

Annual Report and Accounts

for the year ended 31 December 2016



Staff and the Board of Directors at the Society's 150th Anniversary Dinner

CELEBRATING 150 YEARS
Beverley
Building Society
1866 - 2016

**East Yorkshire's
only independent
building society**

Annual Report and Accounts

for the year ended 31 December 2016

Our Vision

To be a strong independent mutual, which is trusted and respected by members and non-members, because we offer straightforward, value for money products, that are easy to understand, and supported by an unrivalled level of personal service.



Standing: Jenny, Lesley, Nicola, Sophie, Debbie, Becky | Seated: Chris and Andrea | The Savings Team

...an unrivalled level of personal service

www.beverleybs.co.uk

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Left to Right: Maria, Jess, Graham, Sandra, Annette and Debbie | The Mortgage Team

...our members trust us

Society Performance

over the past 5 years

Overview of Performance

In 2016, the Society's profit before tax was £337k, the second highest in the last five years. The profit after tax was £265k, which has been re-invested back into reserves.

The Society has pursued a "back to the future" strategy in the last five years, focussing on low risk residential mortgages, funded primarily by local savings.

Whilst the value of mortgages remain unchanged in 2016, in line with this strategy there has been a shift in portfolio mix, with a significant reduction in the Society's higher risk commercial mortgage portfolio, being replaced by residential mortgages.

Given the economic uncertainties in 2016, fixed rate mortgages dominated the market. Whilst the Society does not offer fixed rate mortgages, it has successfully lent £24.4m in new variable rate mortgages in 2016, one of the highest years on record.

In summary therefore, despite a difficult mortgages market, the Society has:

- Reduced risk within the mortgage portfolio by focusing on residential mortgages, which has led to lower mortgage provisions.
- Attracted significant amounts of new savings by offering good value rates over the longer term.
- Met the challenge of increased regulations by strengthening the back office functions.



Elliot | Accountant

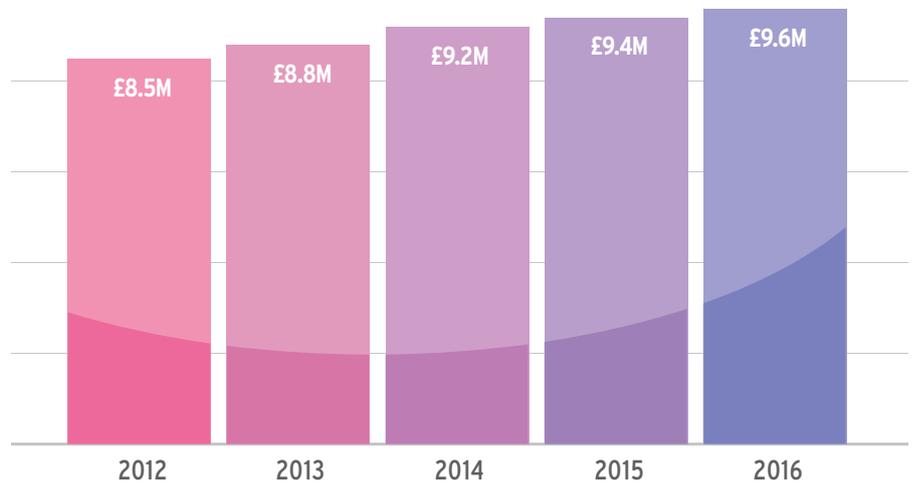
Key Performance Indicators (KPIs)

The Board uses a number of KPIs to measure and monitor progress and performance. In managing the business, the Society has sought to ensure that it operates in a controlled manner and that the interests and security of borrowers and savers are safeguarded. Some of the Society's KPIs are illustrated below to show the progress the Society has made with the support and help of both members and staff.

It should be noted that due to the updating of UK GAAP with the new accounting policy FRS 102 in 2015, the Key Performance Indicators for 2014-2016 are based on FRS102, whilst those relating to 2012-2013 are based on old UK GAAP. The primary impact of the accounting change was to increase reserves by £149k, due to collective provisions being reduced, reflecting the Society's recent credit risk history.

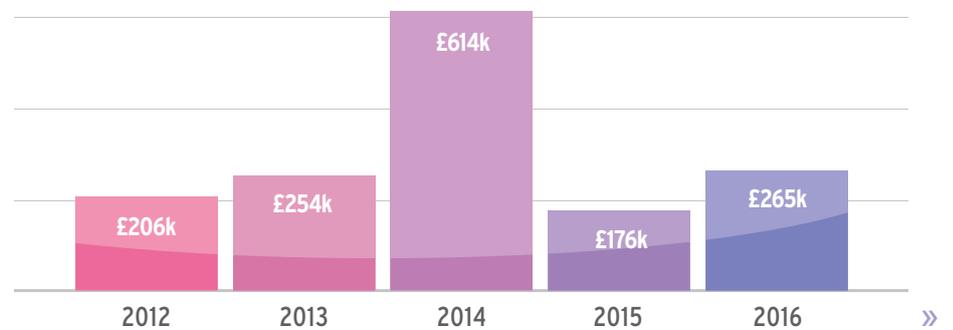
General Reserves

General reserves have increased steadily over the period providing a strong capital position to satisfy regulatory requirements and to protect Depositors.



Profit after Tax

A reasonable level of profits is required to maintain the Society's capital ratios. The Society made £265k profit after tax, higher than the previous year mainly due to lower mortgage provision costs (£181k charge in 2016 versus £446k charge in 2015).



Steve | Finance Manager

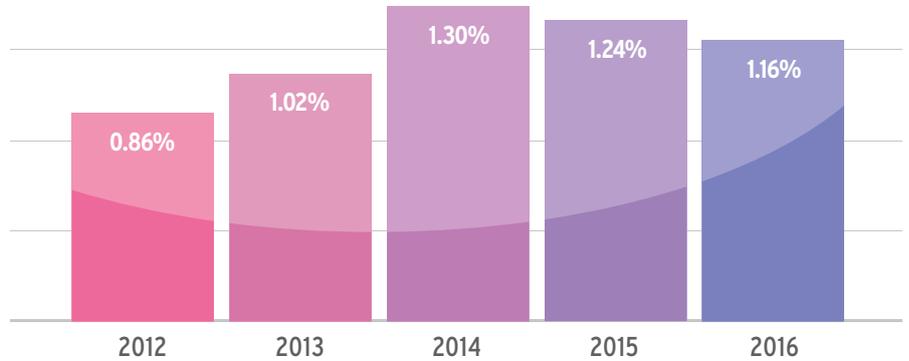
*...straightforward
value for money
products*



Jen | Accountant

Net Interest Margin

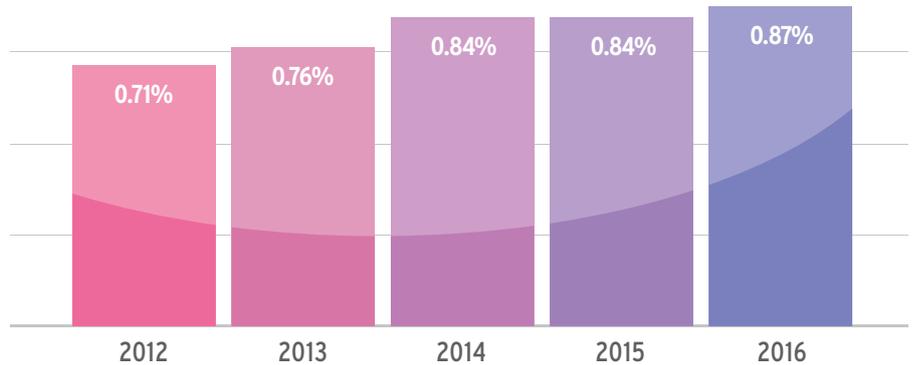
Net Interest Margin for 2016 was 1.16% versus 1.24% in 2015; the reduction was due to both tracker mortgages and treasury investments being impacted by the reduction of the Bank of England base rate and the further reductions in the size of the legacy commercial mortgage portfolio. In the last 5 years the strategic focus has been moving away from commercial lending which, by nature, tends to be higher margin but higher risk.



Management Expense Ratio

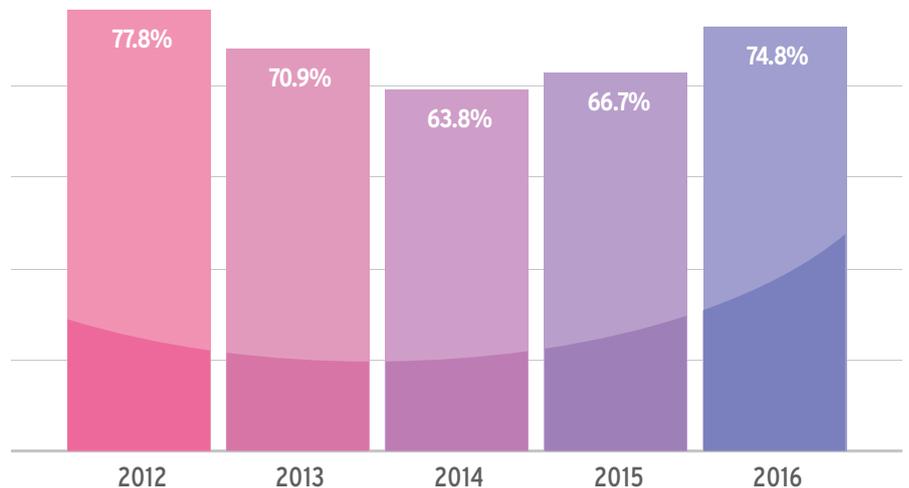
(percentage of mean total assets)

Management expenses have increased year on year due to further investment in and strengthening of the back office functions. The underlying non-staff related costs have remained consistent year on year. It should be noted that the Society continues to have one of the lowest Management Expense Ratios in the Building Society sector (source: KPMG Building Society Dashboard 2016).



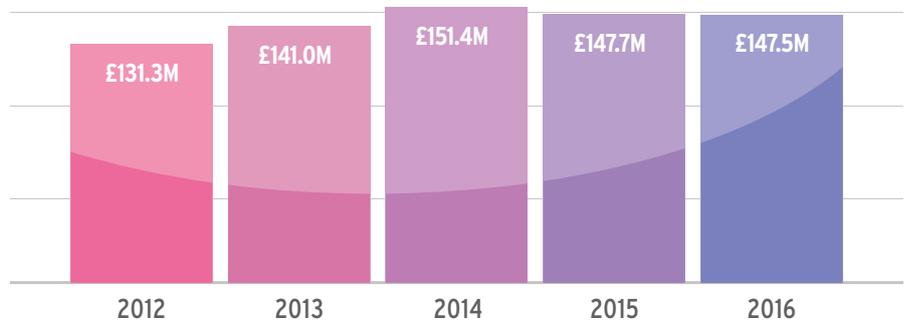
Cost to Income Ratio

Net Interest Income has fallen by 5% in the year, reflecting the difficult mortgage market conditions and the impact of the Bank of England base rate cut. Management Expenses have increased as detailed above and therefore the cost income ratio has increased to 74.8% in 2016 (66.7% in 2015).



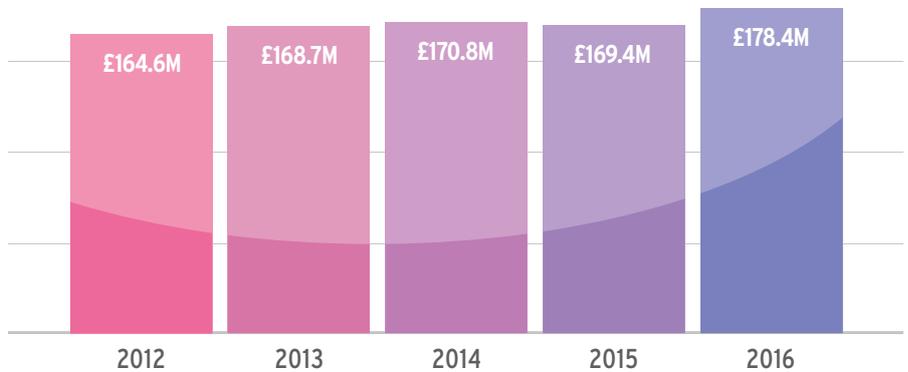
Total Mortgage Balances

In terms of total mortgage balances, whilst the overall balance has remained largely unchanged (£147.5m in 2016 v £147.7m in 2015), there has been a shift in portfolio mix. Lower risk owner occupied mortgages have increased by £5.75m, replacing the higher risk commercial, impaired and buy to let (BTL) mortgages which redeemed during the year. The figures, right, are stated gross of mortgage loss provisions.



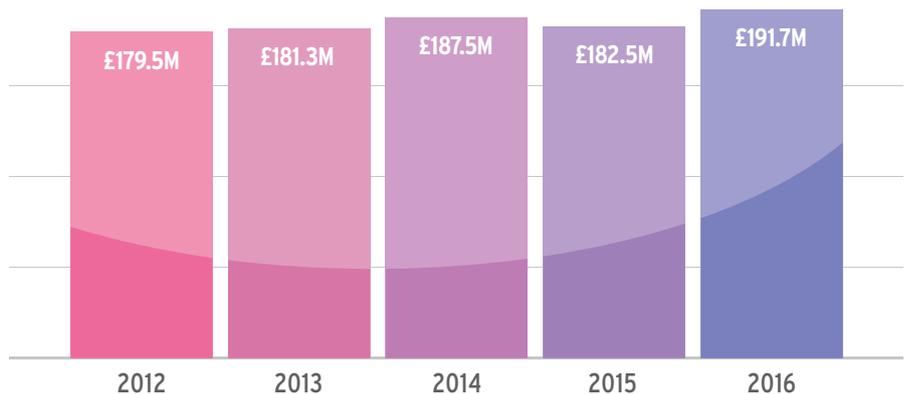
Total Savers Balances

The Society continues to ensure that the rates offered to members are in line with the market and represent long term good value. The figures, right, exclude amounts owed to other credit institutions.



Total Assets

Total Assets are £191.7m, an increase of 5% as a result of saving inflows during the year.



Chairman's Statement

for the year ended 31 December 2016



Brian Young

31 January 2017

2016 was a historic year for the Society as we celebrated our 150 year anniversary.

I was so pleased to see many of our members, local charities and friends of the Society at our celebration dinner at which I had the pleasure of talking a little bit about the history of Building Societies and mutuality. In a year that seemed to produce one shock after another it is reassuring to know that your Society holds precious the values that our founding members cherished so many years ago. We remain as committed to mutuality now as our forefathers did. We do not take our role in serving our community lightly and we will endeavour to continue to offer unrivalled personal service at the heart of all we do.

2016 was also a year of shocks, particularly around the Brexit vote, Donald Trump winning the US election and Leicester City being crowned Premiership champions. The one certainty is that uncertainty will be with us for some time to come. We will continue to balance the needs of both our savers and borrowers whilst ensuring we have sufficient capital to meet any unforeseen risks.

I am pleased to report that during 2016 the Society continued to deliver continued profitability and an improving capital position despite difficult market conditions. This has been achieved whilst continuing to proactively reduce risk in our legacy lending leading to an improved quality of the overall lending book.

The Society performed in line with expectations in 2016 with strong performance in advances (£24.4m), whilst continuing to maintain capital well above regulatory requirements. In 2017 we will be paying off the first tranche of our subordinated debt. Our strategy remains to continue to focus on prime residential lending, especially by using our manual underwriting capability, allowing us to support under-served segments of the market, while still seeking to provide consistent long term good value to savers. The Society does not use institutional wholesale funding, reflecting our "back to the future" strategy whereby we fund our mortgage business primarily by utilising customers' savings.



Boardroom lunch

We have been proactive in meeting the increased burden of regulation and were one of the very first small Building Societies to appoint a Risk Director to the Board. We continue to review and where possible further improve our Corporate Governance. Each year we hold strategy days when we review what we do, how we do it and what else we could be doing. We take advice from specialists, regulators and review best practice in our industry to ensure we serve our members effectively. I also complete annually a review of the Board's effectiveness and the Board agrees plans to further enhance it each year.

In line with good corporate governance we have a number of directors standing for re-election at the AGM. Mike Heenan, Sue Symington and Martin Cocker retire by rotation and put themselves forward for re-election. I am happy to confirm that following formal performance evaluation, their performance continues to be effective and to demonstrate commitment to their roles. All three make significant contributions to the Board and I recommend them to you.

I am sorry to advise you that after more than 5 years' exemplary service our Chief Executive Peter Myers has decided to pursue his non-executive career and will be leaving us shortly after the AGM. Peter has done a terrific job for the Society and our members and we thank him for his invaluable service and wish him every success as he embarks on his new career. The process to find the right successor is well under way and the Nominations Committee have been very active in searching for the right person to lead us through the next phase of our strategic development. Subject to availability and regulatory approval I do hope to be able to introduce Peter's successor to you at the AGM.

2017 and beyond promises to be just as unpredictable as last year but your Board will continue to hold dear and promote our mutual values and unrivalled personal service and we do hope to see as many of you as possible at our AGM and at our various events being held in 2017.



*...trusted and respected by members
because we regularly consult*

Chief Executive's Review

for the year ended 31 December 2016



Peter Myers

31 January 2017

I am pleased to report that the Society has delivered another consistent performance for members...

...with profit after tax of £265k reflecting an appropriate balance between generating sufficient profit to protect the Society's capital position, prudent providing against historic lending and setting appropriate rates for savers and borrowers.

The Society lent £24.4m of mortgages in 2016, one of the highest levels of lending in the Society's history. This was particularly encouraging as the mortgage market continues to be dominated by fixed rate products, which the Society currently chooses not to offer, because the Board believes the risks that attach to managing and hedging these products are not in the interests of members.

The overall gross mortgage book finished the year at £147.5m compared to £147.7m in 2015. While the mortgage book has not increased, £5.75m of low loan to value (LTV) owner occupied mortgages have replaced the commercial, impaired and BTL mortgages which redeemed during the year. The average loan to value of the Society's entire mortgage portfolio is now 42%, compared to 49% in 2015. In addition, the Society's lending provisions decreased from £1.6m to £0.5m.

During the year the Society launched an interest only mortgage product, which has proved very popular, particularly to older borrowers. Following feedback from members and the Society's own research, a number of other products are also being considered, all of which are designed to increase home ownership, in East Yorkshire in particular.

One of the highlights of 2016 has been the Society's celebration of its 150th anniversary. The anniversary was marked by a series of events, the main one being a dinner for members, local charities and friends of the Society, at Beverley Racecourse.

Action Duchenne was the Society's 150th Anniversary charity partner. Duchenne is a form of muscular dystrophy, affecting around 1 in 3,600 boys, which results in muscle degeneration and premature death.

Duchenne muscular dystrophy is a poignant choice as the son of Lesley Wegg, our colleague, is a sufferer. The hope is that a means of slowing the condition can be found before he and others become permanently wheelchair bound in their early teens.

During the year £25,911 was raised for Action Duchenne by a series of initiatives, including a dinner and challenges undertaken by colleagues, such as sky dives, entering a shark tank, descending a one mile long zip wire, the Great North run, charity bike ride and a cake sale.

The Executive Team
from left to right

Janet Bedford
Finance Director

Graham Carter
Head of Lending

Peter Myers
Chief Executive

Lesley Wegg
Head of Operations

Mark Marsden
Risk Director



The Society plans to extend the legacy of its 150th anniversary by using fun initiatives to encourage school children to think entrepreneurially. The first of these initiatives - the 'Red Box Challenge' - is scheduled for April 2017.

The Society's 150th anniversary dinner was held on 23rd June, the day of the EU Referendum, which is just one of many significant historic events that have occurred during the Society's long history.

The UK's decision to leave the EU, the election of Donald Trump, Central Bank interventions, global terrorism, volatile commodity prices and speculation about forthcoming elections in Europe have all influenced the economy. The Bank of England has responded with a series of measures which included the first reduction in Bank Base Rate for almost a decade. All of these ultimately impact the financial markets, the cost of funds and therefore the interest rates that the Society is able to offer its members.

The Society continues to balance the needs of savers, who provide the funds which are lent to mortgage customers, with the demands of mortgage customers who pay the interest which the Society then shares with savers.

To allow the Society to protect the rates offered to savers we have restricted the opening of some accounts, to existing members only, in order to reward loyalty. Despite this it has still been necessary to reduce savers rates during the year; the Society did this very reluctantly and continues to operate on both a relatively low management expense ratio and margin, in order to provide the maximum return to savers, while still building long term reserves. The Society's ISA remains among the most competitive on the market. In making any decision the Society always pays close attention to delivering its Vision, in particular 'value for money' and 'unrivalled personal service'.

The regulatory environment in which all financial services firms operate continues to introduce new requirements and in 2016, 17 mandatory Regulatory change programmes were successfully implemented.

The Society continues to employ high calibre staff and in 2016 recruited Steve Kennington (Finance Manager), Jen Allott (Accountant) and Zoe Fisher (Marketing Manager). In addition, Jessica Briggs, an apprentice with the Society, joined the Mortgage team on a permanent contract.

The Society will continue to support the Beverley Folk Festival, Driffield Agricultural Show, Beverley Food Festival and annual Cycle Races. In addition, we have agreed support to East Riding Theatre for three years. Details of these and other events will be announced in the branch, local press and social media (please follow the Society on twitter @BeverleyBS).

As many of you know I will be leaving the Society, after five and a half years as Chief Executive, to focus on my portfolio of Non-Executive Director roles. The intention is to introduce my successor to members at the AGM.

I would like to thank all members for their support and I look forward to seeing as many of you as possible at the AGM.



Head of Lending Graham Carter at intermediary conference Personal Touch Live

*...straightforward value
for money products*

Board of Directors

for the year ended
31 December 2016

From left to right standing:

Mark Marsden

Risk Director

Appointed to the Board in November 2014. Member of the Assets and Liabilities and Risk Committees. Experienced risk and compliance professional with 15 years retail lending and deposit taking experience.

Peter Myers

Chief Executive

Joined the Board in September 2011. Member of the Assets and Liabilities, Nominations and Risk Committees. Chartered Banker with over 30 years' experience in financial services as an Executive and Non-Executive Director.

Sue Symington

Non-Executive Director

Joined the Board in 2013. Chair of the Remuneration Committee. Member of the Assets and Liabilities, Audit and Compliance and Nominations Committees. Chartered Director, awarded the Institute of Directors prestigious New Chartered Director of the Year award 2014. Provides experience in Human Resources and Personnel Development.

Mike Heenan

Non-Executive Director

Joined the Board in 2012. Chair of the Assets and Liabilities Committee. Member of the Audit and Compliance and Risk Committees. Qualified Chartered Accountant with extensive knowledge of the building society sector.



From left to right seated:

Richard Pattinson

Non-Executive Director, Senior Independent Director

Joined the Board in September 2011. Chair of the Risk Committee. Member of the Assets and Liabilities and Audit and Compliance Committees. Richard has almost 40 years' banking experience covering treasury and risk management.



Brian Young

Non-Executive Director, Chairman

Joined the Board at the end of 2009, and became Chairman in 2015. Chair of the Nominations Committee and member of the Remuneration Committee. Qualified Cost and Management Accountant.

Martin Cocker

Non-Executive Director

Joined the Board in 2016. Chair of the Audit and Compliance Committee. Member of the Assets and Liabilities and Risk Committees. Qualified Chartered Accountant with over 30 years' business experience.

Janet Bedford

Finance Director

Appointed to the Board in August 2014. Member of the Assets and Liabilities and Risk Committees. Qualified Chartered Accountant with extensive experience of the financial services sector.

Directors' Report

for the year ended 31 December 2016

The Directors have pleasure in presenting their Annual Report and Audited Accounts and Annual Business Statement for the year ended 31 December 2016.

Business objectives and activities

The Society's business objectives and principal activities are to provide a secure home for personal savings and to encourage owner-occupation by the provision of mortgage finance. The Society intends to remain an independent local society with a healthy capital position, offering a high standard of personalised service to members, together with competitive rates of interest.

Business Review

Key performance indicators for the Society are set out on pages 2 to 5.

Capital

At 31 December 2016 gross capital has increased to £12.9m (2015: £12.6m) or 7.25% (2015: 7.44%) of shares and borrowings. Free capital has increased to £12.0m (2015: £11.7m) or 6.71% (2015: 6.90%) of shares and borrowings. Both gross and free capital include £2.75m (2015: £2.75m) of subordinated liabilities and £0.56m (2015: £0.48m) of revaluation reserve. The Directors ensure that a satisfactory level of capital is maintained to protect the Society against adverse market movements or changes in economic conditions.

Results for the year

The profit for the year on ordinary activities before tax was £337k (2015: £223k). The net profit for the year after taxation was £265k (2015: £176k) and has been added to the general reserve which now totals £9,628k (2015: £9,360k).

Loans and advances to customers

During the year the Society advanced gross mortgages of £24.4m (2015: £19.2m). At 31 December 2016 there was 2 cases (2015: 1 case) where repayments were more than 12 months in arrears. At 31 December 2016 there

were 8 cases in possession (2015: 9 cases). The Society will continue to take all necessary steps to help borrowers in genuine difficulties whilst at the same time trying to minimise losses and ensure that the lending policy has appropriate regard to economic conditions and the customer's ability to repay.

Shares and deposits

Share net receipts in the year were £12.8m (2015: £4.0m) and share balances at 31 December 2016 totalled £162.1m (2015: £149.3m). Net withdrawals of deposits and other borrowings in the year were £3.8m (2015: £5.5m) and balances at 31 December 2016 totalled £16.3m (2015: £20.1m).

Liquid assets

Liquid assets in the form of cash and securities at 31 December 2016 were £43.0m (2015: £34.9m), representing 24.13% (2015: 20.59%) of shares and borrowings.

Total assets

The total assets of the Society at 31 December 2016 were £191.6m (2015: £182.5m), an increase of £9.1m (2015: decrease of £5.0m) or an increase of 5.0% (2015: decrease of 2.7%).

Financial risk management objectives and policies

The Society operates in an environment that contains financial risks. To mitigate these risks the Board has implemented a clearly defined risk management framework. The key policies that the Society has implemented to manage the risks that it faces include a lending policy, liquidity policy and financial risk management policy. These are reviewed and approved by the Board on an annual basis. More details can be found in the Financial Risk Management Report on page 14. The Society's exposure to interest rate risk is detailed in note 24 of the accounts.



Chairman Brian Young speaking at the 2016 AGM

...straightforward value for money products



Head of Operations Lesley Wegg and Chief Cashier Andrea Walker at the 2016 AGM

Principal risks and uncertainties

As a result of its normal business activities, the Society is exposed to a variety of risks, the most significant of which are conduct and operational risk, credit risk, market risk and liquidity risk. The Society has established a number of committees and policies to manage these risks. The role of these committees is described in the Corporate Governance Report on page 19. Policies are subject to continual re-evaluation. The financial risk management objectives and policies of the Society are also shown in the Financial Risk Management Report on page 14. The Society aims to manage appropriately the risks that arise from its activities and the Board maintains risk appetite statements which are embedded in specific risk management policy statements, and promotes a culture and philosophy that reflects an awareness and management of actual and potential risk exposures.

Going concern

The Directors have satisfied themselves that the Society has adequate resources to continue in business for the foreseeable future; by having reviewed its capital and liquidity forecast and the Business Plan. The forecasts are updated at least quarterly and reflect the latest economic and political environment, including the impact of Brexit.

The Society, in common with most financial institutions, undertakes stress testing on its capital and liquidity forecasts. Results indicate the Society has sufficient capital and liquidity to be able to continue in business, even under the stressed scenarios.

The Society's objectives, policies and processes for managing risk are set out in the Financial Risk Management Report on page 14.

Creditor payment policy

The Society's continuing policy concerning the payment of its trade creditors is to pay invoices within the agreed terms of credit once the supplier

has discharged its contractual obligations.

During 2016, amounts due to relevant creditors of the Society were paid on average within 10 days (2015: 20 days) of receipt of invoice.

Charitable donations

During the year the Society continued to support local charitable and community organisations in cash and kind. No contributions were made for political purposes.

Staff

Policies for human resources are reviewed regularly to ensure the Society attracts and retains high calibre staff at all levels. Training and staff development remain priorities to maintain the effective and efficient delivery of the Society's services.

It is Society policy to give all applications for employment from disabled people full consideration in relation to the vacancy concerned and to their particular aptitude and abilities. Furthermore, in the event of existing members of staff becoming disabled, every effort would be made to retain them in suitable work if they are unable to continue in their present role.

Health and safety

The Directors have overall responsibility for ensuring all reasonable precautions are taken to provide and maintain working conditions and practices that comply with health and safety requirements and codes of practice, as they relate to the Society.

Directors

M R Cocker was appointed to the Board on 19 April 2016. In accordance with Rule 25 (4) M R Cocker retires and being eligible offers himself for election.

P E Myers, in accordance with Rule 24(1), has declared his intention to retire at the Society's Annual General Meeting.

In accordance with Rule 26(1) M R Heenan retires by rotation and being eligible offers himself for re-election.

In accordance with Rule 26(1) S Symington retires by rotation and being eligible offers herself for re-election. She continues to satisfy the criteria for an independent director outlined in the UK Corporate Governance Code.

None of the Directors have any beneficial interest in the shares of any connected undertaking of the Society.

Terms of Reference

The terms of reference for the following are available on the Society's website:

- Board
- Nominations Committee
- Audit and Compliance Committee
- Remuneration Committee
- Risk Committee
- Assets and Liabilities Committee

Independent auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant information of which the Society's Auditor is unaware, and each Director has taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant information and to establish that the Society's Auditor is aware of that information.

A resolution to re-appoint KPMG LLP as Auditor to the Society will be proposed at the Annual General Meeting.

On behalf of the Board of Directors.

B Young

Chairman
31 January 2017

...trusted and respected by members and non-members

Financial Risk Management Report

for the year ended 31 December 2016

Financial risk management objectives and policies

The Society is a retailer of financial instruments in the form of mortgage and savings products and it uses wholesale financial instruments to invest liquid asset balances and manage the risks arising from its operations.

The Society has a risk averse culture and maintains a policy of low exposure to risk so as to maintain public confidence and to allow the achievement of its corporate objectives.

The Society has a formal structure for managing risk, including established risk limits, reporting lines, mandates and other control procedures. This structure is reviewed regularly by the Society's Board of Directors, who are charged with the responsibility of managing and controlling the balance sheet exposure and the use of financial instruments for risk management purposes.

Details of the Society's Basel II disclosures for Pillar 3 are available on the website or from the Society on request.

Statement of exposure to conduct and operational, credit, liquidity and interest rate risk

Conduct and operational risk

Conduct risk is the risk to the delivery of fair customer outcomes. Conduct risk can arise through product design, promotion, sale, fulfilment and communications.

Operational risk is the risk of loss due to inadequate or failed internal processes, the actions of people, fraud and financial crime, non-compliance with applicable laws and regulations, or external physical events. The effectiveness of systems and controls for the management of conduct and operational risk is monitored by the Risk Committee. This Committee reviews risk management information including:

- **Key Risk Indicators (KRIs):** Reflecting the overall Risk Appetite, Internal Capital Adequacy Assessment Process (ICAAP) assumptions and policy limits/ requirements, KRIs are reviewed to provide an indication of the operating effectiveness of the systems and controls for the management of conduct and operational risk. Operational performance outside normal limits is reviewed in detail to establish any material issues and confirm the adequacy of management responses to address both direct and root causes
- **Operational risk incidents** (including operational loss data) are reviewed to identify remedial actions and control enhancements required. 'Near misses' are also considered
- **Complaints data** is considered to ensure there is no evidence of adverse customer outcomes or deficiencies in the Society's responsiveness to complaints. In addition to reviewing internal complaints data the Society reviews experience elsewhere (for example as reported by the Financial Ombudsman Service) with a view to proactive risk reduction

- **Compliance monitoring** results are monitored to ensure that remedial actions are undertaken on a timely basis
- **Regulator communications** are reviewed for evidence of any concerns in relation to risk governance or conduct risk
- **Training Completion Rates** are monitored to ensure staff are engaged in maintaining competence
- **The Risk Register** is reviewed at least every six months to ensure it remains up to date and is appropriately reflected in the operational risk capital requirement assessed in the ICAAP

The Society seeks to mitigate operational risk by implementing a strong control environment, supported by a culture that encourages staff to engage openly and positively with the Society's Board, senior management and auditors. Operational losses in the last ten years have been low.



Janet Bedford | Finance Director



Society Accountant Elliot skydiving for Charity Partner Action Duchenne

Credit risk

Credit risk is the risk of unexpected loss if a customer or counterparty fails to perform its obligations. As a prime residential mortgage lender, mortgage default is the largest single risk run by the Society. This risk is monitored by the Risk Committee. In addition, credit risk in relation to liquid assets is monitored by the Assets and Liabilities Committee.

Credit Risk - Mortgages

Credit risk for mortgages, arising from exposures to institutions, retail and commercial customers is assessed via a number of stress tests defined in the Risk Appetite Statement.

All new lending is assessed against the Lending Policy by experienced staff. A full affordability assessment including an appropriate affordability stress test (currently standard variable rate (SVR) + 2% across all its discounted variable rate products) is completed in all cases, and the separate approvals to Offer and Complete on mortgages enforce 'four eyes' checking, segregation of duties and adherence to Board approved mandates.

The Society lends only on property in England and Wales. All new lending is prime residential to owner occupiers, although the Society does retain some exposure to legacy commercial and buy to let lending.

In certain circumstances the Society uses forbearance measures to assist those borrowers who are experiencing financial difficulty, for example agreeing a temporary transfer to interest only payment in order to reduce the borrower's financial pressures. These are performed in accordance with an internal policy statement, which reflects Treating Customers Fairly (TCF) principles and regulatory requirements including the Finalised Guidance on Forbearance and Impairment Provisions issued by the FSA in October 2011. We aim to put our customers first in all instances and as such aim to support the customers whenever we

can. In each case an individual assessment is made to establish affordable and sustainable forbearance options, and to ensure that forbearance is in the best interests of both the borrower and the Society. It is expected that the borrower will resume normal payments once they are able. At 31 December 2016 there were 5 (2015: 4) accounts where forbearance measures were currently exercised; the balance of these accounts amounted to £1.12m (2015: £1.54m), or 0.76% (2015: 1.04%) of mortgage balances. There is £2k (2015: £3k) provision held against forbearance accounts, due to the low LTVs on these properties.

Given the absence of a significant credit loss history the Society models a severe credit risk stress event significantly more severe than that which occurred in 2009.

Credit Risk - Liquidity Counterparties

The Society's Liquidity Policy includes strict criteria for counterparties to ensure that its liquidity investments are both diversified and of a high quality. There are Policy criteria in relation to eligible counterparties, eligible investments, single counterparty exposures and maturity structure. A large proportion of the Society's liquid asset exposure is primarily to the Bank of England. The remaining treasury investment portfolio is primarily held in the form of Certificates of Deposit (CDs), maturing in up to one year and placed with institutions with a Fitch long term credit rating above A- at the time of acquisition. In all cases, regardless of credit rating, the Society's Finance Director undertakes an appropriate due diligence assessment prior to recommending any new counterparty to the Board.

Liquidity risk

Liquidity risk is the risk that the Society is unable to meet its financial obligations as they fall due. Its main liabilities are its retail savings products. The Society's policy is to maintain sufficient liquid funds at all times to ensure that liabilities can be met as they fall due. The objective of liquidity is to help smooth mismatches between maturing assets and liabilities, thereby maintaining public confidence in the solvency of the Society. The majority of the Society's liquid funds are either deposited with the Bank of England or invested in tradable instruments which can readily be converted to cash should the need arise.

Liquidity risk is managed principally by holding an appropriate level of high quality, easily realisable liquid assets (primarily in a Bank of England Reserve Account). The Board has established an appropriate Liquidity Risk Appetite and Policy Statement, supported by a Contingency Funding Plan.

Liquidity levels and a number of associated lead indicators (for example levels of outflows) are monitored by the Executive team on a daily basis.

At 31 December 2016 the Society held £43.0M (2015: £34.9m) of liquid assets, representing 24.1% (2015: 20.6%) of shares and borrowings. »

» The Society's risk appetite, policies, systems and controls for managing liquidity risk are reviewed by the Assets and Liabilities Committee at least annually and approved by the Board. This review process includes approval of the Society's Liquidity Policy and the Internal Liquidity Adequacy Assessment Process (ILAAP). Regular stress testing is an important part of the liquidity risk management framework. The stress scenarios selected are reviewed regularly. A Contingency Funding Plan is in place to ensure that the Society recognises early any indicators that might suggest a developing liquidity crisis, and prompt specific early actions should this be the case.

The adequacy of these arrangements has been independently evaluated through the Internal Liquidity Adequacy Assessment Process.

The Society operates segregated treasury front and back offices. The front and back offices are responsible for adherence on a day-to-day basis to the liquidity limits and the Society's liquidity position is calculated and monitored by the finance department on a daily basis. The treasury front office checks that any new transactions will not result in a breach of a Liquidity Policy limit before agreeing a trade. The treasury back office confirms these before settling the trade.

Interest rate risk

Interest rate risk in the banking book (IRRBB) is the risk of losses arising from a change in interest rates. The areas of interest rate risk to which the Society has some exposure are:

- **Re-pricing Risk** the mismatch of re-pricing of assets and liabilities and off balance sheet short and long-term positions
- **Basis Risk** the risk of loss arising from assets and liabilities repricing on different interest rate bases. This may arise from holding assets and liabilities that reprice from different floating rate indices

Re-pricing Risk

Re-pricing Risk for the Society is mainly driven by its fixed rate treasury investments. The Society has no fixed rate lending and limited fixed rate saving products.

The Society has reduced interest rate risk in the last few years by restricting these treasury investments to maturity of one year or less. The Assets and Liabilities Committee monitors both the actual and forecast risk monthly against its stated risk appetite.

Basis Risk

The Society's statement of financial position is priced based on a limited number of interest rate basis.

- Base rate linked assets (tracker mortgages and Bank of England Reserve)
- Fixed interest investments
- Administered rate savings and mortgages

Basis risk is suppressed as a result of the Society's current lending being only on administered rates.

The Assets and Liabilities Committee monitors basis risk against the Board's agreed risk appetite on a monthly basis based on both actual and forecast data.

The interest rate sensitivity of the Society as at 31 December 2016 is detailed in note 24 to the accounts.



Cashier Becky at the Beverley Food Festival, sponsored by the Society

Directors' Remuneration Report

for the year ended 31 December 2016



Sue Symington
Chair of the Remuneration Committee

This report explains how the Society has regard to the principles in the UK Corporate Governance Code 2014 relating to remuneration. (The 2016 edition is applicable from the next reporting year).

The Society has adopted a Remuneration Policy, which describes how the Society complies with the relevant sections of the Financial Conduct Authority's (FCA) Remuneration Code. The Remuneration of individual Directors is detailed on pages 18.

The level and components of remuneration

Code Principle:

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

Board Comment:

The Board's policy is to set remuneration levels which will attract and retain high calibre Executive and Non-Executive Directors.

Non-Executive Directors' remuneration

The remuneration of all Non-Executive Directors is reviewed on an annual basis by the Remuneration Committee, using external data for other comparable building societies and comparing any increase to those applied to the Executive Directors. There are no bonus schemes for Non-Executive Directors and they do not qualify for pension entitlement or other benefits. Non-Executive Directors do not have service contracts.

Executive Directors' remuneration

The main components of the Executive Directors' remuneration are:

Basic salary

This takes into account the job content and responsibilities, individual performance (assessed annually) and salary levels for similar positions in comparable organisations.

Pensions

This involves the Society contributing to the personal pension arrangements of its Executive Directors. The Society does not have a Defined Benefit or Final Salary pension scheme.

Other benefits

These include private medical insurance, permanent health insurance, participation in a Group income protection scheme, and, where applicable, a company car.

Bonus scheme

The Society does not operate any bonus schemes for its Executive Directors.

Contractual Terms

Executive Directors have contractual notice periods of six months and so any termination payment would not exceed six months' salary and accrued benefits. The performance of the Executive Directors is reviewed on an annual basis by the Remuneration Committee.



» The Procedure for Determining Remuneration

Code Principle:

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

Board Comment:

The Remuneration Committee consists of two Non-Executive Directors.

The Remuneration Committee is responsible for the remuneration policy for all Directors and senior management of the Society. It meets at least once a year and reviews supporting evidence from within the building society industry on comparative packages. The Committee takes into account relevant factors from the UK Corporate Governance Code and the Society complies with the relevant and applicable aspects of the FCA Remuneration Code.

S A Symington

Chairman of the Remuneration Committee
31 January 2017



Society's Debbie at the 2016 AGM

Directors' remuneration (audited)

Directors' emoluments	2016 £000	2015 £000
For services as a Director	87	87
For executive services	333	319
Total	420	406

Emoluments of the Society's Directors are listed below

	Fees £000	Fees £000
For services as a Director	£000	£000
B Young (Chairman and Chair of the Nominations Committee)	23	20
R M Miles (Chair of the Audit and Compliance Committee, retired 19 April 2016)	7	15
M R Cocker (Chair of the Audit and Compliance Committee, appointed 19 April 2016)	12	-
R A Pattinson (Senior Independent Director and Chair of the Risk Committee)	16	16
M R Heenan (Chair of the Assets and Liabilities Committee)	16	16
S A Symington (Chair of the Remuneration Committee)	13	13
S L Young (Retired 27 April 2015)	-	7
Totals	87	87

	Salary £000	Benefits £000	Pension £000	Total £000
For executive services				
2016				
P E Myers <i>Note 1</i>	143	8	-	151
J E Bedford	86	1	9	96
M Marsden	77	1	8	86
Totals	306	10	17	333

2015				
P E Myers <i>Note 1</i>	137	8	-	145
J E Bedford	82	1	8	91
M Marsden	75	1	7	83
Totals	294	10	15	319

Note 1: Included in the salary of P E Myers is £11k which represents cash payments in lieu of pension (2015: £11k).

Corporate Governance Report

for the year ended 31 December 2016



Mark Marsden
Risk Director

The Society has regard to the best practice principles in the UK Corporate Governance Code issued by the Financial Reporting Council, to the extent that they apply to a building society. For the year ended 31 December 2016 the September 2014 edition is relevant.

The Role of the Board

Code Principle:

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

Board Comment:

The Society's strategic aims are discussed and approved by the Board annually. It then meets approximately monthly and will challenge and monitor management performance in delivering the strategy in line with the long term success of the Society.

There are usually eleven meetings a year, including topic specific workshops and two days focused specifically on strategy. The Non-Executive Directors meet without the Executive Directors present at least twice a year.

Richard Pattinson is appointed as the Senior Independent Director, providing an alternative channel of communication for Directors, staff and members and chairing the meeting where the Chairman's performance is appraised.

There are five committees to which the Board delegates the following responsibilities:

Audit and Compliance Committee

The Audit and Compliance Committee, now chaired by Martin Cocker, considers regulatory compliance matters, the adequacy of internal controls, reviews reports from both the Society's internal and external auditors and reviews any changes in accounting policy and practice. Meetings are held at least four times a year and other members of the Committee are Richard Pattinson, Sue Symington and Mike Heenan. Three members of the Committee have recent relevant financial experience.

Remuneration Committee

The Remuneration Committee, chaired by Sue Symington, meets at least once a year and independently reviews the remuneration, benefits and contracts of Non-Executive Directors and Executive Directors. The other member of the Committee is Brian Young. Further details can be found in the Directors' Remuneration Report on pages 17 to 18.

Assets and Liabilities Committee

The Assets and Liabilities Committee, chaired by Mike Heenan, meets on a monthly basis to manage the Society's balance sheet in relation to liquidity and net interest margin. It is also responsible for reviewing the Society's policies and counterparty list and ensuring regulatory limits are adhered to. Other members of the committee are Richard Pattinson, Sue Symington, Martin Cocker, Peter Myers (Chief Executive), Janet Bedford (Finance Director), Mark Marsden (Risk Director) and Graham Carter (Head of Lending).

Risk Committee

The Risk Committee, chaired by Richard Pattinson, meets at least quarterly. The Committee is responsible for the oversight and challenge of the Society's risk management framework to identify, manage and mitigate key risks faced by the Society. Other members of the Committee are Martin Cocker, Mike Heenan, Janet Bedford (Finance Director), Peter Myers (Chief Executive), Mark Marsden (Risk Director) and Graham Carter (Head of Lending).

Nominations Committee

The Nominations Committee, chaired by Brian Young, meets at least once a year to review the structure, size and composition of the Board. The Committee also gives consideration to succession planning, taking into account the challenges and opportunities facing the Society and therefore the skills and expertise needed. Other members of the Committee are Peter Myers (Chief Executive) and Sue Symington. »

» Board and Committee membership attendance record

The table below shows the number of meetings of the Board and its Committees at which each Director was present and in brackets the number of meetings that director was eligible and able as a member of the Board and Committee to attend during the year.

	Board	Audit and Compliance	Risk	Assets and Liabilities	Remuneration	Nominations
B Young	10 (10)				2 (2)	2 (2)
R M Miles (to 19 April 2016)	3 (3)	1 (1)	2 (2)	4 (4)		
M R Cocker (to 19 April 2016)	8 (8)	4 (4)	2 (3)	1 (1)		
R A Pattinson	9 (10)		5 (5)	9 (10)		
M R Heenan	10 (10)	4 (5)	5 (5)	10 (10)		
S A Symington	10 (10)	5 (5)		8 (8)	2 (2)	2 (2)
P E Myers	10 (10)		5 (5)	10 (10)		2 (2)
J E Bedford	10 (10)		5 (5)	10 (10)		
M Marsden	10 (10)		5 (5)	10 (10)		

Division of Responsibilities

Code Principle:

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

Board Comment:

The offices of Chairman and Chief Executive are distinct and held by different people. The Chief Executive is responsible for managing the business within the parameters set by the Board. The Chairman's responsibilities are outlined in the Board comment to A.3. below.

The Chairman

Code Principle:

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

Board Comment:

The Chairman sets the direction and culture of the Board, facilitating effective contribution from Directors, maintaining constructive relations between Executive and Non-Executive Directors and ensuring that Directors receive accurate, timely and clear advice and information. Prior to the appointment of Brian Young as Chairman, an appropriate assessment to confirm his independence was carried out, as part of a process in line with the requirements of the UK Corporate Governance Code, to ensure that he had appropriate experience and business knowledge relevant to the Board together with his commitment to enhance the benefits of mutuality for members.

Non-Executive Directors

Code Principle:

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

Board Comment:

The Non-Executive role at the Society requires understanding of the risk in the business, commercial leadership within a framework of prudent and effective risk management controls, independently monitoring performance and resources, and developing, scrutinising and constructively challenging strategic proposals, whilst supporting the Executive management.

The Society has appointed a Senior Independent Director who provides support for the Chairman and an alternative route for communication from members and staff. His main responsibilities are to carry out the appraisal of the Chairman and to chair meetings when the Chairman is unavailable.

On a twice yearly basis a meeting attended by Non-Executive Directors without the Executive Directors present is held. The Senior Independent Director also leads an annual meeting at which the Chairman's performance is reviewed without the Chairman's attendance.

The Composition of the Board

Code Principle:

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

Board Comment:

The Board currently consists of three Executive Directors and five Non-Executive Directors who provide the appropriate mix of skills and professional expertise required. The Board considers that all its Non-Executive Directors are free of any relationship which could prejudice their use of independent judgement.

Appointments to the Board

Code Principle:

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

Board Comment:

The Society values diversity but always makes Non-Executive Director appointments on merit, based on the specific skills and experience required to complement existing skills under the succession plan. All Directors must meet the regulatory fitness and propriety standards. The Nominations Committee leads the process and recommends a candidate. The Board decides whether to appoint the candidate. Each Director must obtain appropriate regulatory approvals prior to fulfilling their control function as a Director.

Commitment

Code Principle:

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

Board Comment:

Directors are informed of the time commitment in the letter of appointment. The Nominations Committee evaluates the ability of Directors to commit the time required for their role, prior to appointment. The formal appraisal process carried out by the Chairman each year also assesses whether Directors have demonstrated this ability during the year. The attendance record during the year of Board and Committee members is set out above.

Development

Code Principle:

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

Board Comment:

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

Information and Support

Code Principle:

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

Board Comment:

The Chairman ensures that the Board receives information sufficient to enable it to discharge its responsibilities. The Society continually improves management information to assist the Committees in discharging their terms of reference. The Board has access to independent advice if required.

Evaluation

Code Principle:

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

Board Comment:

The Chairman carries out individual appraisals and completes a skills matrix for each Non-Executive Director and the Board as a whole. The skills matrix for the Board is reviewed by the Nominations Committee. The Board will annually carry out a review of the effectiveness of each committee of the Board. As part of that review recommendations may emerge as to changes in the scope and work of the committees and refreshing their membership of them.

Re-election

Code Principle:

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

Board Comment:

The Society's Rules require all directors to submit themselves for election by the Members at the first opportunity after their appointment and for

re-election every three years. All new Non-Executive Directors appointed to the Board will not serve for more than nine years.

Financial and Business Reporting

Code Principle:

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

Board Comment:

The Board confirms that the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for Members and others to assess performance, strategy and the business model of the Society. 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 Statement of Directors' Responsibilities on page 22.

Risk Management and Internal Control

Code Principle:

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

Board Comment:

The Board is collectively responsible for determining the risk appetite and strategies for risk management and control as described in the Society's Risk Appetite Policy. Senior management is responsible for designing, operating and monitoring risk management systems and controls. Each Board Committee has oversight responsibility for the risks and controls within its remit. The Risk Committee assesses the adequacy of the risk related output of this process. The Society's internal auditors, RSM LLP, provide independent assurance that the systems are appropriate and controls effectively applied. The Board has conducted an appropriately robust assessment of the principal risks facing the Society, including those that would threaten its business model, future performance or liquidity. A summary of those principal risks and how they are mitigated is contained in the Directors' Report on page 12. The Board concludes that the Society has a strong compliance culture and that the systems are effective and appropriate to the scale and complexity of the business.

Audit Committee and Auditors

Code Principle:

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

Board Comment:

The Society has an Audit and Compliance Committee comprising four Non-Executive Directors. These Directors have relevant experience and expertise. The Society's external and internal auditors and the Executive Directors and other Senior Management attend by invitation. The responsibilities of the Committee are set out on page 19. The Committee meets at least four times a year and on occasion the members of the Committee meet with the external and internal auditors without the Executive Directors present.

Remuneration

The Directors' Remuneration Report on page 17 and 18 explains how the Society has regard to the Code Principles relating to remuneration.

Dialogue with Shareholders

Code Principle:

E.1. There should be a dialogue with shareholders based on the mutual understanding of objectives.

Board Comment:

As a mutual organisation the Society's membership consists of individuals who are also the Society's customers. The Society is committed to dialogue with members through social media and events attended by Executive and Non-Executive Directors. The purpose of this dialogue is to understand our members and better serve their needs.

Constructive use of the Annual General Meeting (AGM)

Code Principle:

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

Board Comment:

Each year the Society sends details of the Annual General Meeting to all members who are entitled to vote. Members are encouraged to vote by completing a proxy form and returning it to the Society by an agreed deadline or by attending the AGM itself, which is held in the early evening to encourage attendance. The Society encourages members to vote by linking the number of votes cast to a donation to charity. All Board members are present at the AGM unless there are exceptional circumstances that prevent attendance. Board members are encouraged to meet with members both before and after the meeting and to answer questions on a formal and informal basis.

B Young

Chairman
31 January 2017

Statement of Directors' Responsibilities

in respect of the Annual Report and Accounts, the Annual Business Statement, the Directors' Report and the annual accounts for the year ended 31 December 2016

The directors are responsible for preparing the Annual Report and Accounts, Annual Business Statement, Directors' Report and the annual accounts in accordance with applicable law and regulations.

The Building Societies Act ("the Act") requires the directors to prepare society annual accounts for each financial year. Under that law they have elected to prepare the society annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The society annual accounts are required by law to give a true and fair view of the state of affairs of the society as at the end of the financial year and of the income and expenditure of the society for the financial year.

In preparing these annual accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts;
- prepare the annual accounts on the going concern basis unless it is inappropriate to presume that the society will continue in business.

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

Directors' responsibilities for accounting records and internal control

The directors are responsible for ensuring that the Society:

- keeps proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and society, in accordance with the Act;
- takes reasonable care to establish, maintain, document and review such systems and controls as are appropriate to its business in accordance with the rules made by the Financial Conduct Authority and Prudential Regulation Authority under the Financial Services and Markets Act 2000.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the society and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the society's website. Legislation in the UK governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

B Young
Chairman
31 January 2017



Zoe | Marketing Manager



Becky | Cashier



Nicola | Cashier



Jess | Trainee Mortgage Manager

Independent Auditor's Report

to the members of Beverley Building Society

We have audited the society annual accounts of Beverley Building Society for the year ended 31 December 2016 set out on pages 24 to 41.

The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the society's members, as a body, in accordance with section 78 of the Building Societies Act 1986. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Scope of the audit of the annual accounts

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

Opinion on annual accounts

In our opinion the annual accounts:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the society as at 31 December 2016 and of the income and expenditure of the society for the year then ended; and
- have been prepared in accordance with the requirements of the Building Societies Act 1986 and regulations made under it.

Opinion on other matters prescribed by the Building Societies Act 1986

In our opinion:

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

Matters on which we are required to report by exception

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

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

Richard Gabbertas

(Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square, Sovereign Street, Leeds LS1 4DA
31 January 2017



Mortgage Managers Annette and Maria at the 2016 AGM, held in Browns

Income Statement

for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Interest receivable and similar income	2	3,955	4,304
Interest payable and similar charges	3	(1,788)	(2,019)
Net interest income		2,167	2,285
Fees and commissions receivable		4	5
Fees and commissions payable		(89)	(71)
Other operating income		141	146
Net operating income		2,223	2,365
Administrative expenses	4	(1,513)	(1,456)
Depreciation and amortisation	13, 14	(107)	(93)
Operating charges		(47)	(42)
		556	774
Impairment provision for losses and advances	11	(181)	(466)
Provisions for liabilities			
FSCS Levy	20	(38)	(85)
Profit on ordinary activities before tax		337	223
Tax on profit on ordinary activities	7	(72)	(47)
Profit for the financial year	23	265	176

Statement of Other Comprehensive Income

for the year ended 31 December 2016

	Notes	2016 £000	2015 £000
Profit for the financial year		265	176
Other comprehensive income			
Revaluation of freehold land and buildings	23	77	3
Total comprehensive income for the period		342	179

The notes on pages 27 to 41 form part of these accounts.

Profit for the financial year arises from continuing operations.

Both the profit for the financial year and total comprehensive income for the period are attributable to the members of the Society.

Operating Profit is represented by Profit Before Tax in the Income Statement.

Note of historic profits and losses

If the accounts had been prepared on an historic cost basis depreciation for the year would have been reduced by £3,464 and profit before tax increased by £3,464.



Society staff at the 2016 Driffield show, the Society sponsored the Activity Arena

Statement of Financial Position

for the year ended 31 December 2016

Assets	Notes	2016		2015	
		£000	£000	£000	£000
Liquid assets					
Cash in hand and balances with the Bank of England		28,111		18,710	
Loans and advances to credit institutions	8	14,930		14,096	
Debt securities	9	-		2,068	
			43,041		34,874
Loans and advances to customers					
Loans fully secured on residential property	10	139,715		137,551	
Other loans	10	7,262		8,568	
			146,977		146,119
Investments	12	106		106	
Tangible fixed assets	13	1,125		1,074	
Intangible assets	14	51		56	
Prepayments and accrued income	15	347		297	
Total assets			191,647		182,526
Liabilities					
		£000	£000	£000	£000
Shares	16	162,078		149,253	
Amounts owed to other customers	17	16,289		20,105	
			178,367		169,358
Other liabilities	18	72		199	
Accruals and deferred income	19	215		307	
Provisions for liabilities	20	59		70	
Subordinated liabilities	22	2,750		2,750	
Total liabilities			181,463		172,684
Revaluation reserve	23	556		482	
Reserves					
General reserve	23	9,628		9,360	
Total liabilities and reserves			191,647		182,526

The notes on pages 27 to 41 form part of these accounts.

Approved by the Board of Directors on 31 January 2017 and signed on its behalf by:

B Young Chairman

P E Myers Chief Executive

J E Bedford Finance Director

Statement of Cash Flows of the Society

for the year ended 31 December 2016

	2016	2015
	£000	£000
Net cash inflow from operating activities	7,462	4,467
Returns on investment and servicing of finance		
Interest paid on subordinated liabilities	(83)	(85)
Proceeds received from disposal of debt securities	2,000	-
Taxation	(68)	(87)
Capital expenditure and financial fixed assets		
Purchase of tangible and intangible fixed assets	(76)	(109)
Proceeds from disposal of tangible fixed assets	-	11
Increase in cash	9,235	4,197

Notes to cash flow statement

Reconciliation of operating profit to net cash flow from operating activities

Operating profit	337	223
(Increase) / Decrease in prepayments and accrued income	(25)	88
(Decrease) / increase in provision for bad and doubtful debts	(1,091)	352
Depreciation and amortisation	150	159
Interest payable on subordinated liabilities	83	85
Profit on disposal of tangible fixed assets	-	(10)
Net cash (outflow)/inflow from trading activities	(546)	897
Loans and advances made to customers	(24,444)	(19,236)
Loans and advances repaid by customers	24,677	22,894
Net increase in shares	12,825	3,980
Net (decrease) in amounts owed to credit institutions and other customers	(3,816)	(9,216)
Net (increase) / decrease in loans and advances to credit institutions	(1,000)	4,999
Net (decrease) / increase in other liabilities	(223)	167
Decrease in provisions for liabilities	(11)	(18)
Net cash inflow from operating activities	7,462	4,467

Reconciliation of cash balances

	2015	Cashflow	2016
	£000	£000	£000
Cash in hand and balances with the Bank of England	18,710	9,401	28,111
Loans and advances to credit institutions - repayable on demand	2,046	(166)	1,880
Total	20,756	9,235	29,991

Notes to the Accounts

for the year ended 31 December 2016

1. Accounting Policies

1.1 Basis of accounting

Beverley Building Society (the "Society") has prepared these Society annual accounts in accordance with the Building Societies Act 1986, the Building Societies (Accounts and Related Provisions) Regulations 1998 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in September 2015. The accounts have been prepared under the historical cost convention, except for freehold buildings which are stated at valuation. The presentation currency of these annual accounts is sterling. All amounts in the annual accounts have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these annual accounts.

The financial statements have been prepared on a going concern basis. This is discussed in the Directors' Report on page 13, under the heading "Going concern".

Group accounts have not been prepared on the basis that the subsidiary undertakings are dormant and not material for the purpose of giving a true and fair view of the Society as permitted by Regulation 4(3) of the Building Societies (Accounts and Related Provisions) Regulations 1998.

1.2 Interest

Interest income and expense on "basic" financial instruments are measured at amortised cost and recognised in income statement using the effective interest rate method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts over the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount. When calculating the effective interest rate, the Society estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability, including up front application fee income, broker procurement costs and fee free survey and legal re-mortgage costs.

1.3 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate (see 1.2).

Other fees and commission income, with a low value or low occurrence in nature such as deed fees, redemption fees and further advance fees, are recognised as the related services are performed.

1.4 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the annual accounts. »



View of the Beverley Food Festival 2016 from the Society boardroom, sponsored by the Society

» 1.5 Financial Instruments

Recognition

The Society initially recognises loans and advances, deposits and subordinated debt on the date on which they are originated. All other financial instruments (such as Certificates of Deposit and UK Treasury Gilts) are recognised on the trade date, which is the date on which the Society became party to the contractual provisions of the instruments.

Classification

All the Society's financial assets and liabilities are categorised as "basic" under FRS102 and are consequently measured at amortised cost.

Derecognition

The Society derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction. A financial liability is derecognised when the contractual obligations are discharged, cancelled or expire.

Identification and measurement of impairment

Provisions are made to reduce the value of loans and advances to the amount which the Directors consider is likely to be recoverable.

Individual assessments are made of all loans and on properties which are in possession or more than three months in arrears at the year end date. Specific provision is made against those loans and advances that are considered to be impaired, based on expected discounted cashflows. In arriving at the specific provision, account is taken of discounts required against each individual property value at the balance sheet date, the amounts expected to be recovered under mortgage indemnity policies, estimated sale expenses and an appropriate discount rate.

Those loans not found to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. In assessing collective impairment, the Society uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and considers adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

1.6 Investments

Investments held by the Society are not publicly traded and are therefore carried at cost and are assessed for signs of impairment on an annual basis.

1.7 Fixed assets

Fixed assets (except freehold buildings) are valued at historical cost less accumulated depreciation.

Freehold buildings are stated at valuation, a full revaluation is carried out at least every two years by an independent valuer. Revaluation surpluses are transferred to a revaluation reserve and transferred to the income statement in equal instalments over the life of the asset.

Revaluation losses are recognised in the revaluation reserve until the carrying amount falls to depreciated historical cost, with the balance being recognised directly in the income statement.

Tangible fixed assets are depreciated by reference to cost or valuation at rates estimated to write off the relevant assets by equal instalments over their estimated useful lives. The depreciation rates used are:

Freehold buildings	2% on valuation
Office furniture and computer equipment	10% to 30% on cost
Motor vehicles	25% on cost

1.8 Intangibles

The only intangible assets of the Society are purchased software assets. The assets are amortised on a straight line basis at 30% per year.

1.9 Leases

Operating lease rental income is recognised in the income statement in the year in which it is receivable.

1.10 FSCS Levy

The Society has made provision for its expected share of interest charges to be levied by the FSCS, based on its liability to contribute by reference to the amount of protected deposits held by the Society. The Society's estimates are sensitive to interest rates over the period.

In accordance with IFRIC21 - Levies the trigger date for recognition of a provision in respect of the FSCS levy is 1 April each year and at 31 December the Society holds a provision for one year's interest levy.

1.11 Pension costs

The Society contributes to a defined contribution group personal pension plan for its staff. The Society's contributions are charged against profits in the year in which they are incurred. The charge to the income statement for the year is shown in note 5 to the accounts.

1.12 Segmental reporting

A segmental analysis is not disclosed as the Society's business is wholly UK based and within one business sector.

2. Interest receivable and similar income

	2016	2015
	£000	£000
On loans fully secured on residential property	3,562	3,829
On other loans	185	221
On debt securities	55	80
On other liquid assets	195	239
On loan to participating interest	1	1
Net income/(expenditure) on financial instruments		
(Loss)/profit on sale of liquid assets	-	-
Premium amortisation	(43)	(66)
Total	3,955	4,304

3. Interest payable and similar charges

	2016	2015
	£000	£000
On shares held by individuals	1,647	1,820
On deposits and other borrowings	58	114
On subordinated liabilities	83	85
Total	1,788	2,019

4. Administrative expenses

	2016	2015
	£000	£000
Staff costs (note 5)	832	768
Other administrative expenses	681	688
Total	1,513	1,456

Included in other administrative expenses are:

Remuneration of auditors		
Audit of these financial statements	39	40
Taxation compliance services	-	6
All other services	-	-

The remuneration of the auditors reflects amounts payable to KPMG LLP for audit of these financial statements.

Taxation compliance services for 2016 are provided by PricewaterhouseCoopers LLP.

5. Staff numbers and costs

	2016	2015
	Number	Number
The average number of persons employed by the Society (including the executive directors) during the year was as follows		
Full time	16	13
Part time	8	8
Total	24	21

	2016	2015
	£000	£000
The aggregate cost of these persons was as follows:		
Wages and salaries	712	655
Social security costs	74	74
Other pension costs	46	39
Total	832	768

The Society operates a group personal pension scheme (a defined contribution scheme) of which 19 employees are members.

The assets of the Scheme are held separately from those of the Society in an independently administered fund.

The pension cost charge noted above represents contributions payable by the Society to the fund.

6. Directors

Remuneration

Total remuneration of the Society's Directors for the year was £420,000 (2015: £406,000).

Full details are given in the Directors' Remuneration Report on page 18.

The Society does not contribute to Non-Executive Directors' pensions.

Directors' loans and transactions

At 31 December 2016 there was 1 (2015: nil) outstanding mortgage loan granted in the ordinary course of business to a Director and their connected persons, amounting in aggregate to £134,839 (2015: £nil).

A register is maintained at the principal office of the Society under Section 68 of the Building Societies Act 1986, which shows details of all loans, transactions and arrangements with Directors and their connected persons. A statement of the appropriate details contained in the register for the financial year ended 31 December 2016 will be available for inspection at the principal office for a period of 15 days up to and including the date of the Annual General Meeting and at the meeting.

7. Tax on profit on ordinary activities

	2016	2015
	£000	£000
The tax charge for the year comprises:		
Corporation tax at 20% (2015: 20.25%) on profit for the year on ordinary activities	72	68
Adjustment in respect of prior periods	3	-
Total current tax	75	68
Deferred taxation (note 21)		
Adjustment in respect of prior periods	(3)	-
Origination and reversal of timing differences	1	(17)
Effect of tax rate change on opening balance	(1)	(4)
Total corporation tax	72	47
Reconciliation of tax on profit on ordinary activities		
Profit on ordinary activities before tax	337	223
Profit on ordinary activities before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 20.25%)	67	45
Depreciation in excess of capital allowances	6	4
Other short term timing differences	(1)	(2)
Total	72	47

8. Loans and advances to credit institutions

	2016	2015
	£000	£000
Loans and advances to credit institutions have maturities as follows:		
On demand	1,880	2,046
In not more than three months	2,000	3,000
In more than three months but not more than one year	11,000	9,000
	14,880	14,046
Accrued interest	50	50
Total	14,930	14,096

9. Debt securities

	2016	2015
	£000	£000
Debt securities issued by public bodies have maturities as follows:		
In more than one year	-	2,043
Accrued interest	-	25
Total	-	2,068
Analysis of debt securities		
Transferable securities		
Listed on a recognised investment exchange	-	2,043
Market value of listed securities	-	2,075
Transferable securities held as financial fixed assets:		
Maturity value	-	2,000
Unamortised premium	-	43
	-	2,043
Accrued interest	-	25
Total	-	2,068

The Directors of the Society consider that the primary purpose of holding securities is prudential.

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

	£000
At 31 December 2015	2,043
Amortisation of premiums - Charge for the year	(43)
Maturity of debt security	(2,000)
At 31 December 2016	-

10. Loans and advances to customers

	2016	2015
	£000	£000
Loans fully secured on residential property	139,715	137,551
Loans fully secured on land	7,262	8,568
Total	146,977	146,119
Maturity analysis		
The remaining maturity of loans and advances to customers from the date of the balance sheet is as follows:		
Repayable on demand	891	671
In not more than three months	840	870
In more than three months but not more than one year	4,938	7,566
In more than one year but not more than five years	27,318	26,205
In more than five years	113,501	112,409
	147,488	147,721
Less: Provisions (note 11)	(511)	(1,602)
Total	146,977	146,119

This analysis assumes that each mortgage account will continue under its current terms and, in particular, that it will not be redeemed before the contractual maturity date. However, the Society's mortgage conditions give the Society the right to demand repayment of the mortgage debt in full after three months written notice to the borrower when the borrower is in default.

11. Provisions for bad and doubtful debts

	Loans fully secured on residential property	Other loans fully secured on land	Total
	£000	£000	£000
At 31 December 2015			
Collective provision	100	116	216
Specific provision	1,227	159	1,386
Total	1,327	275	1,602
Movement during 2016			
Collective provision	(2)	(11)	(13)
Specific provision	(979)	(99)	(1,078)
Total	(981)	(110)	(1,091)
At 31 December 2016			
Collective provision	98	105	203
Specific provision	248	60	308
Total	346	165	511
The total movement in provisions is made up as follows:			
Income and expenditure charge for the year			181
Write-off of loans previously provided			(1,272)
Total			(1,091)

12. Investments

	2016	2015
	£000	£000
Cost and net book value		
Investments in subsidiary undertakings	-	-
Shares in participating interests	7	7
Loans to participating interests	99	99
Total	106	106

The Society holds directly the following interests in subsidiary and participating interests all of which are registered and incorporated in England.

	Principal activity	Class of shares held	Interest of Society
Beverley Financial Services Ltd	Dissolved in 2016	Ordinary	Nil
Beverley Property Services Ltd	Dissolved in 2016	Ordinary	Nil
Mutual Vision Technologies Ltd	Computer Software Developer	Ordinary	13.20%

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

13. Tangible fixed assets

	Freehold buildings £000	Office furniture and computer equipment £000	Motor vehicles £000	Total £000
Cost or valuation				
At 31 December 2015	1,036	264	27	1,327
Additions	-	33	-	33
Disposals	-	-	-	-
Revaluation	(11)	-	-	(11)
At 31 December 2016	1,025	297	27	1,349
Depreciation				
At 31 December 2015	67	184	2	253
Charge for the year	21	31	7	59
On disposals	-	-	-	-
Revaluation	(88)	-	-	(88)
At 31 December 2016	-	215	9	224
Net book amount				
At 31 December 2016	1,025	82	18	1,125
At 31 December 2015	969	80	25	1,074
			2016	2015
			£000	£000

Particulars relating to revalued tangible fixed assets are given below

Freehold buildings at 2016 open market value	1,025	990
Historical cost of re-valued assets	817	817

The freehold buildings at 57/58 Market Place, Beverley were valued on 31 December 2016 by Scotts Property LLP an external qualified Chartered Surveyor appointed by the Society on the basis of the open market value for existing use, with vacant possession of the property that is currently occupied by the Society but subject to an existing tenancy.

Freehold land and buildings relate to property substantially occupied by the Society for its own activities (£820,000 at current valuation occupied by the Society of the total £1,025,000).

14. Intangible fixed assets

	Purchased Software £000	Total £000
At 31 December 2015	734	734
Additions	43	43
At 31 December 2016	777	777
At 31 December 2015	678	678
Charge for the year	48	48
At 31 December 2016	726	726
At 31 December 2016	51	51
At 31 December 2015	56	56

15. Prepayments and accrued income	2016	2015
	£000	£000
Due within one year		
Prepayments and accrued income	347	297
Total	347	297

16. Shares	2016	2015
	£000	£000
Shares held by individuals	162,042	149,223
Shares held by others	36	30
Total	162,078	149,253

Shares are repayable from the date of the balance sheet in the ordinary course of business as follows:

Accrued interest	602	649
On demand	160,403	147,467
In not more than three months	73	73
In more than three months but not more than one year	104	143
In more than one year but not more than five years	437	518
In more than five years	459	403
Total	162,078	149,253

17. Amounts owed to other customers	2016	2015
	£000	£000
Amounts owed to other customers are repayable from the balance sheet date in the ordinary course of business as follows:		
On demand	16,039	19,855
In not more than three months	250	250
Total	16,289	20,105

18. Other liabilities

	2016	2015
	£000	£000
<i>Amounts falling due within one year</i>		
Income tax	-	130
Corporation tax	72	69
Total	72	199

Due to changes in tax legislation during 2016, income tax is no longer charged to individual accounts by the Building Society.

19. Accruals and deferred income

	2016	2015
	£000	£000
<i>Amounts falling due within one year</i>		
Accruals and deferred income	215	307
Total	215	307

20. Provisions for liabilities

	Deferred tax	FSCS Levy	Total
	£000	£000	£000
At 31 December 2015	19	51	70
Paid in the year	-	(47)	(47)
Charge for the year	(2)	38	36
At 31 December 2016	17	42	59

a. Financial Services Compensation Scheme (FSCS) Levies

Based on its share of protected deposits, the Society, in common with all regulated UK deposit takers, pays levies to the Financial Services Compensation Scheme (FSCS) to enable the FSCS to meet claims made against it. The FSCS levy consists of two parts - a management expenses levy and a compensation levy. The management expenses levy covers the costs of running the scheme and the compensation levy covers the amount of compensation the scheme pays, net of any recoveries it makes using the rights that have been assigned to it. The only current loan the FSCS has outstanding at December 2016 relates to Bradford and Bingley.

The FSCS has met the claims by way of loans received from HM Treasury on which it is liable to pay interest. The FSCS has, in turn, acquired the rights to the realisation of the assets of these institutions. The FSCS will have further liabilities if there are insufficient funds available from the realisation of the assets of the institutions to fully repay the respective loans from HM Treasury.

As a result of information received from the FSCS, the Society has recognised in this year's accounts a provision totalling £42k (2015: £51k), comprising the expected interest costs relating to the year ending April 2017. This provision for interest has been calculated with reference to the relative level of the Society's protected deposits at 31 December 2015 and the expected total interest costs for the period announced by the FSCS in 2016.

b. Capital commitments

Capital commitments relating to purchased software costs at 31 December 2016, for which no provision has been made in the accounts, were as follows:

	2016	2015
	£000	£000
Contracted	39	38

21. Deferred taxation

	2016	2015
	£000	£000
Deferred tax liability		
At 1 January	19	40
Charge for the year	(2)	(21)
At 31 December	17	19
	Amount recognised	Amount recognised
The deferred taxation liabilities are set out below:	£000	£000
Corporation tax deferred by accelerated capital allowances	20	22
Short term timing differences	(3)	(3)
Total	17	19

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 6 September 2016. This will reduce the Society's future current tax charge accordingly. The deferred tax liability at 31 December 2016 has been calculated based on these rates.

22. Subordinated liabilities

	2016	2015
	£000	£000
Loans repayable 2017	1,000	1,000
Loans repayable 2019	1,750	1,750
Total	2,750	2,750

The interest rate applicable on all loans is set quarterly and is based on 2.5% above three month LIBOR. The note holders' rights are subordinate to those of the depositors and other creditors and also to those of the shareholders in respect of share principal and accrued interest.

23. Reserves

	General Reserve	Revaluation Reserve
	£000	£000
At 31 December 2015	9,360	482
Profit for the year	265	77
Transfer between reserves	3	(3)
At 31 December 2016	9,628	556

24. Interest rate risk

The Society is exposed to movements in interest rates, and manages this exposure on a continuous basis, within the limits set by the Board, using a combination of on and off balance sheet instruments. Items are allocated to time bands by reference to the earlier of the next interest rate re-pricing or the maturity date. The interest rate sensitivity of the Society at 31 December 2016 was:

Assets	Not more than 3 months	More than 3 months but not more than 6 months	More than 6 months but not more than 1 year	More than 1 year but not more than 5 years	Non interest bearing	Total
	£000	£000	£000	£000	£000	£000
Liquid assets	31,917	4,000	7,000	-	124	43,041
Loans fully secured on residential property and other loans	147,488	-	-	-	(511)	146,977
Tangible and Intangible fixed assets	-	-	-	-	1,176	1,176
Other assets	-	-	-	-	453	453
Total assets	179,405	4,000	7,000	-	1,242	191,647

Liabilities

Shares	161,476	-	-	-	602	162,078
Deposits and other borrowings	16,289	-	-	-	-	16,289
Other liabilities and provisions	-	-	-	-	346	346
Subordinated liabilities	2,750	-	-	-	-	2,750
Reserves	-	-	-	-	10,184	10,184
Total liabilities	180,515	-	-	-	11,132	191,647

Interest rate gap

At 31 December 2016	(1,110)	4,000	7,000	-	(9,890)	-
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As this analysis is based on interest rate reset dates, it differs from the maturity analysis of assets and liabilities given in notes 8, 9, 10, 16 and 18.



Comparative position at 31 December 2015

Assets

	Not more than 3 months £000	More than 3 months but not more than 6 months £000	More than 6 months but not more than 1 year £000	More than 1 year but not more than 5 years £000	Non interest bearing £000	Total £000
Liquid assets	23,715	4,000	7,043	-	116	34,874
Loans fully secured on residential property and other loans	147,721	-	-	-	(1,602)	146,119
Tangible and Intangible fixed assets	-	-	-	-	1,130	1,130
Other assets	-	-	-	-	403	403
Total assets	171,436	4,000	7,043	-	47	182,526

Liabilities

Shares	148,604	-	-	-	649	149,253
Deposits and other borrowings	20,105	-	-	-	-	20,105
Other liabilities and provisions	-	-	-	-	576	576
Subordinated liabilities	2,750	-	-	-	-	2,750
Reserves	-	-	-	-	9,842	9,842
Total liabilities	171,459	-	-	-	11,067	182,526

Interest rate gap

At 31 December 2015	(23)	4,000	7,043	-	(11,020)	-
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As this analysis is based on interest rate reset dates, it differs from the maturity analysis of assets and liabilities given in notes 8, 9, 10, 16 and 18.

25. Financial instruments

Fair value of financial instruments

Set out below is a comparison of book and fair values of certain of the Society's financial instruments (including accrued interest) by category at 31 December 2016. Market values have been used to determine fair values.

The table excludes certain financial assets and liabilities which are not listed or publicly traded or for which a liquid and active market does not exist. It therefore excludes such items as mortgages, share accounts and deposits with other credit institutions.

	2016 Book Value £000	2016 Fair Value £000	2015 Book Value £000	2015 Fair Value £000
On balance sheet items				
Debt Securities	-	-	2,043	2,075

26. Country by Country Reporting - Capital Requirement Directive (CRD IV) disclosures

Information required under the CRR rules Article 89, Country-by-Country Reporting (CBCR) are disclosed below:

Name	Type of Entity	Nature of Activity	Location	Turnover (£m)	Corporation Tax Paid	No. of Employees
The Beverley Building Society	Building Society - UK Registered Entity	UK financial institution owned by its members as a mutual organisation. The principal purpose of the Society is that of loans that are secured primarily on residential property, funded largely by its members. The Society has no active subsidiaries and is wholly based in the UK. The Society has transactions only in GBP.	Beverley, East Yorkshire England	£4.0m based on interest receivable	£0.1m based on corporation tax outstanding at 31 December 2015	24 employees, 16 full time and 8 Part time.



Beverley Building Society to round off 150th Anniversary celebrations by burying a Time Capsule in June 2017, check the website for more details

Annual Business Statement

for the year ended 31 December 2016

1. Statutory percentages

	2016	Statutory Limit
	%	%
Lending limit	5.33	25.00
Funding limit	9.13	50.00

The above percentages have been calculated in accordance with the provisions of the Building Societies Act 1986, as amended by the Building Societies Act 1997.

The lending limit measures the proportion of business assets not in the form of loans fully secured on residential property. Business assets are the total assets of the Society as shown in the balance sheet plus provisions for bad and doubtful debts, less liquid assets and tangible fixed assets. Loans fully secured on residential property are the amount of principal owing by the borrowers and accrued interest not yet payable. This is the amount shown in the balance sheet plus provisions for bad and doubtful debts.

The funding limit measures the proportion of shares and borrowings not in the form of shares held by individuals.

2. Other percentages

	2016	2015
	%	%
As a percentage of shares and borrowings		
Gross capital	7.25	7.44
Free capital	6.71	6.90
Liquid assets	24.13	20.59
Profit for the year as a percentage of mean total assets	0.14	0.10
Management expenses as a percentage of mean total assets	0.87	0.84

The above percentages have been prepared from the Society's balance sheet.

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

Gross capital represents the general reserve, revaluation reserve and subordinated liabilities.

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

Mean total assets are the average of the 2015 and 2016 total assets.

Liquid assets represent the total of cash in hand and balances with the Bank of England, loans and advances to credit institutions and debt securities.

Management expenses represent the aggregate of administrative expenses and depreciation

3. Information relating to Directors

As at 31 December 2016

The Society requires all Directors to disclose any relevant external interests that may be considered to conflict with their role at the Society, including any directorships that they may hold. The Society also requires all Directors to re-affirm their external interests on an annual basis and to declare at each meeting of the Society any interests that they may have that could compromise the best interests of the Society.

Name and date of birth	Date of appointment	Business occupation	Other directorships
B Young FCMA Chairman (27.03.1952)	2009	Chief Executive	Seafish Industry Authority Ripon Select Foods Ltd Thera Trust
R A Pattinson Senior Independent Director (19.05.1952)	2011	Company Director and Financial Services Consultant	A & T Advisory Ltd
P E Myers BA (Hons), ACIB, DipMrs (14.04.1963)	2011	Chief Executive	Finance Yorkshire Ltd Leeds NHS
M R Cocker BSC (Hons), Member of the ICAEW (19.09.1959)	2016	Chartered Accountant	Northumberland Tyne and Wear NHS Foundation Trust Etalon Group Limited Pride Capital Tinkoff Credit Systems Limited
M R Heenan BSc (Hons), FCA (27.02.1951)	2012	Company Director and Retired Chartered Accountant	The Inglewood Investment Company Ltd TIIC Projects Ltd Stafford Town Football Foundation Masonic Charitable Foundation Coltkell Ltd Masonic Charitable Services
S A Symington C Dir, FCIPD (04.03.1965)	2013	Non-Executive Director	Chair - York Teaching Hospital Lodge Cottages Ltd
J E Bedford FCA (13.02.1970)	2014	Finance Director	Mutual Vision Technologies Ltd Beverley DMO Ltd
M Marsden (28.01.1967)	2014	Risk Director	

Documents may be served on the above named directors at:
c/o Addleshaw Goddard & Co, Solicitors, Sovereign House, PO Box 8, Sovereign Street, Leeds, LS1 1HQ.

The Executive Directors P E Myers, J E Bedford and M Marsden have service contracts with the Society, termination of which may be effected by either party giving not less than six months written notice. The contract dates of the above Executive Directors are 27 July 2011, 11 April 2014 and 12 August 2014 respectively. No other Directors have contracts in place.

2016: Charities of the month



January | Macular Society



February | Beverley Consolidated Charity



March | Sue Ryder Holme Hall



April | Guide Dogs Hull Mobility Team



May | MENCAP



June | Hull Animal Welfare Trust



July | Wilf Ward Family Trust



August | Canine Partners



September | Downright Special



October | Cardiac Risk in the Young



November | Yorkshire Cancer Research



December | Cash For Kids: Mission Christmas

2016: Events supported



2016 AGM



2016 AGM



2016 AGM



Society supports Beverley Community Lift Halloween Treasure Hunt



Mortgage Manager Annette zip wires for Action Duchenne



Society Staff at the Beverley Food Festival



Society Staff at the Beverley Food Festival



Beverley Building Society sponsor the Beverley Cycle Race



Society sponsor Beverley Folk Festival



Marketing Manager Ed does Great North Run for Action Duchenne



Society with business guests at Driffeld Show



Society staff on Christmas Jumper Day



Society's Nicola, Sophie and Becky at the 2016 Driffield Show

*Best Local Building Society 2016
 ...a strong independent mutual*

BEVERLEY BUILDING SOCIETY
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Member of the Building Societies Association.
 Authorised by the Prudential Regulation Authority and regulated by the
 Financial Conduct Authority and the Prudential Regulation Authority. Registered Number 206064.

MAR 2017



BAR - 03/17