. Actual outcomes may differ from those on which the Society's estimates are based. Estimates and assumptions are frequently re-evaluated and are based on historical experience and other factors. The most significant judgements and sources of estimation uncertainty in applying the Society's accounting policies are set out below.

Judgements

Impairment on loans and advances

Where there is objective evidence that a financial asset is impaired, the Society is required under FRS102 to recognise an impairment loss as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate.

The most significant judgement in determining the level of impairment loss is in relation to one individually material loan asset where there is a substantial record of performance under a forbearance arrangement but which remains in arrears. The judgement is whether the future cash flows will be received through continued performance under the forbearance arrangement until the end of the loan term, or alternatively through repossession and realisation of the collateral security in a shorter period. Based on the substantial record of performance against the forbearance arrangement the Society's judgement is that assuming continued payment under this arrangement until the end of the loan term is most appropriate.

If the Society were instead to assume that collateral would be repossessed and realised in a twelve month period (in line with its standard assumptions for defaulted loans), loans and advances to customers in the statement of financial position would be reduced by £238,000 in recognition of the additional impairment allowance, and an additional charge of £238,000 would be recognised for impairment losses on loans and advances to customers in the Income Statement.

Estimation uncertainty

Impairment on loans and advances – specific impairment

The Society assesses all lending at loan level to determine whether there is objective evidence of impairment, with any resultant impairment being a specific impairment.

The significant accounting estimates applied in determining expected specific impairment are:

- estimating the future value of collateral security at the point of repossession;
- estimating the reduction in collateral valuation associated with a forced sale and the costs to sell;
- estimating the time to realisation of the collateral in the event of repossession.

None of these estimates in isolation present a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. However, collectively, the level of estimation uncertainty could be significant.

For example, assuming the changes in estimates set out below, loans and advances to customers in the statement of financial position would be reduced by £191,000 in recognition of the additional impairment, and an additional charge of £191,000 would be recognised for impairment losses on loans and advances to customers in the Income Statement.

2. Judgements in applying accounting policies and critical accounting estimates (continued)

- An increase in the forced sale discount from 20% to 30%;
- A further reduction in house prices at the time of realisation of collateral from 8% to 18%;
- An increase in the time to realisation of the collateral from one year to two years.

Impairment on loans and advances - collective impairment

In addition to specific impairment, the Society will hold some loans where objective evidence of impairment exists, but where the Society is not yet aware of that evidence (for example where a borrower may have recently lost their job but has not notified the Society or fallen into arrears). The Society estimates the level of impairment necessary to take account of these loans through a collective assessment of the likely exposure based on historical arrears and loss history. This is known as collective impairment.

The Collective impairment is calculated as the probability of each borrower progressing to default within the next twelve months multiplied by the estimated loss given default. The probability of default is estimated using historic data about how accounts have progressed through month in arrears bandings in the past. The loss given default is estimated based on historic loss crystallisation rates for accounts entering default, and the proportion of the exposure which was lost where repossession occurred.

Estimation uncertainty is present in both the probability of default and the loss given default. If the average probability of default were to be double the actual estimation for each account, loans and advances to customers in the statement of financial position would be reduced by £60,000 in recognition of the additional impairment, and an additional charge of £60,000 would be recognised for impairment losses on loans and advances to customers in the Income Statement. Similarly, if the average loss given default were to be double the actual estimation for each account, loans and advances to customers in the statement of financial position would be reduced by £60,000 in recognition of the additional impairment, and an additional charge of £60,000 would be recognised for impairment losses on loans and advances to customers in the Income Statement.

Early repayment charges

Under FRS102 the Society's loans are measured at amortised cost using the effective interest method. One future cash flow which the Society must consider under this method is the receipt of early repayment charges for mortgages which are partially or fully redeemed whilst in their initial product term.

These charges are estimated using two key variables:

- The average behavioural life of a loan; and
- The propensity of a borrower to redeem within the product term.

These variables are estimated in turn based on historic behavioural life and prepayment data, and estimation uncertainty is present for both variables. If the average behavioural life of 3.4 years were extended by a year, loans and advances to customers in the statement of financial position would be decreased by £103,272 and a reduction in interest revenue of £103,272 would be recognised in the Income Statement. If the average propensity to prepay in a year were 1.5 times more, loans and advances to customers in the statement of financial position would be increased by £134,590 and additional interest revenue of £134,590 would be recognised in the Income Statement.

Notes to the accounts (continued) For the year ended 31 December 2020

3. Interest receivable and similar income	2020	2019
	£000	£000
On loans fully secured on residential property	9,031	9,522
On other loans fully secured on land	490	620
On other liquid assets:		
Interest and similar income	225	550
Net expense on derivative financial instruments	(468)	(75)
	9,278	10,617

4. Interest payable and similar charges	2020	2019
	£000	£000
On shares held by individuals	1,632	2,409
On deposits owed to other customers	136	434
	1,768	2,843

5. Fees and commissions receivable	2020	2019
	£000	£000
Mortgage related fees	223	207
Other fees and commissions	3	9
	226	216

6. Fees and commissions payable	2020	2019
	£000	£000
Mortgage related fees	168	149
Commission to investment agents and introducers	207	182
Other fees and commissions	2	2
	377	333

7. Net (losses)/gains from derivatives and hedge accounting	2020	2019
	£000	£000
(Losses)/Gains on derivatives not in hedging relationship	-	(69)
(Losses) on derivatives in hedging relationships	(1,151)	(485)
(Losses)/Gains on derivatives	(1,151)	(554)
Gains on hedged mortgage assets	943	323
	(208)	(231)

Notes to the accounts (continued) For the year ended 31 December 2020

8. Administrative expenses

	2020 £000	2019 £000
Wages and salaries	2,323	2,147
Social security costs	264	226
Other pension costs	137	119
	2,724	2,492
Other administrative expenses:	1,877	2,002
Total administrative expenses	4,601	4,494

Other administrative expenses include: £000 £000

Auditors' remuneration:

For audit of the Society's annual accounts (excl VAT)	75	62
Total audit fees	75	62

Assurance services other than the auditing of the Society's accounts	-	-
Total auditors' remuneration	75	62

Operating lease charges:

Land and buildings	86	86
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9. Employees

The average monthly number of staff employed during the year was:

	2020 Full-time	2019 Full-time	2020 Part-time	2019 Part-time
Head Office	43	43	6	6
Branches	5	4	4	4
Total Society	48	47	10	10

Notes to the accounts (continued) For the year ended 31 December 2020

10. Directors' emoluments and transactions with Directors

	2020 £000	2019 £000
a) Remuneration of Directors		
For services as Non-Executive Directors	175,258	164,561
For Executive services	490,544	468,483
	665,802	633,044

Full details are given in the Report of the Directors on Remuneration on pages 24 and 25.

b) Transactions with Directors and connected persons

Mortgage Loans

At 31 December 2020 there was one outstanding mortgage loan to a connected entity of a Director totalling £40,000 (2019: 1 loan, £40,000).

The register, required to be maintained under Section 68 of the Building Societies Act 1986 detailing all loans, transactions and arrangements with Directors and their connected persons, is held at the Society's Head Office. It is available for inspection, by Members, in normal office hours by arrangement with the Society's Secretary, during the period of 15 days prior to the Annual General Meeting and at the Annual General Meeting.

Related Party Transactions

Other than described above there were no transactions with Directors that constituted related party transactions. The key management of the Society is considered to be the Directors, and therefore no additional disclosures are required.

11. Taxation

	2020 £000	2019 £000
Current Tax:		
Corporation tax at 19% (2019: 19%)	410	534
Deferred Tax:		
Current year	13	(9)
Effect of rate changes	22	1
Tax on profit on ordinary activities	445	526
	2020 £000	2019 £000
Factors affecting tax charge for the year		
Profit before tax	2,269	2,741
Profit multiplied by effective rate of corporation tax of 19% (2019: 19%)	431	521
Effects of:		
Expenses not deductible for tax purposes	5	4
Income not taxable	(13)	-
Effect of rate changes	22	1
Total tax charge for the year	445	526

12. Impairment losses on loans and advances to customers

2020	Loans fully secured on residential property £000	Loans fully secured on land £000	Total £000
At 1 January 2020:			
Collective impairment	57	14	71
Individual impairment	517	-	517
	<u>574</u>	<u>14</u>	<u>588</u>
Income and expenditure account charge/(credit) for the year:			
Collective impairment	(17)	6	(11)
Individual impairment	29	-	29
	<u>12</u>	<u>6</u>	<u>18</u>
Amount utilised during the year:			
Collective impairment	-	-	-
Individual impairment	(113)	-	(113)
	<u>(113)</u>	<u>-</u>	<u>(113)</u>
At 31 December 2020:			
Collective impairment	40	20	60
Individual impairment	433	-	433
	<u>473</u>	<u>20</u>	<u>493</u>

In 2020 £29,000 was released and utilised against one loan, taking the total individual impairment for all loans to £433,000 (2019: £517,000). The Society recovered £9,000 in respect of a loan which had been written off in a prior year. This was combined with the 2020 charge of £18,000 shown above to give a charge to the 2020 income statement of £9,000.

2019	Loans fully secured on residential property £000	Loans fully secured on land £000	Total £000
At 1 January 2019:			
Collective impairment	26	5	31
Individual impairment	706	-	706
	<u>732</u>	<u>5</u>	<u>737</u>
Income and expenditure account charge/(credit) for the year:			
Collective impairment	31	9	40
Individual impairment	(189)	-	(189)
	<u>(158)</u>	<u>9</u>	<u>(149)</u>
Amount utilised during the year:			
Collective impairment	-	-	-
Individual impairment	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2019:			
Collective impairment	57	14	71
Individual impairment	517	-	517
	<u>574</u>	<u>14</u>	<u>588</u>

In 2019 £189,000 was released against two loans, taking the individual impairment for these loans to £517,000 (2018: £706,000). One loan was reassessed based on changes to property valuations and this resulted in the release of £17,000 of individual impairment allowances. The other loan, which continues to be in default, was reassessed based on the likely level of recovery against the loan, and this resulted in the release of £172,000 of individual impairment allowances.

Notes to the accounts (continued) For the year ended 31 December 2020

13. Loans and advances to credit institutions

Repayable from the date of the statement of financial position in the ordinary course of business:

	2020 £000	2019 £000
Accrued interest	30	43
Repayable on demand	7,401	6,462
Repayable within three months	3,000	4,000
Repayable in more than three months and less than one year	-	6,500
Credit Support Annex (CSA) asset	1,620	400
	12,051	17,405

The International Swaps and Derivatives Association (ISDA) Master Agreement is the Society's preferred agreement for entering into derivative activity. For certain counterparties a Credit Support Annex (CSA) has been executed in conjunction with the ISDA Master Agreement. Under a CSA, cash collateral is passed between counterparties to mitigate the market contingent counterparty risk inherent in the outstanding positions. As at 31 December 2020, £1,620,000 had been placed (2019: £400,000 placed).

14. Derivative financial instruments

Interest rate swaps are used by the Society for hedging interest rate risk that is associated with fixed rate mortgage products. These are commitments to exchange one set of cash flows for another. No exchange of principal takes place.

	Notional amount		Fair value	
	2020 £000	2019 £000	2020 £000	2019 £000
Derivative assets:				
Interest rate swaps	-	25,174	-	71
Total recognised derivative assets	-	25,174	-	71
Derivative liabilities:				
Interest rate swaps	105,622	56,191	(1,679)	(539)
Total recognised derivative liabilities	105,622	56,191	(1,679)	(539)

In 2020 there was an overall net liability from derivative financial instruments of £1,679,000 (2019 net liability of £468,000).

15. Loans fully secured on residential property

	2020 £000	2019 £000
Gross balances	257,039	236,212
Allowance for impairment	(473)	(574)
Unamortised loan origination fees	222	104
Fair value hedge accounting adjustment	1,267	323
	258,055	236,065

Notes to the accounts (continued) For the year ended 31 December 2020

16. Other loans fully secured on land

	2020 £000	2019 £000
Gross balances	9,397	11,678
Allowance for impairment	(20)	(14)
	<u>9,377</u>	<u>11,664</u>

17. Loans and advances to customers

The remaining contractual maturity of loans and advances secured on residential property and other loans fully secured on land from the date of the statement of financial position is as follows:

	2020 £000	2019 £000
On call and at short notice	2,018	1,508
In not more than three months	932	1,175
In more than three months but not more than one year	4,210	4,446
In more than one year but not more than five years	37,114	31,676
In more than five years	<u>222,162</u>	<u>209,085</u>
	266,436	247,890
Allowances for impairment (see note 12)	(493)	(588)
Unamortised loan origination fees	222	104
Fair value hedge accounting adjustment	<u>1,267</u>	<u>323</u>
	<u>267,432</u>	<u>247,729</u>

The above table may not reflect actual experience of repayments since many mortgage loans are repaid early.

The Society participates in the Bank of England's Sterling Monetary Framework. The Society places a proportion of its total portfolio of mortgage loans with the bank to be held as collateral against funds drawn from the bank's liquidity arrangements. The portfolio of loans prepositioned with the bank are not currently encumbered.

18. Intangible fixed assets

	Computer software £000
At cost	
At 1 January 2020	1,623
Additions	312
At 31 December 2020	<u>1,935</u>
Accumulated amortisation	
At 1 January 2020	1,354
Charge	163
At 31 December 2020	<u>1,517</u>
Net book value	
At 31 December 2020	<u>418</u>
At 31 December 2019	<u>269</u>

Computer software includes website and software development costs, implementation costs and licences.

Notes to the accounts (continued) For the year ended 31 December 2020

19. Property, plant and equipment

	Land and buildings		Equipment, fixtures and fittings and vehicles £000	Total £000
	Freehold premises £000	Leasehold premises (short) £000		
<i>At cost or valuation</i>				
At 1 January 2020:	2,950	64	887	3,901
Additions	-	-	91	91
Disposals	-	-	(40)	(40)
At 31 December 2020	2,950	64	938	3,952
<i>Accumulated depreciation</i>				
At 1 January 2020:	20	64	696	780
Charge	20	-	96	116
Disposals	-	-	(32)	(32)
At 31 December 2020	40	64	760	864
<i>Net book value</i>				
At 31 December 2020	2,910	-	178	3,088
At 31 December 2019	2,930	-	191	3,121

An external revaluation of all the Society's freehold land and buildings was last conducted as at 31 December 2018 by Derek Walker Chartered Surveyors. The valuation of properties used in the Society's business was prepared using a fair value in existing use basis. The Society conducts a full external revaluation every five years with an interim valuation conducted three years after each full revaluation.

20. Investment properties

	2020 £000	2019 £000
At 1 January	420	400
Disposals	(148)	-
Fair value adjustment	-	20
At 31 December	272	420

In 2020, the Society sold one investment property that crystallised a loss of £1,000. The remaining investment properties consist of surplus ground floor commercial premises that are no longer used in the Society's business plus an associated first floor residential flat. All of the investment properties are located in the City of Bath. Estimates of market values are obtained annually from Derek Walker, Chartered Surveyors, Bath.

The total future minimum lease payments receivable under non-cancellable operating leases relating to investment properties were as set out below:

	2020 £000	2019 £000
Within 1 year	10	10
Between 1 and 5 years	-	10
At 31 December	10	20

Notes to the accounts (continued) For the year ended 31 December 2020

21. Deferred taxation

	2020 £000	2019 £000
Deferred tax liability at 1 January	(186)	(194)
Charge to profit and loss account	(13)	9
Effect of rate changes	(22)	(1)
Deferred tax liability at 31 December	(221)	(186)

The elements of deferred taxation are as follows:

Fixed asset timing differences	(307)	(273)
Short-term timing differences	86	87
Deferred tax liability	(221)	(186)

A UK corporation rate of 19% (effective 1 April 2020) was substantially enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge accordingly. The deferred tax liability at 31 December 2020 has been calculated at 19% (2019: 17%).

22. Shares

All shares are held by individuals. In the ordinary course of business the repayment of share balances from the date of the statement of financial position is as follows:

	2020 £000	2019 £000
Accrued interest	199	373
Repayable on demand	220,571	211,091
In not more than 3 months	1,552	7,653
In more than 3 months but not more than 1 year	25,152	5,593
	247,474	224,710

23. Deposits owed to other customers

In the normal course of business deposits owed to other customers are repayable from the date of the statement of financial position as follows:

	2020 £000	2019 £000
Accrued interest	4	4
Repayable on demand	60,710	58,299
In not more than 3 months	695	4,141
In more than 3 months but not more than 1 year	1,456	4,596
	62,865	67,040

24. Other liabilities

	2020 £000	2019 £000
<i>Amounts falling due within 1 year:</i>		
Corporation tax	190	233
Other taxation and social security	74	76
Other creditors	175	292
	439	601

Notes to the accounts (continued) For the year ended 31 December 2020

25. Provisions for liabilities

	Provision for dilapidations £000
At 1 January 2020	143
Charge for the year	10
At 31 December 2020	153

The £10,000 charge for dilapidations relates to the Society's leased business premises at Wood Street, Bath. This provision will likely be utilised if the Society exits these premises. See Note 28 below regarding the provision for liabilities to the Financial Services Compensation Scheme.

26. Commitments

a) At 31 December 2020 the total of future minimum lease payments under non-cancellable operating leases were as set out below:

	2020 Property £000	2019 Property £000
Society commitments:		
Within 1 year	86	86
Between 1 and 5 years	344	344
After 5 years	418	504
	848	934

As at 31 December 2020 the Society had approximately 10 years of commitments remaining relating to a full repairing lease over its branch premises at 3 Wood Street, Bath.

b) The Society offers a mortgage product which allows borrowers to receive the contractual advance over a period of time. The amounts in respect of completed advances which have not yet been received by borrowers as at 31 December 2020 are £3,500,000 (2019: £3,000,000).

27. Pension schemes

During the year ended 31 December 2020 the Society operated a defined contribution personal pension scheme in respect of staff, and the charge for the year was £137,000 (2019: £119,000). As at 31 December 2020 there were outstanding contributions from the Society of £11,829 (2019: £10,068).

28. Contingent liabilities

Financial Services Compensation Scheme

The Financial Services Compensation Scheme has the right to require payments in respect of levies in each fiscal year, based on the Society's share of protected Scheme deposits at the start of each calendar year. The Society's potential liability to the Scheme consists of two elements: a management levy and a charge based on the costs of failures of other deposit taking institutions. No provision has been made in the current year (2019: nil) as the Society does not anticipate a levy being raised in respect of 2020 based on the latest available information published by the Financial Services Compensation Scheme. There remains uncertainty as to whether the Society will have any future liability to the Scheme if projected capital shortfalls should increase and what the scale of those liabilities would likely be.

Notes to the accounts (continued) For the year ended 31 December 2020

29. Financial instruments

a) Categories of financial instruments

Financial assets and liabilities are measured on an ongoing basis either at fair value or at amortised cost.

The accounting policies note describes how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following tables analyse the financial assets and liabilities in the statement of financial position by the class of financial instrument to which they are assigned and by the measurement basis.

As at 31 December 2020	At amortised cost £000	Fair value through profit and loss £000	Total £000
Society assets			
Cash in hand and balances with the Bank of England	69,772	-	69,772
Loans and advances to credit institutions	12,051	-	12,051
Derivative financial instruments	-	-	-
Loans and advances to customers	267,432	-	267,432
Total financial assets	349,255	-	349,255
Total non-financial assets			4,135
Total Society assets			353,390
Society liabilities			
Shares	247,474	-	247,474
Deposits owed to other customers	62,865	-	62,865
Derivative financial instruments	-	1,679	1,679
Total financial liabilities	310,339	1,679	312,018
Total non-financial liabilities			1,106
General reserve and other reserves			40,266
Total Society reserves and liabilities			353,390

As at 31 December 2019	At amortised cost £000	Fair value through profit and loss £000	Total £000
Society assets			
Cash in hand and balances with the Bank of England	62,463	-	62,463
Loans and advances to credit institutions	17,405	-	17,405
Derivative financial instruments	-	71	71
Loans and advances to customers	247,729	-	247,729
Total financial assets	327,597	71	327,668
Total non-financial assets			4,249
Total Society assets			331,917
Society liabilities			
Shares	224,710	-	224,710
Deposits owed to other customers	67,040	-	67,040
Derivative financial instruments	-	539	539
Total financial liabilities	291,750	539	292,289
Total non-financial liabilities			1,186
General reserve and other reserves			38,442
Total Society reserves and liabilities			331,917

29. Financial instruments (continued)

b) Carrying values and fair values

The table below compares carrying values and fair values of the Society's financial instruments by category. It is accompanied by an explanation of the methods used to determine fair value.

	Note	2020		2019	
		Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Society assets					
Cash in hand and balances with the Bank of England	i.	69,772	69,772	62,463	62,463
Loans and advances to credit institutions - excluding CSA payments	i.	10,431	10,431	17,005	17,005
CSA payments		1,620	1,620	400	400
Derivative financial instruments - interest rate swaps	ii.	-	-	71	71
Loans and advances to customers	iii.	267,432	267,578	247,729	250,074
		349,255	349,401	327,668	330,013
Society liabilities					
Shares	iv.	247,474	247,474	224,710	224,710
Deposits owed to other customers	iv.	62,865	62,865	67,040	67,040
Derivative financial instruments - interest rate swaps	ii.	1,679	1,679	539	539
		312,018	312,018	292,289	292,289

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The following methods and assumptions have been applied in determining fair value:

- i) The carrying amount of cash in hand, balances with the Bank of England and loans and advances to credit institutions with a maturity of under 12 months is assumed to equate to their fair value.
- ii) All derivatives are held for economic hedging purposes. The fair value of interest rate swaps is calculated by utilising discounted cash flow valuation models.
- iii) The fair value of loans and advances to customers is assumed to approximate to the discounted amount of future cash flows that are expected to be received after taking account of provisions for expected future impairments, expected levels of early repayment and discounting at current market rates.
- iv) The fair value of customer share and deposit accounts with maturities of under 12 months are assumed to equate to the amount payable at the date of the statement of financial position.

29. Financial instruments (continued)

c) Credit risk on loans and advances to customers

The classes of financial instruments to which the Society is most exposed to credit risk are loans and advances to customers, loans and advances to credit institutions, debt securities and financial derivatives. Credit risk relating to retail mortgages and commercial mortgages is described in this section. Credit risk relating to treasury financial instruments is described in section d).

Credit Risk Management

Experienced credit and risk functions operate within the Society and are driven by both the recognised need to manage the potential and actual risk but also by the need to continually develop new processes to ensure sound decisions are made in the future. In this way, any variations in risk from market, economic or competitive changes are identified and the appropriate controls are developed and put in place.

Comprehensive management information on movements and performance within the various loan portfolios ensures that credit risk is effectively controlled, and any adverse trends are identified before they impact on performance. Society performance is also measured against the industry where appropriate to identify where debt default levels are out of line with that of the industry average. The management information is distributed across the Society and monitored within tight boundaries at Board and Board sub-committees.

The exposure to retail credit risk relating to loans and advances to customers comprises the following:

	2020 £000	2020 %	2019 £000	2019 %
Retail mortgages	243,184	91.3	225,883	91.1
Commercial mortgages	23,252	8.7	22,007	8.9
Total gross exposure (contractual amounts)	266,436	100.0	247,890	100.0
Impairment, fair value and EIR adjustments	996		(161)	
Total net exposure	267,432		247,729	

i) Retail mortgages

Retail mortgages are defined by the Society as being loans made to private individuals that are secured against properties that are not used for commercial purposes. The retail mortgage balance shown above of £243,184,000 (2019: £225,883,000) consists of loans fully secured on residential property (FSRP).

The Society is firmly committed to the management of credit risk at all stages of the lending cycle. The Society closely monitors customer loan affordability and Loan To Value (LTV) multiples at the application stage. It employs appropriate underwriting and fraud detection techniques to minimise losses once loans have been approved, and it also takes a proactive approach to the control of bad and doubtful debt which is managed by individuals with experience and skills appropriate to the collections and recovery process.

Risk concentrations: retail mortgage balances

The Society provides retail mortgages secured on residential property across England, Wales and Scotland and the Society, as a local building society, has a geographical concentration in the South West of England. As at 31 December 2020 approximately 41% (2019: 41%) of first charge retail loans by account and 40% (2019: 39%) by value were concentrated in the South West.

LTV distribution: retail mortgage balances

LTV is one of the main factors used to determine the credit quality of retail loans secured on residential property. Index linked LTV banding is shown below:

	2020 %	2019 %
Less than 70%	68.3	62.6
More than 70% but less than 80%	18.6	19.7
More than 80% but less than 90%	10.6	12.2
More than 90% but less than 100%	2.1	5.1
More than 100%	0.4	0.4
	100.0	100.0

29. Financial instruments (continued)

c) Credit risk on loans and advances to customers (continued)

i) Retail mortgages (continued)

The overall indexed LTV of the retail mortgage portfolio is 46.5% (2019: 49.6%). In general the lower the LTV percentage the greater the borrower's equity within the property and the lower the losses expected to be realised in the event of default or repossession.

Payment due status of retail mortgage balances

The table below provides further information on the Society's loans and advances to customers secured by way of retail mortgages on residential property. The balances exclude fair value adjustments and impairment allowances.

	2020 £000	2020 %	2019 £000	2019 %
Current	236,702	97.3	220,011	97.4
Past due up to 3 months	4,401	1.8	4,038	1.8
Past due 3 to 6 months	720	0.3	641	0.3
Past due 6 to 12 months	1,294	0.6	1,062	0.5
Past due over 12 months	67	-	131	0.0
	243,184	100.0	225,883	100.0

Fair value of collateral held for retail mortgages

The Society holds collateral against loans and advances to retail customers in the form of mortgage interests over property. Collateral values are updated at the date of each statement of financial position based on data from the quarterly Halifax price index.

As at 31 December 2020 the total collateral held against retail lending secured against residential property was estimated to be £523.2m (2019: £455.2m). Any collateral surplus on the sale of repossessed properties, after a deduction for costs incurred in relation to the sale, is returned to the borrower.

Allowances for impairment are held against loans and advances to customers in line with the accounting policy which is outlined in Note 1. Allowances for impairment of retail mortgage loans are as follows:

	2020 £000	2019 £000
Individual impairment	433	517
Collective impairment	40	57
	473	574

Forbearance strategies on retail loans

The Society uses forbearance techniques to help some retail borrowers through periods where their finances have become stressed and where the servicing of their normal mortgage commitments has become difficult. The arrears management section of the Society's Mortgage Department maintains forbearance information which is reported regularly to the Society's Credit Committee. In line with regulatory guidance, the Society does not automatically classify the COVID-19 pandemic payment deferrals as a forbearance arrangement.

As at 31 December 2020, 8 (2019: 4) retail accounts with balances totalling £1,815,001 (2019: £1,616,480) were in forbearance arrangements with the Society. The Society takes full consideration of the impact on its arrears position from using these forbearance techniques and the potential for losses on these retail accounts is assessed and considered in setting the level of allowances for impairment held against the retail mortgage portfolio.

29. Financial instruments (continued)

c) Credit risk on loans and advances to customers (continued)

ii) Commercial mortgages

Commercial mortgages are defined by the Society as being loans made to either limited companies or to private individuals that are secured against properties that are primarily used for the purposes of running businesses. The commercial mortgage balance shown on page 54 of £23,252,000 (2019: £22,007,000) consists of total loans fully secured on land (FSOL) of £9,397,000 (2019: £11,678,000) plus £13,855,000 (2019: £10,329,000) of loans fully secured on residential property (FSRP) made to limited companies.

Commercial lending activity is split between lending to businesses investing in residential property and lending to businesses investing in commercial property.

Risk concentrations: commercial lending

The Society's commercial loan portfolio on a gross basis comprises the following:

	2020 £000	2020 %	2019 £000	2019 %
Loans secured on residential property	13,855	59.6	10,329	46.9
Loans secured on commercial property	9,397	40.4	11,678	53.1
	23,252	100.0	22,007	100.0

Loans secured on commercial property are well diversified by industry type and counterparty. An analysis of commercial property loans by industry is provided below:

	2020 £000	2020 %	2019 £000	2019 %
Office	1,527	16.2	1,949	16.7
Retail	1,572	16.7	2,052	17.6
Industrial	1,331	14.2	1,329	11.4
Leisure	2,504	26.6	3,607	30.9
Land	653	7.0	645	5.5
Other	1,810	19.3	2,096	17.9
	9,397	100.0	11,678	100.0

The Society provides loans secured on commercial property across England, Wales and Scotland and the Society, as a local building society, has a geographic concentration in the South West. An analysis of loans secured on commercial property by geographic location is provided below:

	2020 £000	2020 %	2019 £000	2019 %
South West	13,215	56.8	13,872	63.0
South East	1,637	7.0	1,490	6.8
Greater London	4,740	20.4	3,547	16.1
Midlands	1,920	8.3	1,227	5.6
Wales	201	0.9	201	0.9
North	1,539	6.6	1,670	7.6
	23,252	100.0	22,007	100.0

29. Financial instruments (continued)

c) Credit risk on loans and advances to customers (continued)

ii) Commercial mortgages (continued)

LTV distribution: commercial lending

Estimates of current property values are used to calculate LTV. These are derived from recent external valuations or are estimated by applying quarterly Nationwide price indices to previously recorded external valuations. The overall LTV of the Society's commercial portfolio is 45.6% (2019: 46.3%). Index linked LTV banding is shown below:

	2020 %	2019 %
Less than 70%	96.4	94.4
More than 70% but less than 80%	3.6	5.6
	100.0	100.0

As at 31 December 2020, the largest single commercial loan was £1.37m (2019: £1.37m) or 5.89% of gross balances. The largest combined exposure to a single commercial counterparty, who has multiple mortgages on different properties, was £1.09m (2019: £1.09m) or 4.68% of gross balances.

Payment due status: commercial lending

The table below provides further information on the Society's commercial loans and advances by payment due status as at 31 December 2020. The balances exclude fair value adjustments and impairment allowances.

	2020 £000	2020 %	2019 £000	2019 %
Current	22,380	96.3	21,008	95.4
Past due up to 3 months	357	1.5	501	2.3
Past due 3 to 6 months	515	2.2	498	2.3
	23,252	100.0	22,007	100.0

Fair value of collateral held: commercial lending

The Society holds collateral against loans and advances to commercial customers in the form of mortgage interests over property. The current value of collateral is estimated based on the latest professional valuation adjusted for subsequent property price movements using the quarterly Nationwide price index.

As at 31 December 2020 the total collateral held against lending secured against commercial property was estimated to be £50.9m (2019: £47.5m).

As at 31 December 2020 no commercial properties were in possession and hence no collateral was held against cases in possession (2019: £nil). Properties that are repossessed are made available for sale in accordance with statutory guidelines with proceeds used to reduce or repay outstanding loans. When repossessed properties are disposed of, the Society has a statutory duty to obtain the best reasonable prices and to sell properties as soon as it reasonably can.

Allowances for impairment are held against loans and advances to customers in line with the accounting policy which is outlined in Note 1. Allowances for impairment of commercial mortgage loans are as follows:

	2020 £000	2019 £000
Individual impairment	-	-
Collective impairment	20	14
	20	14

Forbearance strategies on commercial loans

See the note on the Society's general forbearance strategy on page 55.

As at 31 December 2020, 1 commercial account was in a forbearance concession totalling £357,135 (2019: nil). The Society takes full consideration of the impact on its arrears position, and hence the impact on its allowances for impairment, from the use of forbearance techniques.

29. Financial instruments (continued)

d) Credit risk on treasury financial instruments

The classes of financial instruments to which the Society is most exposed to treasury credit risk are loans and advances to credit institutions, debt securities and financial derivatives. For financial assets recognised in the statement of financial position, the exposure to credit risk equals their carrying amount. The following table shows the Society's estimated maximum exposure to credit risk without taking into account any collateral held or other credit enhancements.

	2020 £000	2019 £000
UK government securities and amounts held with central banks	69,614	62,317
UK financial institutions	12,051	17,405
	81,665	79,722

None of the above exposures were either past due or impaired and there were no assets that would otherwise be past due or impaired whose terms have been renegotiated.

Collateral is not held over loans and advances to credit institutions and debt securities. Collateral of £1,620,000 (2019: £400,000 pledged) has been pledged to other financial institutions to mitigate the risk inherent in amounts due to/from the Society relating to derivative financial instruments and is included within exposures to UK financial institutions in the table above.

The table below shows treasury exposures categorised by Fitch ratings:

	2020 £000	2019 £000
AAA to AA-	69,614	62,326
A+ to A-	9,021	6,853
BBB+ to BBB-	-	1,000
Unrated	3,030	9,543
	81,665	79,722

The geographical distribution of treasury exposures is as follows:

	2020 £000	2019 £000
UK	81,665	62,317
	81,665	62,317

The Society's treasury risk function monitors exposure concentrations against a variety of criteria including counterparty and country limits. With the exception of instant access treasury deposits with both the Bank of England and the primary UK based clearing banks, no material concentrations of treasury investments exist.

Notes to the accounts (continued) For the year ended 31 December 2020

29. Financial instruments (continued)

e) Liquidity risk

The following tables analyse the gross contractual principal cash flows payable under financial liabilities. These balances do not agree directly to the balances in the statements of financial position as the tables incorporate only principal amounts and do not reflect accrued interest or fair value adjustments.

	Repayable on demand £000	Less than 3 months £000	3 months to 6 months £000	6 months to 12 months £000	1 to 5 years £000	Total £000
31 December 2020						
Society non derivative liabilities						
Shares	220,571	1,552	14,079	11,074	-	247,276
Deposits owed to other customers	60,710	695	128	1,328	-	62,861
	281,281	2,247	14,207	12,402	-	310,137
Society derivative liabilities						
Interest rate swaps	-	7	15	43	1,537	1,602
	-	7	15	43	1,537	1,602
31 December 2019						
Society non derivative liabilities						
Shares	211,091	7,653	1,744	3,849	-	224,337
Deposits owed to other customers	58,299	4,141	4,053	543	-	67,036
	269,390	11,794	5,797	4,392	-	291,373
Society derivative liabilities						
Interest rate swaps	-	-	-	24	492	516
	-	-	-	24	492	516

Annual commitments under non-cancellable operating leases are outlined in Note 26.

f) Interest rate risk

Interest rate risk refers to the sensitivity of net interest income to the periodic re-pricing of assets and liabilities and the imperfect correlation caused by basis risk. Interest rate risks generated by these activities are offset against each other, and the remaining net exposure to interest rate risk is managed on a continuous basis, within parameters set by Risk Committee, using a combination of derivatives and cash instruments (such as savings and deposits).

The Society's exposure to interest rate risk in terms of the net risk after taking account of management's action to hedge inherent exposures is measured using interest rate gap analysis. In this method each of the Society's financial instruments including on and off the statement of financial position assets and liabilities is assigned to future time periods on the basis of their contractual maturity or contractual re-pricing arrangements. In calculating the net exposure for each future period, account is also taken of those assets and liabilities with embedded optionality, such as pipeline and prepayment risk on fixed rate mortgages. As at 31 December 2020, if there was a 2% parallel upward shift in interest rates the adverse impact on reserves would be £271,000 (2019: £868,000 adverse impact on reserves).

Capital Requirements (Country-by-Country reporting) Regulations 2013

For the year ended 31 December 2020

The Capital Requirements (country-by-country) Reporting Regulations 2013 introduced reporting obligations for institutions within the scope of the European Union's Capital Requirements Directive (CRD IV). Article 89 of the Capital Requirements Directive IV (CRD IV) requires credit institutions and investment firms in the EU to disclose, by Member State and by third country in which it has an establishment, the following information for the year ended 31 December 2020:

EU Member State and/or third country	Nature of activities	Turnover *	Number of Employees at year end	Profit before tax	Corporation tax payments made in 2020	Public subsidies
United Kingdom	Deposit taking, mortgage lending	£7.4m	61	£2.3m	£0.5m	£nil

* Turnover is defined as the sum of Net Interest Income and Net Fee and Commission expense.

Basis of preparation

The Society's Country-By-Country Reporting ("CBCR") has been prepared to comply with the Regulations which came into effect in 1 January 2014. The requirements place certain reporting obligations on financial institutions that are within the scope of CRD IV. CBCR requires annual publication of certain statutory information on a consolidated basis, by country where an institution has a subsidiary or branch. Income and expenses relating to transactions between operations in the same jurisdiction have been eliminated. All of the Society's operations are in the United Kingdom.

Independent auditors' report to the directors of Bath Investment & Building Society

Report on the audit of the country-by-country information

Opinion

In our opinion, Bath Investment & Building Society's country-by-country information for the year ended 31 December 2020 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31 December 2020 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Society in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to country-by-country information which describes the basis of preparation. The country-by-country information is prepared by the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Independent auditors' report to the directors of Bath Investment & Building Society (continued)

Report on the audit of the country-by-country information (continued)

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Society's ability to continue to adopt the going concern basis of accounting included:

- Critically assessing the directors' conclusions on their going concern assessment, including consideration of the impact of Covid-19 on the annual accounts.
- Reviewing the impact of management's stress test scenarios and considering the likelihood of successful implementation of management actions to mitigate the impacts. We considered whether the Society would continue to operate above required regulatory capital and liquidity minima during times of stress.
- Challenging the reasonableness of the scenarios used by the directors in their going concern assessment and checking the appropriateness of the assumptions used within their forecasting.
- Evaluating management's disclosures in the Annual Report and checking the consistency of the disclosures with our knowledge of the Society based on our audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Society's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Society's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Responsibilities for the country-by-country information and the audit

Responsibilities of the directors for the country-by-country information

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

In preparing the country-by-country information, the directors are responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Society or to cease operations, or have no realistic alternative but to do so.

Independent auditors' report to the directors of Bath Investment & Building Society (continued)

Report on the audit of the country-by-country information (continued)

Auditors' responsibilities for the audit of the country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

Our objectives are to obtain reasonable assurance about whether the country-by-country information as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this country-by-country information.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Society/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Financial Conduct Authority and the Prudential Regulation Authority, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals to increase interest income and loan assets or record inappropriate expenditure, and management bias in accounting estimates. Audit procedures performed included:

- Discussions with management and internal audit to enquire of any known instances of non-compliance with Laws and Regulations and Fraud;
- Reading correspondence with the Society's regulators The Financial Conduct Authority and the Prudential Regulatory Authority in relation to compliance with Financial Services Regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to impairment losses on loans and advances to customers and effective interest rate ("EIR") accounting; and
- Identifying and testing a sample of journal entries, in particular, journal entries posted with account combinations that would increase interest income or record inappropriate expenditure.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Independent auditors' report to the directors of Bath Investment & Building Society (continued)

Report on the audit of the country-by-country information (continued)

Use of this report

This report, including the opinion, has been prepared for and only for the Society's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 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 report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

The engagement partner responsible for this audit is Kevin Williams.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Cardiff

5 March 2021

Annual Business Statement

For the year ended 31 December 2020

1. Statutory percentages

	2020 %	Statutory Limit %
Lending Ratio	3.8	25.0
Funding Ratio	20.3	50.0

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

The Lending Limit measures the proportion of business assets not in the form of loans fully secured on residential property and is calculated as $(X-Y)/X$ where:

X = business assets, being the total assets of the Society, plus allowances for impairment of loans and advances, less liquid assets and tangible fixed assets as shown in the Society Balance Sheet.

Y = the principal of, and interest accrued on, loans owed to the Society, as shown in the Society Balance Sheet, gross of allowances for impairment, which are fully secured on residential property.

The Funding Limit measures the proportion of shares and borrowings not in the form of shares held by individuals and is calculated as $(X-Y)/X$ where:

X = shares and borrowings, being the aggregate of:-

- 1 the principal value of, and interest accrued on, shares in the Society; and
- 2 the principal of, and interest accrued on, sums deposited with the Society; and
- 3 the principal value of, and interest accrued under, instruments or agreements creating or acknowledging indebtedness and accepted, made, issued or entered into by the Society or any such undertaking less any amounts qualifying as own funds.

Y = the principal value of, and interest accrued on, shares in the Society held by individuals otherwise than as bare trustees for bodies corporate or for persons who include bodies corporate.

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

Annual Business Statement (continued) For the year ended 31 December 2020

2. Other percentages

	2020 %	2019 %
As percentage of shares and borrowings:		
Gross capital	13.0	13.2
Free capital	11.9	12.0
Liquid assets	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

The above percentages have been prepared from the Society accounts and in particular:

- 'Shares and borrowings' represent the total of shares and amounts owed to other customers.
- 'Gross capital' represents the aggregate of general reserves and revaluation reserve.
- 'Free capital' represents the aggregate of gross capital and the collective allowance for impairment of loans and advances less tangible fixed assets.
- 'Liquid assets' represents the total of cash in hand, loans and advances to credit institutions and debt securities issued by other borrowers as shown in the balance sheet.
- 'Mean total assets' represent the amount produced by halving the aggregate of total assets at the beginning and end of the financial year.
- 'Management expenses' represent the aggregate of administrative expenses, depreciation and amortisation and exclude the Levy to the Financial Services Compensation Scheme.

Annual Business Statement (continued) For the year ended 31 December 2020

3. Directors and Officers (Unaudited)

The Directors and Officers of the Society at 31 December 2020 together with their further particulars were as follows:

Name	Occupation	Appointment	Other Directorships
Kevin Gray	Chief Executive	April 2018	
Chris Smyth	Solicitor	January 2013	C M Smyth Ltd Cleevelands Residents Association (Cheltenham) Ltd
Angela Cha	Solicitor	June 2014	Cha Sing Ltd
Robert Derry-Evans	Solicitor	June 2014	Bath Philharmonia Ltd Omnia Legal Ltd Romi Behrens Paintings Ltd
Denzil Stirk	Management Consultant	June 2014	
David Smith	Chartered Accountant	January 2016	
Tonia Lovell	Director of Risk Management	May 2017	
Fionnuala Earley	Economist	January 2018	
Tom Leach	Finance Director	April 2018	

Documents may be served on the above named Directors c/o The Society Secretary, Bath Building Society, 15 Queen Square, Bath, BA1 2HN.

Details of Directors' service contracts are shown in the Directors' Remuneration Report.

Other Officers

Name	Business Occupation
Colin McDougall	Head of Marketing and Savings
Steve Matthews	Head of Mortgages
Jason Wilmot	Head of IT and Business Change

Your Local Society

Registered name and office

Bath Investment & Building Society

15 Queen Square, Bath BA1 2HN

Telephone 01225 423271

Registered No. 30B

Branch offices

Bath

3 Wood Street, Bath BA1 2JQ

Telephone 01225 330837

12/13 Moorland Road, Oldfield Park, Bath BA2 3PL

Telephone 01225 445271

Agency offices

Ilminster

Harper Dolman & West, 20 East Street, TA19 0AJ

Telephone: 01460 53095

Midsomer Norton

Waterhouse Financial Advisers, 23 High Street, BA3 2DR

Telephone 01761 412980

Shaftesbury

Chaffers Estate Agents, 48 High Street, SP7 8AA

Telephone 01747 852301

South Petherton

Hamdon Financial Services, 36 St James Street, TA13 5BW

Telephone 01460 240000

Staple Hill

Mark Richard Insurance, 141 High Street, BS16 5HQ

Telephone 0117 957 5008

Wellington

MJC Financial Planning, 22 South Street, TA21 8NS

Telephone 01823 663174

We're different
because you are

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Bath BA1 2HN

Web

www.bathbuildingsociety.co.uk

Savings enquiries

Telephone

01225 423271

Email

savings@bibs.co.uk

Mortgage enquiries

Telephone

01225 475719

Email

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.